

3.3) Economic Profile

3.3.1) General Economic Overview

The largest of South Africa's nine provinces, the Northern Cape Province consists of 26 magisterial districts, which are divided into five District Municipal areas. With a surface area of over 360 000 square kilometers, the Northern Cape province covers approximately 30 per cent of the total land area of the country.

A unique combination of topography, geology, climate, soils and vegetation has endowed the province with incredible bio- diversity, mineral and agricultural wealth. The economy of the Northern Cape is based almost entirely on the exploitation of its natural resources and mining. The agricultural, fishing and mariculture and tourism sectors dominate the productive economy of the province.

The Northern Cape offers the prospective investor a wide range of highly attractive investment opportunities. In addition, the provincial and local government authorities are geared to facilitating the establishment of new business ventures by the private sector. The provincial government has committed itself to working in close association with the private sector to ensure that identified prospects for economic growth and development are maximized in the interests of the wider population of the province.

Soil and Vegetation:

Within Namaqua District Municipality there is considerable variation in the types of soil and vegetation. The coastal areas are characterised by a dune landscape with deep red sandy soils. The rocky soil types of the Richtersveld are more suited to crop production than the soils of the rest of the Namaqua District Municipality, but their relatively shallow depths and adverse climatic conditions, as well as the steep mountainous topography makes crop production non- viable.

The granite- derived loam soils of the valleys of the southern parts of the District Municipality, are suited to small-scale horticultural production but the production of wheat is constrained by climatic conditions. The single major exception to the generally poor quality or unsuitable soils in the province can be found on the banks of the Orange and Vaal rivers. Alluvial soils with higher loam contents result in relatively highly fertile soils. Together with the availability of water from these river systems, this makes large-scale irrigated agriculture possible in the area. There are still soils, as yet unutilized, along the Orange River as it passes through the Richtersveld region.

Climate

The province can be described as being semi- arid in the east (from Kuruman southwards to the Karoo), to arid in the central and far western parts (Gordonia, Kenhardt and Namaqualand). The central, northern and north- western parts of the province are situated in the area dominated climatologically by the Kalahari high-pressure system, which is well developed for most of the year. Precipitation

is therefore low in this area ranging from 400 mm per annum in the east to 200 mm per annum in the west. Seasonal variability, of the order of fifty per cent, means that drought is a common phenomenon.

Most of the rest of the region, from Calvinia in the south-east to the Richtersveld in the north-west, is also semi-arid to arid, with an average rainfall of between 100 mm and 200 mm per annum. In the Richtersveld itself, the mean average rainfall ranges from 15-300 mm per annum. Being a mountainous region, much of this rainfall is orographic and the mountain range prevents rainfall from spreading eastwards. Whereas most of the northern, eastern and central areas of the province lie in the summer rainfall area, the western and southern parts of Namaqualand region lie within the winter rainfall area. As a result, the average rainfall is typically higher in the Namaqualand region than in the Richtersveld region of the District Municipality.

In the Namaqua District Municipality the cold Benguela current has a marked effect on the climate and temperature, resulting in relatively mild temperatures with moderate variation. Thus, for example, the average daily maximum and minimum temperatures at Port Nolloth are 18°C and 10°C respectively.

Geology

The geology of the Northern Cape is what defines its mineral endowments and its potential for mineral exploitation via mining. In the main, the nature of the mineral deposits in the province necessitates large-scale mining. However, in the case of some mineral deposits, there is significant potential for smaller-scale mining.

The activation of this sector has been enhanced recently as a result of the passing of the Minerals and Petroleum Resources Development Act, which promises a reform of mineral rights policies.

Diamonds is the mineral for which the Northern Cape is famous. Kimberlites (diamond-bearing ores) are to be found in and around Kimberley, as well as along the Vaal River at Barkly West. Diamonds are also mined extensively in the Namaqua District Municipality area, particularly along the coast on the coastal alluvial fields.

Other mineral deposits include lead and zinc at Aggeneys, Broken Hill and Big Syncline, and relatively low-value industrial minerals such as lime, dolomite, sand and clay aggregates. Some of these industrial mineral deposits could be utilised to establish small enterprises. Copper deposits in the Namaqua District Municipality once formed the basis for a thriving industry. However, declining world copper prices have had the effect of reducing the relative contribution of the industry to virtually nil as far as economic growth is concerned. Internationally, the existence of large low-cost mines in other parts of the world means that a significant recovery in the area is extremely unlikely.

The pegmatite mineral deposits in the province are significant because they cover large areas. The Pegmatite Belt of the north-western part of the province

can be divided into two sections, the eastern and western sections. The western section is known as the Namaqualand Pegmatite Belt. Modern industry uses many of the minerals found in the pegmatites and the minerals exploited include beryl, spodumene, micas, tantalite, columbite, bismuth and feldspar. However, sparsely mineralised deposits and a high degree of mineral dispersion mean that many of the deposits are uneconomical for exploitation by the large-scale mining companies. This may imply that there is scope for small-scale mining development in the area.

3.3.2) The Provincial Economy

The economy of the province is dominated by mineral and agricultural production. The former makes the greatest contribution to the Gross Geographic Product (GGP) of the province (22 per cent), while agriculture, which contributes 10 per cent of the GGP of the province, is the single biggest employer of labour. Manufacturing activity is relatively underdeveloped in the province, contributing only 4 per cent to the GGP.

Structural economic problems have resulted in a decline in economic growth rates. The downscaling of mining activity in association with the depletion of mineral reserves is a great cause for concern, particularly in view of the limited scope for expansion in agricultural production, given the low and irregular rainfall in the province.

The future growth and development of a sustainable provincial economy may well depend upon the development of substitution economies, particularly in the areas of manufacturing based on mineral beneficiation, of tourism and small-scale mining. Diversification in agriculture and the processing of agricultural output also offer some scope for economic growth and land reform will have implications for this process.

3.3.3) Gross Geographic Product (GGP)

The Gross Geographic Product (GGP) is the most important magnitude in terms of productive activity. The GGP is a measure of the value of final output produced by a provincial economy over a period of one year.

The Northern Cape's share of the country's Gross Domestic Product (GDP) decreased from 3,1% in 1980 to 2,1% in 1995. This represents the lowest contribution of any of the nine provinces but is roughly proportionate to the relative size of the province's population. In absolute terms, in 1995, the value of the province's share of national GDP was R8.623 billion. Although the Northern Cape has the smallest economy of the nine provinces, its Gross Geographic Product (GGP) per capita is higher than the national average, i.e. R6 808 compared to R5 745, indicating that the province provides reasonable levels of economic activity to sustain its population.

The Statistics below shows the percentage contribution of the various economic sectors to the GGP of the Northern Cape.

Sector	% Contribution to GGP
Mining and quarrying	21.5
Agriculture and fisheries	9.6
Manufacturing	4.5
Electricity and water	3.6
Construction	2.1
Trade: wholesale, retail and accommodation	15.3
Transport, storage and communication	11.6
Finance and business services	13.1
Social	1.2
Government and community services	18.6
Other	1.8

It is clear that mining and agriculture are the mainstays of the provincial economy, with the former accounting for one fifth of the GGP of the province and the latter for one tenth. Government, financial services and trade account for a large proportion of GGP with the former growing significantly following the establishment of provincial government in 1994. Limited processing of primary commodity output in mining and agriculture takes place in the Northern Cape. This is reflected in the fact that manufacturing contributes only 4.7 per cent of the GGP of the province.

Viewing the GGP distribution from a sub-regional perspective, it is evident that the largest contribution comes from the Frances Baard Municipal District, which produced 36.3% of the nominal GGP in 1994. The Namaqua District Municipality approximately contributed R 650 m (+/- 12%) to the GGP during the same period.

The Hantam region of the Namaqua District Municipality is the smallest sub-region in terms of production in the province contributing only 4.3% to the GGP in 1994. Within this region agriculture contributed 33.6% and commerce and services collectively 22.1%. The only other sector with a sizeable contribution was finance with 11.3%. Between 1980 and 1994 the GGP of this region increased by 2.7% per year primarily because of the increase in production of electricity, gas and water (5.0%), agriculture (4.5%) and commerce (3.7%). The dominant contributors to the GGP in this sub-region were Calvinia (54.2%), Carnarvon (18.5%) and Williston (10.9%) respectively.

The GGP of the Namaqualand region of the Namaqua District Municipality is primarily comprised of mining (56.8%) and services (14.3%). The GGP of this region decreased by 2.9% per year during the period 1980 – 1994 with the largest percentage decline caused by construction (- 5.9%). This decrease was aggravated by the contraction in mining activities over the same period. It is estimated that mining production contracted by approximately R 259 million over the period 1980 – 1994.

3.3.4) *Employment*

According to data published by the Development Bank of Southern Africa, in 1995 the Northern Cape Province had 279 731 economically active people, of whom more than 55 per cent were in formal employment. In 1994, the average unemployment rate amongst the economically active labour force in the Northern Cape was 32,5%, which is higher than the national average of 29,3%.

Formal employment by sector in 1995

Sector	% Employment
Agriculture and fisheries	21.47
Mining and quarrying	15.61
Manufacturing	5.23
Electricity and water	1.26
Construction	5.77
Trade: wholesale, retail and accommodation	12.33
Transport, storage and communication	5.93
Finance and business services	3.60
Social	2.39
Government and community services	18.91
Other	7.50

3.3.5) **Provincial Sectoral Overview**

Mining and Mineral Processing

The exceptional mineral wealth of the Northern Cape province has ensured the importance - both nationally and internationally - of the mining industry in the province. The minerals economy of the Northern Cape is a hundred and fifty years old and is still the mainstay of its economy. In 1998, the Northern Cape produced about 37 per cent of South Africa's diamond output, 44 per cent of its zinc, 70 per cent of its silver, 84 per cent of its iron ore, 93 per cent of its lead and 99 per cent of its manganese.

Although certain sub- sectors of the mining industry in the Northern Cape are approaching maturity, with downscaling having already commenced or being soon about to commence, there are still significant reserves of a range of minerals as well as new, as yet unexploited deposits that will sustain the mining industry for many years to come. However, one of the ongoing challenges is how to stimulate increased levels of minerals processing in the province so as to enable the inhabitants of the Northern Cape to benefit to a greater extent from exploitation of the mineral wealth of the province.

Recent new minerals legislation has raised the prospect of the reconcentration of ownership in the mining industry, of increased access to mineral resources by junior and small- scale mining companies and by transformation and Black economic empowerment in the industry.

Agriculture and Agro- Processing

Agriculture is the other mainstay of the Northern Cape provincial economy. Despite the largely semi- arid and arid environment of the province, the fertile land that lies alongside the Orange and Vaal Rivers supports the production of some of the country's finest quality agricultural products. The province has become a major exporter of table grapes produced along the Orange River and is world renowned for the quality of the meat - Karoo lamb, ostrich, beef and venison – produced in the province. The Northern Cape is also well known for the production of wool, mohair and karakul pelts, as well as of dates, citrus products, wine and raisins.

Two major challenges face the agricultural sector in the Northern Cape, both of which if successfully overcome could make a massive increase to the agricultural sector's contribution to the provincial economy. Firstly, the industry must undergo and achieve transformation so that new and emerging farmers can take their rightful place as equal members of the commercial agricultural fraternity. To this end, the Department of Water Affairs and Forestry has allocated 4 000 hectares of new water rights for the purpose of developing emerging commercial farmers along the Orange River. This is being allocated through the Orange River Farmer Settlement Program and offers a massive investment opportunity through a large number of individual projects. Secondly, the irrigated agricultural sub- sector needs to achieve a greater level of diversification, not only to spread the aggregate risk across the irrigation sub-sector but also to promote the development of crops that have a high affinity for agro- processing. The development of an enlarged agro- processing industry in the province, which will contribute to growth in manufacturing and job creation, is a high priority for the provincial government Northern Cape.

Fishing and Mariculture

The Namaqualand coast of the Northern Cape province lies adjacent to one of the richest and most prolific marine eco- systems in the world. The cold, but nutrient- rich, up- welling Benguela current that runs along the NMD coast sustains an abundance of marine life that gives rise to enormous potential for the development of the fishing and mariculture industries.

The Namaqualand area already has a rich fishing and cray- fishing history but today the area's greatest economic opportunity lies in the development of the pump-ashore mariculture industry, which entails the cultivation of a range of high- value marine species, primarily for export to lucrative overseas markets. Early indications are that mariculture offers sufficient growth potential to replace diamond mining as the principal industry of the coastal parts of NMD over the long term. The provincial government is currently working closely with pioneer private sector business- people who have established new mariculture ventures in the area.

Tourism

In many respects, tourism in the Northern Cape can also be seen as a new industry with tremendous growth potential. Since 1994, the Northern Cape tourism industry has blossomed, largely as a result of the opening up of South Africa as a long-haul tourist destination for the world's travelers but also because the Northern Cape tourism product caters ideally for today's nature-based eco-tourist who is looking for a new experience. More importantly, a number of major new conservation and tourism developments are currently underway in the Northern Cape and offer a range of new investment opportunities in the province.

In 1999 approximately 61 000 overseas tourists visited the Northern Cape. It is believed that this figure could be much higher if it were not for the remoteness and vastness of the province. As the long distances make travel in the Northern Cape expensive and time-consuming, the province is faced with a competitive disadvantage in terms of short-term foreign tourists and the longer-staying foreign backpacker market.

The majority of overseas tourists who visited the Northern Cape in 1999 were holidaymakers, followed by VFR (Visiting Friends and Relatives) and business travelers. In the summer of 1999, for example, 63% of all overseas visitors to the Northern Cape came for holiday purposes, 18% for VFR purposes, 15% for business purposes and 4% came for other purposes.

The South African Tourism survey indicates that, in 1996 the Northern Cape received a 2% share of the South Africa domestic holiday market, equating to around 550 000 trips. Of the journeys to the Northern Cape, approximately 29% were to Upington, 19% to Kimberley and 54% to other Northern Cape towns. Forty four per cent of the domestic holiday visitors to the Northern Cape lived in Gauteng, 26% in the Western Cape, 15% lived in the province and smaller percentages in the other provinces.

Commercialization of Tourism Assets in National Parks

South African National Parks, SANParks, is the organization mandated to maintain South Africa's network of nineteen national parks. In the face of declining state subsidies and recognizing that South Africa's current system of national parks is far from being complete (with many habitats and ecosystems remaining unprotected), SANParks has had to find new ways of increasing net revenues.

Happily, the natural asset base that the nation's nineteen national parks represent provides a range of opportunities, which, if leveraged in an optimal manner, would present SANParks with a bright future in so far as the protection of South Africa's national bio-diversity is concerned. One strategy that the SANParks has adopted recently is its "Commercialization as a Conservation" Strategy.

Through this strategy SANParks has declared its intention of generating additional revenue in order to ensure better conservation of South Africa's

national parks by granting an opportunity to the private sector to operate within its parks without state assets being alienated. In addition to the concessioning of existing camps and restaurant and other retail facilities, eleven new undeveloped concession sites have been offered to the private sector.

In the Northern Cape one of these is in the Kgalagadi Transfrontier Park and it is anticipated that others will soon be identified in the five other national parks located in the Northern Cape, namely: the Ai- Ais Richtersveld Transfrontier Conservation Park, the Au-grabies, Vaalbos and Tankwa Karoo National Parks, as well as in the newly proclaimed Namaqua National Park.