DEMOGRAPHIC AND HEALTH PROFILE

Eastern Cape, with a median age of 22.4 years in 2011, has the second youngest provincial population in South Africa. As is usually the case for less developed populations, the province also has relatively high levels of fertility and mortality. In the period 2006-2011 the province had a total fertility rate (TFR) of about 3 children per woman and a life expectancy at birth of 53.2 years. In every 1 000 live births that occurred in the province in 2007, 77 children are expected to die before their fifth birthday. This estimate of child mortality rate is higher than the national estimate for the same year. The high mortality and fertility levels are concurrent with net out-migration of the population from the province. Out of the 9 provinces of South Africa, Eastern Cape experienced the largest net loss of population (about 215 000) through inter-provincial migration between 2006 and 2011.

The demographic and health profiles observed in the province bring along a number challenges and benefits. The challenges include, among others, excessive pressure put on schooling and health systems by the young age structure. Benefits include guaranteed expansion of potential workforce in the future.

ECONOMIC AND LABOUR PROFILE

According to figure 2, the economy of the province grew by an annual average of 2.8% between 1996 and 2010. In 1996, the economy grew from 3.4% to -0.5% in 1998. This was a result of the decline in the secondary industries particularly manufacturing activity which is a significant driver of the economy. From then onwards the economic activity has been robust recording growth rates of 5.4% in 2006 and 2007. Due to the impact of the global recession, the economic sectors in the province were affected resulting in the economy receding to -1.1% in 2009. By the year 2010, the economy had recovered dramatically from the impact of the crisis and recorded 2.2% growth rate.

The main contributors to the 2010 growth rate according to figure 3 were manufacturing wholesale & trade and government services sectors. The finance sector also made some significant contribution during the year. The offset came from personal services sector which had shed off -0.1% of total output in the province.

Figure 4 illustrates a relatively diversified economy. The finance sector accounts 20.1% of total output in the province, followed by government services accounting 18.8%. The construction and electricity sectors have the least share in total output in the province.
Figure 6 shows that community services and wholesale & retail industries are the largest employers in the province accounting 26.2% and 24.3% respectively of the labour market. The electricity industry accounts only 0.3% of those employed in the labour market. A large proportion of the youth is employed in the wholesale & retail industry while those in the 35-64 age cohort are employed by the community services industry. This is an indication that the labour market lacks the ability to absorb the right skills in industries which will contribute significantly to economic growth.

The unemployment rate in the province has grown by an annual average rate of 26.8% in the past decade. The youth unemployment rate on the other hand grew by an annual average of 37.3%. According to figure 7, the youth in the province have an unemployment rate which is higher than the aggregate unemployment rate. This highlights the inability of the labor market in the province to create sufficient jobs that will absorb even the young people looking for employment. It is further not in line with the government’s objective of halving unemployment and poverty by 2014.

**ACCESS TO BASIC SERVICES**

The standard of living and quality of life for the people in the Eastern Cape Province is largely influenced by improved access to basic services. Backlog figures indicated in figure 8 below highlights that refuse backlogs in 2007 were the highest while sanitation had the least backlog figures than water and electricity in 2011. During 2011, the percentage of households without access to electricity was estimated at 37% that is 622,616 households without access. Figure 8 below implies that the province is still bearing the burden of refuse services in general, while the number of households with access to sanitation has increased significantly, hence less sanitation backlogs.

**Figure 5: Industry employment**

**Figure 6: Industry employment by age**

**Figure 7: Unemployment rate**

**Figure 8: Number of households without access to services**

Source: Stats SA, DBSA Information Analysis Unit calculations

Source: DWA, DME, Stats SA
In terms of the support rendered by the DBSA to the province, the Siyenza Manje program assigned Deployees to under-resourced municipalities in the province as shown in figure 9. These were technical and planning experts aided by a young professional. The Deployees helped to facilitate projects worth over R495.4 million during the 2006/07 to 2010/11 financial years. These projects are depicted in figure 10 below. The roads and drainage sector accounted more than 47% of the total loan amount to the province.

**Figure 9: Deployees to the province**

![Map showing deployment of experts to local municipalities](image)

Source: DBSA South African Operations Division

During the period 2006/07 to 2010/11 financial years, the total value of loans disbursed was over R676.5 million. Bulk of the loans disbursed was allocated to the roads and drainage sector (75.1%). Of the total amount of loans disbursed, 75% of the projects were completed and the remaining 25% were in the implementation stages. According to figure 11, the Buffalo City Metropolitan Municipality had R420 million worth of completed projects which were mainly in the roads and drainage sector.

**Figure 10: Sector allocation of loans**

![Chart showing sector allocation of loans](image)

**Figure 11: Completed projects**

![Map showing completed projects](image)

Source: DBSA South African Operations Division

**Figure 12: Proportion of sector disbursements**

![Chart showing proportion of sector disbursements](image)
MACROECONOMIC IMPACT OF DBSA SUPPORT TO THE EASTERN CAPE PROVINCE

The Social Accounting Matrix (SAM) model was used to calculate the impact of the DBSA’s (SA Operations Division) funding during the 2010/11 financial year. The approved funding portfolio together with the signed agreements are said to have potential impact which comes into effect once the funds are actually disbursed. Only the disbursed funding portfolio has an actual development impact on the province. The DBSA’s disbursement to projects in the province was R215 million in the 2010/11 financial year and an estimated 83 employment opportunities were created.

According to Table 1, the share of Eastern Cape in the funding of provinces in the 2010/11 financial year was between 1% and 7%. The DBSA funding is in line with the socio-economic challenges experienced by the province. It is a reflection of the relative abundance of appropriate investment opportunities in the province which fall within the funding strategy of the Bank.

Table 1 further depicts how a R1 million investment in the tourism sector is estimated to have an impact on GDP of R1.28 million. The lowest impact on GDP is estimated to be in the energy sector. Similarly, an investment of R1 million in the agriculture sector will contribute to the creation of 28.01 employment opportunities.

Table 1: Actual impact of DBSA’s disbursements on GDP and employment (2010/11)

<table>
<thead>
<tr>
<th>Approved DBSA &amp; Co-Funders (R mil)</th>
<th>Total Funds Approved (R mil)</th>
<th>Signed Agreements (Rmil)</th>
<th>Funds Disbursed (R mil)</th>
<th>Impact on GDP per R1 mil investment</th>
<th>Impact on Employment per R1 mil investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>R226</td>
<td>R90</td>
<td>R41</td>
<td>R215</td>
<td>Highest impact</td>
<td>Lowest impact</td>
</tr>
<tr>
<td>Percentage share of Eastern Cape in DBSA Funding</td>
<td>(2%)</td>
<td>(1%)</td>
<td>(1%)</td>
<td>(7%)</td>
<td></td>
</tr>
<tr>
<td>Tourism (1.28)</td>
<td>Energy (0.34)</td>
<td>Agriculture (28.01)</td>
<td>Energy (2.01)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: DBSA South African Operations Division, Information Analysis Unit

The impact on GDP by almost all the sectors is relatively significant as shown in figure 13. However, the impact on employment in the infrastructure sectors which fall within the DBSA funding mandate (i.e. water, roads & drainage, energy) is very low as depicted in figure 14. Investment in these sectors is enabling and creates opportunities for private sector investment. The impact on employment is highest in the production sectors especially agriculture and tourism as well as in residential facilities and education.

Figure 13: Impact on GDP per R1 mil investment

Figure 14: Impact on Employment per R1 mil investment

Source: DBSA Information Analysis Unit
## STRENGTH AND CHALLENGES IN THE PROVINCE

<table>
<thead>
<tr>
<th>INDICATORS</th>
<th>STRENGTH</th>
<th>CHALLENGES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Socio-economic indicators</td>
<td>Economy relatively diversified.</td>
<td>The labour market lacks the ability to absorb the right skills in industries which will contribute significantly to economic growth.</td>
</tr>
<tr>
<td></td>
<td>Manufacturing the largest contributor to economic activity.</td>
<td>High unemployment especially amongst the youth.</td>
</tr>
<tr>
<td></td>
<td>The DBSA funding is in line with the socio-economic challenges experienced by the province</td>
<td>Investment in the energy sector has limited impact in economic growth and employment.</td>
</tr>
<tr>
<td></td>
<td>Guaranteed expansion of potential workforce in the future.</td>
<td></td>
</tr>
<tr>
<td>Access to basic services</td>
<td>Improvement in access to basic services of water and, sanitation.</td>
<td>Excessive pressure put on the schooling system by the youth age structure.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hugely burdened with provision of refuse removal services and to a lesser extent electricity.</td>
</tr>
</tbody>
</table>

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