DEMOGRAPHIC AND HEALTH PROFILE

The population of Mpumalanga, with a median age of 23 years in 2011 is one of the youngest in the country. The province had the smallest proportion of the elderly (4%) and the second largest proportion of children aged 0-14 years (33%) in 2011. Demographically, this implies that the working age population in the province is among the heavily burdened in the country.

Figure 1: Characteristics of the population in Mpumalanga

ECONOMIC AND LABOUR PROFILE

During the period 1996 to 2010, the economy in Mpumalanga grew by an annual average of 2.9%. The growth was largely driven by the tertiary sector which includes wholesale & retail, transport, finance, personal services and government. These sectors make up cumulative 44.6% of total provincial GDP output. Figure 2 shows that in 2009 GDP grew by -1.7%. This was a result of the global recession which affected economic activity in the province. However, the economy recovered and grew by 2.5% the following year as a result of the manufacturing and mining sectors which contributed 1.1 and 0.7 percentage points to the provincial GDP as depicted in figure 3. These sectors make up a cumulative 35.2% of GDP as shown in figure 4. The financial services sector accounted 11.8% of total GDP in 2010, however only managed to contribute 0.1 percentage points in 2010.

Figure 2: GDP growth rate  
Figure 3: Sectoral contribution to GDP growth (2010)  
Figure 4: Composition of GDP (2010)

Source: Stats SA, DBSA Information Analysis Unit calculations
The largest employers in the province are the wholesale and community services industries accounting 24.3% and 19.4% respectively of the labour market. According to figure 6, the youth in the province is mainly employed in the community services, wholesale and private households (domestic workers) industry. These are sectors that do not require particular skills or educational qualification, an indication of the mismatch between the skills and what the economy requires in order to contribute significantly in growing the economy. A large proportion of those in the 35-64 age cohort are also employed in the wholesale industry.

Over the past decade, the unemployment rate in the province grew by an annual average of 27.5%. Figure 7 shows that the unemployment rate reached its peak in 2003 and also 2006 when it grew by 31% in both years. From 2007 onwards, the unemployment rate receded from 28.8% reaching 26.7% in 2010. The marginal decline in the rate of unemployment shows how the province has not been able to reduce its rate of unemployment according to the government’s objective of halving unemployment by 2014.

Over the years, the province has been having a high rate of unemployment by the youth. According to figure 7 the youth unemployment rate has remained consistently high, higher than the aggregate unemployment rate in the province. On average, the youth unemployment rate grew by about 40% over the past 10 years. This is an indication of the inability of the labor market in the province to create sufficient jobs that will absorb the youth looking for employment.

**ACCESS TO BASIC SERVICES**

The standard of living and quality of life for the people in the Mpumalanga 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 water had the least backlog figures than sanitation in 2011. During 2011, the percentage of households without access to electricity was estimated at 25% that is 220992 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 water has increased significantly, hence less water backlogs.

Figure 8: Number of households without access to services

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 10. These include technical and planning experts aided by young professionals. The Deployees helped to facilitate projects worth R613.3 million. These were in energy, roads and drainage, sanitation, transport, commercial and water sectors. According to figure 10, projects in the sanitation and energy sectors were 33.9% and 29.9% respectively of loans distributed per sector.

During the period 2006/07 to 2010/11 financial years, the total value of loans fully disbursed was over R185.1 million worth of projects. The bulk of the disbursements were allocated to projects in the water sector as depicted in figure 11. Of the total amount of loans disbursed, 13.6% of the projects were in the implementation stages and 86.4% were completed projects. According to figure 13, Mbombela, Emalahleni and Dipalaseng municipality received the highest value of loans between R181.8 million to R252.5 million in the 2006/07 to 2010/11 financial years.
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 R139 million and an estimated 44 employment opportunities were created.

According to Table 1, the share of Mpumalanga during the 2010/11 financial year ranged between 5% and 6% in the funding portfolio of provinces. The DBSA funding is relatively not in line with the socio-economic challenges experienced by the province. This is a reflection of the relative scarcity of appropriate investment opportunities in the province rather than 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 R1.25 million. The lowest impact on GDP is estimated to be in the energy sector. Similarly, an investment of R1 million in the tourism industry will contribute to the creation of 10.52 employment opportunities. By directing more investment to more sectors a larger impact can be achieved to address the challenges that the province faces such as unemployment, inequality and poverty.

### Table 1: Actual impact of DBSA’s disbursements on GDP and employment

<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>R555</td>
<td>R435</td>
<td>R210</td>
<td>R139</td>
<td>Highest impact</td>
<td>Lowest impact</td>
</tr>
<tr>
<td>(6%)</td>
<td>(5%)</td>
<td>(6%)</td>
<td>(5%)</td>
<td>Tourism (1.25)</td>
<td>Energy (0.37)</td>
</tr>
<tr>
<td>Percentage share of Mpumalanga in DBSA</td>
<td></td>
<td></td>
<td></td>
<td>Highest impact</td>
<td>Lowest impact</td>
</tr>
<tr>
<td>(6%)</td>
<td>(5%)</td>
<td>(6%)</td>
<td>(5%)</td>
<td>Tourism (10.52)</td>
<td>Energy (1.21)</td>
</tr>
</tbody>
</table>

Source: DBSA South African Operations Division, Information Analysis Unit

The impact on GDP is relatively significant in some of the sectors as shown in figure 13. The impact on employment however is low in the infrastructure sectors which fall within the DBSA funding mandate (water, roads, drainage and energy) but high in tourism, education (formal, recreational and residence) and residential facilities. More investment in the infrastructure sectors is enabling and creates opportunities for private sector investment.

### Figure 13: Impact on GDP per R1 mil investment

**Source:** DBSA Information Analysis Unit

### 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 is relatively diversified.</td>
<td>➢ High unemployment especially amongst the youth.</td>
</tr>
<tr>
<td></td>
<td>➢ Good economic growth.</td>
<td>➢ Limited DBSA impact on socio-economic challenges due to relative scarcity of appropriate investment opportunities in the province.</td>
</tr>
<tr>
<td></td>
<td>➢ Wholesale and community services sectors are largest employers in the province</td>
<td></td>
</tr>
<tr>
<td>Access to basic services</td>
<td>➢ Improvement in access to basic services of water, sanitation and electricity.</td>
<td>➢ The working age population in the province is among the heavy burden in the country.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>➢ Hugely burdened with provision of refuse removal services.</td>
</tr>
</tbody>
</table>
Proposed by
Information Analysis Unit
Development Planning Division
Development Bank of Southern Africa
PO Box 1234
Halfway House 1685
South Africa

Intellectual Property and Copyright
© Development Bank of Southern Africa Limited
This report is part of the knowledge products and services of the Development Bank of Southern Africa Limited and is therefore the intellectual property of the Development Bank of Southern Africa Limited. All rights are reserved. No part of this document may be reproduced, stored in a retrieval system or be transmitted in any form or by any means, whether electronic, mechanical, photocopied, recorded or otherwise, without the prior permission of the Development Bank of Southern Africa.

Legal Disclaimer
The findings, interpretations and conclusions expressed in this report are those of the author/s and or not necessarily those of the Development Bank of Southern Africa. In the preparation of this document, every effort has been made to offer the most current, correct and clearly expressed information possible. Nonetheless, inadvertent errors can occur, and applicable laws, rules and regulations may change. The Development Bank of Southern Africa Limited makes its documentation available without warranty of any kind and accepts no responsibility for its accuracy or for any consequences of its use.