DEMOGRAPHIC AND HEALTH PROFILE

With an estimated population of approximately 5.3 million and a median age of 27 years in 2011, the Western Cape has the fifth largest and second oldest provincial population in South Africa. The province has the lowest mortality level and commands one of the largest proportions of the elderly in the country. Between 2006 and 2011 Western Cape recorded an under-five mortality rate of 38.8 deaths per 1 000 live births and a life expectancy at birth of 62.9 years. Its fertility level (TFR of 2.3 children per woman) was the second lowest during the same period. For every 100 people in Western Cape, 5 were estimated to be HIV positive in 2010. This prevalence rate was the lowest in the country and less than half the national estimate (13.7%) for the same year. Western Cape is one of the two provinces of South Africa (the other being Gauteng) that are the main destinations for internal migrants. During the period 2006–2011 the province attained a net-gain of close to 100 000 people through inter-provincial migration.

The demographic profile of the Western Cape means, among other things, that population of working age in the province carries a relatively lower dependency burden compared to their counterparts in the provinces that have younger age-structures. The health profile, on the other hand, suggests that the province is the healthiest in the country. The negative aspects of the existing demographic and health profiles of the province include increasing demand for health expenditure usually associated with ageing populations.

Figure 1: Characteristics of Western Cape population

Source: Stats SA, HST, DBSA Information Analysis Unit calculations

ECONOMIC AND LABOUR PROFILE

The Western Cape Province is the third largest contributor to national GDP as depicted in Table 1. In the past 5 years it has added more than 14% annually to the national GDP relative to the other provinces. This is a result of the province being South Africa’s second main economic centre and Africa’s third main economic hub city. In the past five years, the economy grew by an annual average of 3.6%.

Growth was driven mainly by the finance and manufacturing sectors with contributions of 1.0% and 0.8% respectively as depicted in figure 2. The finance sector makes up 29.2% of provincial GDP output while manufacturing makes up 15.3% of provincial GDP as shown in figure 3. The significant contribution by the finance and manufacturing sectors is due to the province heading a number of corporate headquarters and manufacturing centres.

Table 1: Provincial contribution to SA GDP

<table>
<thead>
<tr>
<th>Province</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>WC</td>
<td>14.5%</td>
<td>14.5%</td>
<td>14.3%</td>
<td>14.1%</td>
<td>14.1%</td>
</tr>
<tr>
<td>EC</td>
<td>7.7%</td>
<td>7.5%</td>
<td>7.5%</td>
<td>7.6%</td>
<td>7.7%</td>
</tr>
<tr>
<td>NC</td>
<td>2.2%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.3%</td>
<td>2.3%</td>
</tr>
<tr>
<td>FS</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.4%</td>
<td>5.5%</td>
</tr>
<tr>
<td>KZN</td>
<td>16.2%</td>
<td>16.1%</td>
<td>16.0%</td>
<td>16.0%</td>
<td>15.8%</td>
</tr>
<tr>
<td>NW</td>
<td>6.5%</td>
<td>6.5%</td>
<td>6.6%</td>
<td>6.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>GP</td>
<td>33.8%</td>
<td>34.0%</td>
<td>33.8%</td>
<td>33.9%</td>
<td>33.7%</td>
</tr>
<tr>
<td>MP</td>
<td>6.9%</td>
<td>6.9%</td>
<td>7.1%</td>
<td>7.1%</td>
<td>7.0%</td>
</tr>
<tr>
<td>LIM</td>
<td>6.8%</td>
<td>6.8%</td>
<td>7.0%</td>
<td>7.0%</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

Source: Stats SA, DBSA Information Analysis Unit calculations

Figure 2: Sector contribution to GDP growth (2010)

Figure 3: Composition of GDP (2010)
The province has two large employers according to figure 4; the wholesale & retail trade and community industries accounting 21.4% and 20.5% respectively, of the labour market. The manufacturing and the financial services industries are also making a significant contribution to employment creation in the province. Figure 5 shows that a large proportion of the youth is employed in wholesale & retail trade industry which is labour intensive and requires less skill. Those in the 35-64 age cohort are employed largely in the community services and wholesale & retail trade industries.

The unemployment rate in the province has grown by an annual average rate of 18.2% in the past decade. According to figure 6, the unemployment rate reached its peak in 2003 reaching 20% from 14.1% in 2000. From 2004 province experienced a continued increase in the rate of unemployment and has not yet recovered. The impact of the 2008/09 global financial crisis exacerbated the situation where more people were left unemployed. The same pattern is observed amongst the youth albeit with a higher unemployment rate. The increased rate of unemployment for both the province as a whole and the youth therein highlights the challenge faced by the labour market in creating employment opportunities. This is 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 Western Cape Province is largely influenced by improved access to basic services. Backlog figures indicated in figure 7 below highlights that electricity backlogs in 2011 were the highest while water had the least backlog figures than sanitation during the same year. In the course of 2011, the percentage of households without access to refuse removal was estimated at 9% that is 122,508 households without access. This implies that the province is still bearing the burden of electricity services in general, while the number of households with access to water has increased significantly, hence less water backlogs.

**Figure 4: Industry employment (2010)**

**Figure 5: Industry employment by age (2010)**

**Figure 6: Youth unemployment rate**

**Figure 7: Number of households without access to services**

Source: DWA, DME, Stats SA
DBSA SUPPORT TO THE WESTERN CAPE PROVINCE

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 8. These were specialists aided by young professionals. The Deployees helped to facilitate projects worth over R4.5 billion during the 2006/07 and 2010/11 financial years. Figure 9 below shows that the transport sector accounted 36.5% of the loans distributed during the 2006/07 and 2010/11 financial years.

The total value of loans disbursed between 2006/07 and 2010/11 financial years was just over R2.4 billion worth of projects. The bulk of the disbursements were allocated to roads and drainage (32.7%) as shown in figure 11. Of the total 2.4 billion, 98.2% were projects that were completed and the remaining were in the implementation stages.

Source: DBSA South African Operations Division
MACROECONOMIC IMPACT OF DBSA SUPPORT TO WESTERN CAPE

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 R243 million and an estimated 23 employment opportunities were created.

According to Table 2, the share of Western Cape in the funding of provinces in the 2010/11 financial year was relatively significant in all the funding portfolios. Given that the province is the largest contributor to national GDP and the economic hub of the country, the DBSA funding is reasonably in line with the socio-economic challenges experienced by the province.

The level, the distribution and the disbursement of funding in the various sectors have a major impact on the provinces’ ability to reach the objectives to grow the economy and create employment in line with the government’s objectives. The impact of funding on the various sectors is reflected in the investment multipliers of the sectors as shown in figure 12 and 13.

A R1 million investment in the tourism sector is estimated to have an impact on GDP of R1.49 million and the lowest impact is estimated to be in the energy sector. Similarly, an investment of R1 million in the tourism sectors will contribute to the creation of 8.42 employment opportunities while the energy sector will contribute to only creating 1.17 employment opportunities.

Table 2: 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>R80</td>
<td>R445</td>
<td>R204</td>
<td>R243</td>
<td>Highest impact</td>
<td>Lowest impact</td>
</tr>
<tr>
<td>(6%)</td>
<td>(5%)</td>
<td>(6%)</td>
<td>(8%)</td>
<td>Tourism (1.49)</td>
<td>Energy (0.37)</td>
</tr>
</tbody>
</table>

Source: DBSA South African Operations Division, Information Analysis Unit

According to figure 12, more sectors yield a significant impact on GDP compared with the impact on employment creation in figure 13. The impact on employment is significant only in the productive economic sectors such as agriculture and tourism compared to the infrastructure sectors which fall within the DBSA mandate (water, roads & drainage and energy). Investment in these sectors is enabling and creates opportunities for private sector investment.

Figure 12: Impact on GDP 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>
</table>
| **Socio-economic indicators** | ➢ Relatively diversified economy.  
➢ Good economic growth driven largely by the significant contribution of the finance sector.  
➢ Third largest contributor to national GDP.  
➢ Relatively high impact on socio-economic challenges as a result of availability of appropriate investment opportunities in the province. | ➢ Rising unemployment especially amongst the youth.  
➢ Wholesale & retail sector largest employer of the youth in the labour market.  
➢ Impact on employment is lowest in the infrastructure sectors that fall within the DBSA funding mandate. |
| **Access to basic services** | ➢ Improvement in access to basic services of water, sanitation and refuse removal. | ➢ Hugely burdened with provision of electricity services.  
➢ Negative aspects of the existing demographic and health profiles of the province include increasing demand for health expenditure usually associated with ageing populations. |

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