

BUDGET STATEMENTS 2008 / 2009



LIMPOPO

PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

*The heartland of Southern Africa -
development is about people*

BUDGET STATEMENTS
2008 / 2009

FOREWORD 2008/09 Budget Statement

The budget Statements we are releasing provide valuable insight into the financial and service delivery information which is necessary to effectively measure the performance of this government. They clearly depict the priorities and key areas of focus that will enjoy funding with the key motivations of the decisions that we made.

During the 2008/09 MTEF period, the Limpopo Government will be clearly focused on addressing the critical needs of the social sector. It is of absolute importance for us to begin to tackle in a very focused and systematic way, the backlogs that continue to characterize our outlook on the social sector. We still have the overwhelming majority of our people dependent on government services. Needless to say that these people would be vulnerable and without options or alternative means to provide for their needs and those of their dependents.

Further more, whereas our economy continues to do relatively well, one of its main challenges is its shortcoming in as far as the creation of jobs is concerned. We still have not succeeded in creating as many jobs as we require that would impact significantly on the unemployment figures that plague our province.

This budget therefore attempts to accelerate access to social services and grow the economy in a way that will improve the living conditions of our people and expose them to the better life they so desperately long for.

We trust that the 2008/09 MTEF Budget Framework will, in a very clear and measurable way, place our people at the centre of our government's programmes, priorities and strategies. They must in their number bear testimony to the fact that, in Limpopo – **development is about people!**

SA'AD CACHALIA

MEMBER OF THE EXECUTIVE COUNCIL

LIMPOPO TREASURY

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1. BUDGET STRATEGY AND AGGREGATES

The budget for 2008-09 has been able to fund programs which were inadequately funded in the previous years. In the past the province has been funding more of economic cluster programs and projects and not funding social cluster as it is required in terms of national norms. The province is experiencing some economic growth but the development still remains a challenge as it is explained in the forthcoming sections of this document. Development matters are still lacking behind. The shift towards funding social cluster adequately does not necessarily mean that the province is experiencing economic growth that it would like to have but it is a matter of meeting the basic needs of Limpopo population.

The budget is also addressing labour agreements which have been outstanding for a long time such as Occupational Specific Dispensations in affected departments. The provincial departments are arranged according to clusters. The clusters are Social Cluster, Economic Cluster and Government and Admin Cluster.

1.1. SOCIAL CLUSTER

The Social Cluster is constituted by the Departments of Health and Social Development, Education, Safety and Security. The main focus of the cluster in terms of implementing the PGDS objectives lies on the general improvement on the health status of the provincial population, meeting the basic needs of the population, integration of social infrastructure and the development of HR potential of the province.

Improving the health status of the population

Improvement on the health status of the population will be done by strengthening primary health care system. Improving access to Primary Health Care services as one of the key focus areas will be addressed by increasing the number of clinics providing 24 hours service such that 100% of clinics will be providing 24Hrs service by the end of the 2008/2009 financial year. Presently 75% of clinics provide 24hrs service. For this course the province has injected an amount of R21 698 million to top up the funding for the goods and services for the new clinics and the achievement of the set targets to increase the provincial number of clinics that provide a 24 hour service from 75 percent in 2007/2008 to 90 percent for the financial year 2008/2009. A positive growth rate of 16.6 percent on nominal terms for the Programme: District Health Services for the period 2007/2008 to 2008/2009 financial period and 12.1 percent over the 2008/2009 MTEF crystallized the provincial efforts to improve the access to primary health care services. Provision of free health services, provision of pharmaceutical services, improving emergency response times, improving the welfare of children and community rehabilitation is necessary for improving health status of the population. As part of the provincial acknowledgement of the aforesaid analogy, the province has added an amount of R78 million (35.1 percent) under the Emergency Medical Services (EMS) for the 2008/2009 financial year.

A further injection amounting to R312 million (36.3 percent) under the Central Hospital Services and to R259 million (27.7 percent) under the Health Facilities Management has been added to the baselines of the aforementioned programmes.

Furthermore, the province strides to reduce the incidence of HIV/AIDS, Malaria and TB. For the abovementioned provincial health goals, the province has budgeted an amount of R32 539 million for the prevention of TB (MDR) for the financial year 2008/2009. In addition, the province injected an amount of the R10 million to the Government Aids Action Plan (GAAP) for the financial year 2008/2009. The Province is performing well in as far as reducing the priority diseases such as Malaria, TB but there is a need to reduce them further.

For the better implementation of the above-mentioned programmes and strategies, there is a need for well capacitated personnel to render services required for each programme for better and faster implementation of the health programmes. Therefore, it is on those grounds that the Health Science and Training budget increases by 25,5 percent on nominal terms for the financial period 2008/2009 and by 16, percent over the 2008/2009 MTEF to train 600 nursing assistance and 50 social auxiliary workers.

Meeting the basic needs of the population

Provision of basic services to a number of provincial households totaled 1.3 million in the province will be done in an endeavor to meet the basic needs of the population. Currently, about 80% of the households have been provided with water. The Province is planning to increase the target to 85% of households' provision in 2008/2009. 74% of households are provided with electricity, the plan is to reach 77% of households' provision of electricity in 2008-09. On sanitation the prevailing situation is that 50% of households are provided with sanitation. The plan is to reach 54% provision by the end of 2008-09. In addition, the province plans to increase the prevailing 70% in free basic water to 75% in 2008/2009, and improve the current rate of 42% free basic electricity to 55% in 2008/2009. For this purpose the national government has made funds available through the conditional grant from national government to the municipalities. Moreover, the afore-mentioned objectives are catered under the government EPWP.

Integrated Human Settlement

The main focus on Integrated Human Settlement is to upgrade informal settlement. About 6000 units under informal settlement upgrading have been completed for the year 2007 and 1845 number of units is to be completed at the end of 2008. Furthermore, for the financial year 2008/2009 the province plans to reduce the housing backlog from the current rate of 83.14 % to 33%.

For this set target the Department of Local Government and Housing is tasked to spearhead the completing of 15 553 units in both blocked project and informal settlement upgrading. In response to this the province receives an increase in its Integrated Housing and Human Settlement grant to R783 247 million, R939 677 million and R 116 678 million for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively.

Integrated Social Infrastructure

The planned integrated social infrastructure include construction of condemned classrooms in 47 schools, construction of 121 administration blocks ,construction of 3 model rural schools ,construction of 3 new schools in hotspot urban areas, refurbishment of multipurpose centers ,erection of 396 toilet units at schools without toilets.

Health related social infrastructure to be constructed include electrification of 59 clinics, building of 62 staff houses ,60 hostel rooms, and 102 flats. About R292,3 million is required for revitalization of seven hospitals.

In attempt to address the aforementioned social infrastructure needs, the province receives injections to its Provincial Infrastructure grant amounts to R 1 076 297 billion R1 305 175 billion and R1 494 121 billion for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. Moreover, the Hospital Revitalisation grant increases by R300 million, R400 million and R900 million in 2008/2009, 2009/2010 and 2010/2011 respectively. Therefore, all the aforementioned injections seek to address peculiarly the provincial social infrastructure.

Development of Human Resource potential of the province

Development of HR potential of the province will be achieved by focusing on the implementation of Adult Basic Education and Training, Early Childhood Development, Matric improvement and Recapitalization of FET colleges. The development of Human Resource (HR) potential of the province is in line with the provincial Human Development Strategy and the national policy on the development of scarce skills, that is, Joint Initiative for Priority Skills Acquisition (JIPSA)

Adult Basic Education and Training

Adult Basic Education will be enhanced through establishment of Adult Basic education and Training (ABET) centers, appointment and training of ABET educators and implementation of ABET learnerships. This seeks to address the provincial problem of high levels of illiteracy. For this programme, the province targets to reduce the levels of illiteracy to 10% by the end of the financial year 2008/2009. Currently, 543 ABET centers are in operation and 582 centers are to be established in 2008/2009. Therefore, to cater for the improvement in the provincial level of education, the province appropriates an amount of R296 774 million, R308 383 million and R326 070 million for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. This signifies a positive nominal growth rate of 9.1 percent for the financial year 2008/2009 and 7.0 percent nominal growth rate over the 2008/2009 MTEF.

Early Childhood Development.

This will be implemented through the provision of access in the public ordinary schools, provision of scholar transport, provision of nutritional food. It is estimated that about R31.2 million is required to enroll 539 400 grade R-3 learners; R500 750 673 million for 2557 no fee schools, R21 million for provision of nutritional food to 9000 learners and R108 million for transporting learners to school. It is therefore on that course that the province increases its early childhood development allocation to R155 759 million, R228 615 million and

R445 775 million for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. This signifies a significant increase of 143.6 percent for the financial year 2008/2009 and 91.0 percent over the 2008/2009 MTEF.

Grade 12 improvement

In order to improve the Grade 12 pass rate in Limpopo province, the province seeks to provide intensive training of further education and training phase to teachers on Maths Literacy and life orientation. In this regard, the province intends to improve the Maths pass rate from the current rate of 36%, Physical Science (42%) and Economic Sciences (43%) to 42 %, 57% and 50 % in 2008 respectively.

In a means to remain in line with the PGDS and the national policy (JIPSA), the province has budgeted an amount of R11 942 billion, R13 395 billion and R14 403 billion under the Public Ordinary Schools Education in 2008/2009, 2009/2010 and 2010/2011 respectively. This signifies a positive growth rate of 16.7 percent on year on year growth rate from the financial year 2007/2008 to 2008/2009 financial year and a positive growth rate of 12.1 percent over the 2008/2009 MTEF. The Public Ordinary Schools Education budget seeks to fund subprogrammes like No Fee Schools, Occupational Specific Dispensation for educators, Implementation of the new curriculum, employment of additional educators, especially for Maths and Science, the upliftment on payments of educators, additional support staff at schools and human resource development, and provincial education infrastructure grant.

It is therefore important to highlight the fact that the afore-mentioned growth rates in terms of funding contributes positively to improve the Limpopo provincial learner per capita expenditure hence it is estimated to improve learner per capita expenditure from R5 899 in Public ordinary Schools to R7 011. This reflects an increase of R1 112 compared to 2007/2008 financial year.

Recapitalization of FET colleges

Recapitalization of FET colleges will focus on delivery of new FET programmes, implementation of learnerships in FET colleges and to encourage the private sector to partner with the FETs. In this regard the FET colleges still remain one of the provincial strategic interventions to provide skills which are required by the economy. For this course, the province allocates R296, 774 million, R308 383 million and R326 070 million in 2008/2009, 2009/2010 and 2010/2011 respectively. This is witnessed a significant positive growth rate of 16.7 percent achieved from 20087/2008 to 2008/2009 and by 8.7 percent over the 2008/2009 MTEF.

Reducing crime and corruption

Crime impacted negatively on the economy of the country and that of the province. The PGDS targets to reduce crime by 50% by 2009. In response to this, the province has budgeted an amount R10 370 million, R11 138 million and R11 510 million in 2008/2009, 2009/2010 and 2010/2011 respectively. This reflects a positive growth rate of 94.2 percent for the financial year 2008/2009 and by 29 percent over the 2008/2009 MTEF.

It is noted and emphasized the fact that the allocated budget for the social cluster seeks to improve the education per capita and health per capita. Currently, the province is below the national average of R1 026

in terms of the educational per capita expenditure in 2007/2008. However, the province is recording a rapid increase as same with other provinces such as Gauteng and Northern Cape which are at R7 881 and R771 respectively in terms of educational per capita expenditure.

Furthermore, in terms of health per capita expenditure, the province spent about R777 per person without an access to medical aid. This put the province higher than the national average which stands R675. However, Limpopo is still R73 less than the per capita expenditure of Northern Cape which sits at R829

1.2 Economic Cluster

The Economic Cluster projects are planned in line with the PGDS. Cluster projects cover seven Industrial clusters as identified in the PGDS. The Industrial clusters approach follows the value – chain approach as a vehicle to create employment opportunities and align the interventions of various public developments. The identified industrial clusters are: Dilokong chrome and platinum cluster, Coal mining & petrochemical cluster, Tourism cluster, Agriculture (horticulture cluster and red & white meat cluster), Forestry cluster and Logistical cluster .The economic cluster priorities are: Investment in Public Infrastructure ,Increase in Research and Development spending and diffusion of new technology, Equity and Development, Increase levels of Investment ,enhance competitiveness of the economy, Regional and International Economic cooperation, Local Economic Development and Improving the quality of life.

Investment in Public Infrastructure

Dilokong Chrome & Platinum Cluster

There are numerous projects planned in Dilokong Chrome & Platinum Cluster .The upgrading of R37 road between Polokwane and Burgersfort, the water pipe between Flag Boshielo dam and Mokopane, with a possibility of development of a freight and rail link in order to support the development of the Dilokong Platinum Cluster. The project will impacted positively on ordinary people by: creating jobs for members of the community, contributing to easy flow of traffic which will also reduce road accidents, increasing access to clean piped water by communities. Contribution to economic growth will be done by accelerating the expansion of mining activities, creating opportunities for businesses through input supply, assist in attracting investment to the province. Development in regard to Moloto Rail Corridor is at advance stage, the memorandum of understanding (MOU) has been signed between the Provincial Department of Roads and Transport and National Department of Transport for detailed feasibility study. On this course the National Department of Transport has committed an amount of R10 million for the feasibility study.

De Hoop

Construction of De Hoop Dam is part of the Olifants water resources development. The envisaged date for completion of the project is 2011.

Airport development

The construction of the airport is currently at 98 percent. The introduction of bigger flights has started as from November 2007. The designs for Cargo Hub are completed. ACSA will be taking over the management of Polokwane International Airport in 2008.

Modal upgrading

Modal upgrading will involve bringing the recapped vehicles into the subsidy program.

Equity and Development

Integrated Rapid Public Transport networks.

Integrated rapid transport involves provision of facilities and systems. The finalisation of the unbundling of Great North Transport (GNT) and integration into the new Transport strategy has been delayed due to the requirement to comply with network design requirements as per national transport strategy.

Rural Transport development

Integration of road networks in rural areas to key public social and economic facilities .The Integration of road networks in rural areas is key to improve the economy in rural areas.

Tourism Cluster

4 in 1 tourism destination

The 4 in 1 tourism destination approach is meant for Packaging and Marketing of Doorndraai, Nylsvlei, Makapans Valley, Rust de Winter as tourism destinations. There is a need for the development of supporting infrastructure for the aforementioned destinations.

Health Tourism

Health Tourism is part of the Tourism Cluster as identified in the Tourism Growth Strategy. It is implemented as part of the product offerings and highlighted as a special interest for tourists

Horticulture Cluster

The Province has identified three horticulture cluster projects. They are Macadamia production and value adding RESIS and Black tea production.

Revitalisation of Smallholder Irrigation Schemes (RESIS)

The project is meant for Revitalization, Re-engineering and Institutional change for irrigation schemes. The irrigation schemes that are benefitting are Upper Flag Boshielo (4 schemes benefit),Mapela bulk pipeline ,Tshiombo Bulk electricity supply ,Lower Lepelle Schemes, Makuleleke, Tompi Seleka, Homu Schemes.

Black Tea Production

Black Tea production is a project which is meant for rehabilitation and commercialization of Tshivhase tea estates. A total of 2054 workers have been employed at the end of December 2007. Two new dryers have been installed and commissioned; this will allow tea processing to start. Technological enhancement will improve the quality of the tea.

Lephalale Coal and Petrochemical Cluster

Grootegeeluk Mine is a conventional open-pit operation that is situated in Waterberg district municipality. The processing of mining products is taken place through five coal preparation plants with a combined operating capacity of 2,979ktpm. A sixth coal plant is under construction. Saleable products include semi-soft coking coal, metallurgical coal and thermal coal, with the latter predominating as a dedicated supply to the Matimba Power Station. Metallurgical coal is primarily supplied to Mittal steel mills, with certain semi-soft coking coal exported via ports at Durban and Richards Bay in the KwaZulu-Natal Province. The developments in the area necessitate the improvement in public infrastructure. The public infrastructure required include the upgrading of R33 road which is a road from Modimolle-Vaalwater-Lephalale, Raising of Mokolo Dam along the Mokolo River in Lephalale, Upgrading of N11 road which start at Marble Hall-Mokopane-Steilloop-Groblersburg

Equity and Investment

Empowerment & inclusion

Empowerment and inclusion will be done in the form of providing funding for small mining enterprise development, setting up Institutional framework for community empowerment in mining, establishment and strengthening of Cooperatives, SMME support. An amount of R60million was made available by National Treasury as funds from former Lebowa Mining Trust.

Land and agrarian reform (restitution and redistribution)

In 2007-08 a total of 8,461 hectares were delivered through the pro-active land acquisition strategy (PLAS) and 22 care-takership agreements signed between the farmers and LDA

Increase in Levels of Investment and Enhance Competitiveness of the Economy

Agri-business

The focus of Agri-business is the establishment of Agribusiness market access facilities for both local and export markets. In 2007-08 skills development programme commenced. Ten staff members undergone the training and became the "Training of Trainers" on Farm Machinery Operation and Maintenance and in return conducted training for 6 farmers on Farm Operation and Maintenance. Agricultural project of 7 women are supported to commence agribusiness (production of herbs). Facilitation of implementation of skills development programme for 1000 land beneficiaries in the province is done.

Mechanization Revolving Credit Scheme - MERECAS

The purpose of this project is equitable redistribution of resources .Increasing productive investment infrastructure in agriculture in rural areas, Empowerment of agribusiness rural entrepreneurs, Broadening access to mechanized traction power to Black rural entrepreneurs. The Merecas financing options will be implemented as from 2008/2009 financial year.

Poverty Eradication

The target for the Province is to have at least 50% of the unemployed absorbed into the Expanded Public Works Programme by 2009. In 2007-08 a total of 9,744 unemployed people received skills development training and about 48,669 temporary work opportunities were created

Local Economic Development

Local Economic Development is the key in ensuring that there is economic growth and development at Local Government Level, focusing on unique programmes for each municipality based on local strengths and opportunities. Limpopo provincial LED Support Programme is implemented to provide dedicated technical support to both District Municipalities and the Provincial Growth Points. The service provider contract has been extended until 2010 to allow for better capacity given to the Municipalities. The project is funded by European Union and for this course an amount of R55m is already allocated to SMME projects in the province whilst an amount of R32m is already disbursed.

Special programmes and priorities

2010 Soccer World Cup

The main focus in preparation for 2010 is the development of practise stadia, marketing and promotion, mass participation in sport, economic beneficiation, Development of Performing Arts for opening and closing events and implements other supporting Infrastructure.

Skills Development

Implementation of HRD Strategy (Coordination)

Mining Academy, Tourism Academy, Agribusiness Academy, The Provincial School of Excellence (Sport Academy)

Research & Development (R&D)

Bio-fuel incubator

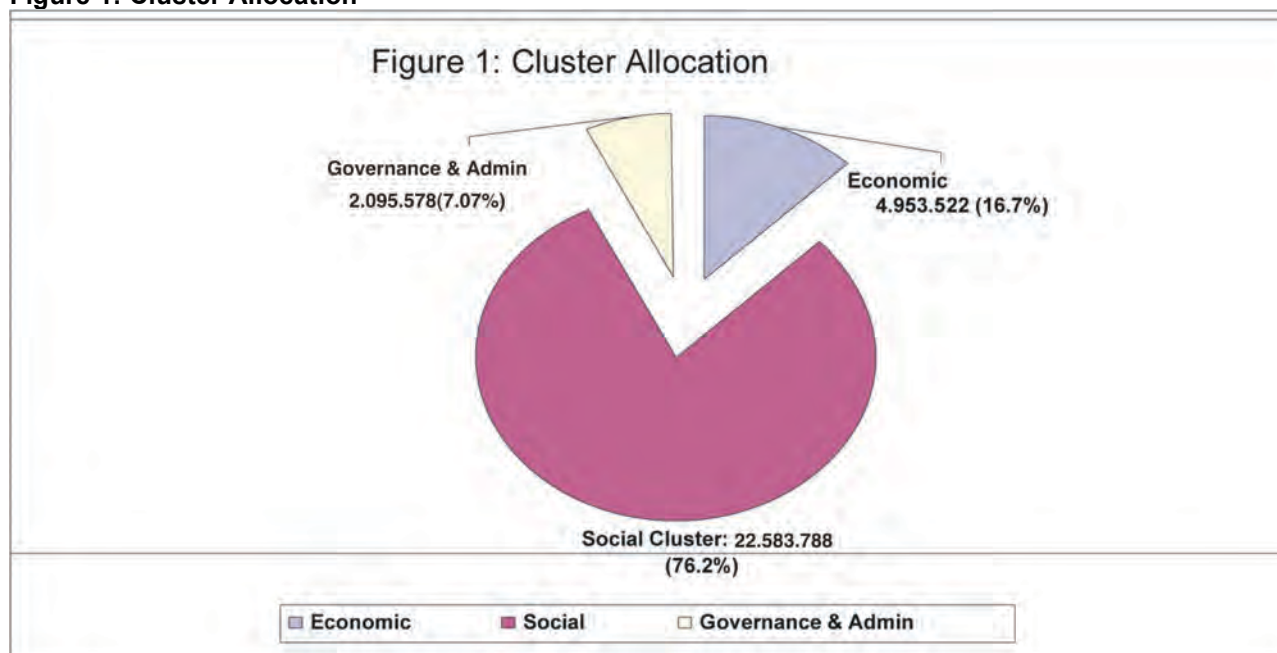
Establish R&D framework and research agenda. has been approved by cabinet to pilot Plant Scoping Report and Action Plan to establish the Bio-Diesel Plant at Tompi Seleka

1.3 Governance and Administration Cluster

Institutional Development

Poor infrastructure planning contributes to poor infrastructure delivery as infrastructure delivery by different departments compliment each other. For this purpose Provincial infrastructure planning will be co-ordinated from office of the premier

Figure 1: Cluster Allocation



The social cluster receives R22.584 billion which constitutes 76.2% of the total allocation as compared to 73.2% in 2007/08. Economic cluster receives R4.953 billion which constitutes 16.7% as compared to 18.8% allocated in 2007/08. Governance and Admin cluster receives R 2.096 billion which constitutes 7.1% of the total allocation as compared to 7.4% allocated in 2007/08.

1.3. Summary of Budget Aggregates

Table 1.1. Provincial Budget Summary

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2007/08	2008/09	2009/10
	2004/05	2005/06	2006/07						
Provincial receipts									
Transfer receipts from national	18,019,697	20,233,844	22,555,241	24,843,301	25,125,869	25,125,869	29,102,826	32,809,844	36,253,218
Equitable share	16,414,913	18,143,490	20,558,117	22,339,538	22,548,035	22,548,035	25,934,942	29,252,084	31,868,841
Conditional grants	1,604,784	2,090,354	1,997,124	2,503,763	2,577,834	2,577,834	3,167,884	3,557,760	4,384,377
Provincial own receipts	350,988	391,975	451,080	468,866	444,122	444,122	530,062	557,667	588,153
Total provincial receipts	18,370,685	20,625,819	23,006,321	25,312,167	25,569,991	25,569,991	29,632,888	33,367,511	36,841,371
Provincial payments									
Current payments	15,540,997	17,424,407	18,915,501	20,257,220	19,955,031	20,329,548	23,422,020	26,330,634	28,889,397
Transfers and subsidies	1,865,004	2,235,703	3,041,325	3,336,594	3,444,157	3,598,013	4,047,232	4,420,490	4,998,354
Payments for capital assets	1,312,886	1,245,793	1,860,739	1,718,353	1,562,089	1,555,360	2,163,636	2,616,387	2,953,620
Unallocated contingency reserve(GEMS)									
Total provincial payments	18,718,887	20,905,903	23,817,565	25,312,167	24,961,277	25,482,921	29,632,888	33,367,511	36,841,371
Financing (surrenders)	736,857	655,502	700,707		97,364	97,364			
Surplus/(deficit) after financing	388,655	375,418	(110,537)	-	706,078	184,434	-	-	-

A closer analysis in the above table shows that over the 2008/2009 MTEF, the Limpopo province estimated to receive an amount of R29 633 billion, R33 367 billion and R38 841 billion in respect of the above period.

The total estimated receipts is made up of the equitable share, conditional grants and provincial own revenue. Equitable share contributes about 88 percent on average to the total provincial receipts over the 2008/2009 MTEF, which deems the equitable share to be the largest contributor to the provincial receipts. Equitable share and Conditional grants which are the transfers receipts from the national government to provincial government are the main source of funding or receipts to the province. This is due to the nature and the kind of services that the provinces rendered that provide a very minimal revenue source base to the province.

However, the table 1.1 shows that the province planned to spend its receipts on its current payments, transfers and subsidies and for the payments of capital assets. The provincial current payments which is made up of compensation of employees and goods and services are estimated to sliced about 80 percent of the total provincial receipts over the 2008/2009 MTEF on average. For the financial year 2008/2009, the province estimated to spent R2 164 billion in, R2 616 billion and R2 954 billion in 2009/2010 and 2010/2011 respectively to payments of capital assets.

A comparison between the provincial receipts and payments estimates suggests a balanced budget for the 2008/2009 MTEF. However, for the 2007/2008 financial year, the province budgets a budget surplus of R184 434 million. This budget surplus emanated from the reduction in most of the provincial departments baselines which generated savings amounted to R87 070 million.

Moreover, the additional amount of R97 364 million will be due to surrenders from the departments. The province plans to utilize this surplus to finance the provincial bank overdraft that culminated since 1999/2000 financial year.

It is worth noting the fact that the larger share of the receipts has been appropriated to the social sector, especially in the Department of Education and Health. The motive behind this is the fact that over the previous years the province has not adequately fund the social cluster. This has been witnessed by the very low per capita learner in the province compared to the national learner per capita for as example.

2. Budget Process and the MTEF

The broad objectives of the provincial budget process are protected by a legal framework encompassing *inter alia* the Public Finance Management Act (PFMA), Municipal Finance Management Act (MFMA), Intergovernmental Fiscal Relations Act (IGFR) and Chapter 13 of the Constitution. The Limpopo budget is the provincial government's key policy instrument and enables the deepening of political oversight – it is guided by policies, priorities and making trade-offs, and is not a bean-counting procedure. The Limpopo government aims to enhance its accountability and transparency, as well as enable improved co-operative governance. Limpopo province has indicated a number of areas wherein in broad reform aims are envisaged. These include: The broad key stages of the Limpopo budgetary process begin with a political review of the Provincial and National priorities, with a focus on policy reviews. The process ensures that Provincial Departments make inputs into National policy reviews and National Priorities identification through a number of committees and forums .The forums include National Ministers and Director Generals, Provincial MECs and Heads of Departments, Provincial Treasuries. At Provincial level there are committees that deal with Provincial Priorities and policies .The Provincial Departments are arranged into clusters.

The clusters were involved in identifying Provincial priorities and making inputs into strategies and policies. This involves a ministerial consultation which culminates in a Budget Council and Cabinet-Lekgotla in July. This is followed by a departmental policy analysis and Treasury consultation which leads to a Medium Term Expenditure Committee (MTEC). Key MTEC inputs include the strategic performance plans, with potential amendments; the previous year's annual report and financial statements; the first quarter's expenditure report; a ministerial indication of policy priorities; the accounting officer's budget submission; and an analytical review of spending pressures and policy options. An intergovernmental review then precedes a division of revenue (DOR) workshop, which is accompanied by other interdepartmental programmes. Finally, a process of costing and budgeting, including technical adjustments, takes place.

There is co-ordination between the planning, budgeting, policy development and implementation stages of the budgetary process. This is collectively agreed upon in Cabinet and Executive Committee (EXCO) meetings. The process involves consultation between the province and local government through the Budget Council, Budget Forum and Extended Cabinet (Premiers and SALGA). The Joint Budget Committee, finance portfolio and standing committees play a vital role in this process.

3. SOCIO-ECONOMIC OUTLOOK

3.1. Demographic Indicators

The Provincial Growth and Development Strategy (PGDS) adopted in 2004 were drafted based on a comprehensive analysis of Limpopo's demographic, economic and social conditions prevailing in that period. This was also dependent on the boundary conditions that existed in the province during the same period. Thou, the cross boundary adjustment which was finalised in 2006 brought the need to align service delivery provision with the new demarcation. The old demarcation consisted of 6 districts and 26 local municipalities which shrunk to 5 and 25 districts and municipalities in the new demarcation respectively. Table 1 below shows the area occupied (in square kilometres) by each of the 5 districts in the province and their respective population figures. The total area of Limpopo is approximately 125, 702 sq km with about 5.238.287 million people living in it which gives a total density of about 46 people per square kilometres. Waterberg district municipality with the largest land area followed by Mopani, Vhembe, Capricorn and Sekhukhune respectively reflects a low density.

Table 1: Area of Limpopo by District

District	Capricorn	Mopani	Sekhukhune	Vhembe	Waterberg	Total
Area	16,969.64	24,417.91	13,387.95	21,407.73	49,518.64	125,701.86

Source: Quantec Research Pty (Ltd)

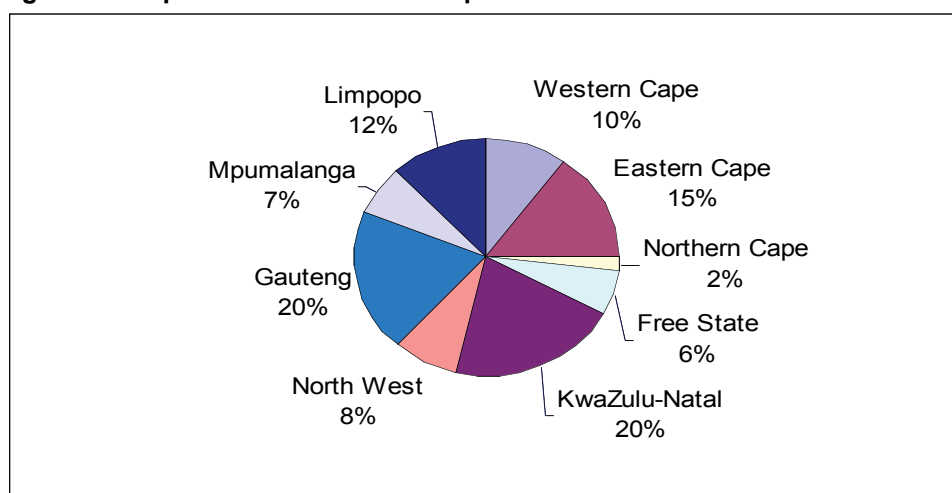
Population of Limpopo

TABLE 2: AGE DISTRIBUTION OF LIMPOPO POPULATION 2007

Age Group	Percentage	Age Distribution
0 - 4	12	605.909
5 - 9	13	655.920
10 - 14	13	674.130
15 - 19	13	670.308
20 - 24	9	485.956
25 - 29	1	351.442
30 - 34	6	327.696
35 - 39	5	275.927
40 - 44	5	244.956
45 - 49	4	203.620
50 - 54	3	165.303
55 - 59	3	133.419
60 - 64	2	109.255
65 - 69	2	107.501
70 - 74	2	80.596
75 - 79	1	70.836
80 - 84	1	32.261
85+	1	43.252
Total	100	5.238.287

Source: Statssa Community Survey 2007

In terms of the age structure of the Limpopo population (shown in Table 2 above), the working age population 20-65 years accounts for 43.9 percent, while 49.8 percent of the population comprises of children aged 0 – 19 years. The latest group of population, which aged 0-16 years, is the population which needs social services from Government such as education facilities, free health services and social security. The provincial government will have to ensure that the social sector is adequately provided for when allocating resources. The age 65 years and above account for about 6.4 percent of Limpopo's population. This part of the population gives an additional consideration for allocation to social sector as there is a need for social services in the form of social security and free health services.

Figure 2: Proportion of Provincial Populations

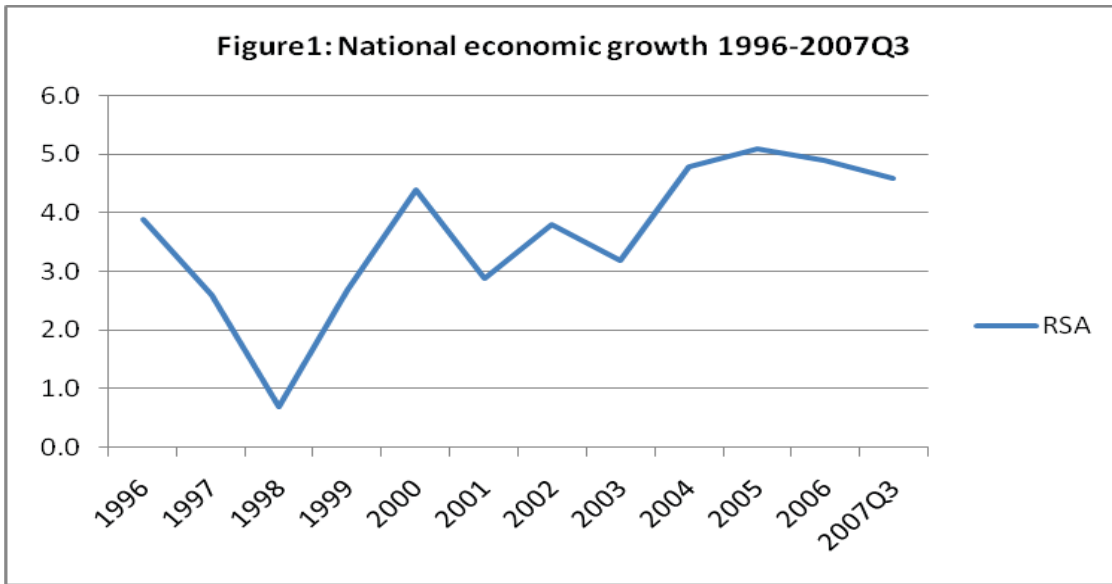
Source: *Labour force Survey, March 2007 (StatsSA)*

As it is evident from Figure 2 above, Limpopo accounts for 12 percent of South Africa's population and is the fourth most populated province in South Africa. Gender distribution in the province does not show a huge discrepancy between male and female. Contrary to the national averages, whereby men account for about 49 percent of the population and women account for about 51 percent. In Limpopo the females are recorded to have been more than the males in the province with the ratios of about 46 percent of male and 54 percent of female. Although not too large, these discrepancies are of significant interest to the provincial government (LFS: 2007).

3.2. Economic Growth

Economic growth is commonly defined as the annual rate of increase in the total production or income in the economy. In order for one to comfortably use this definition it has to be qualified in two important respects. Firstly, the production or income has to be measured in real terms, that is, by eliminating the inflation effects. Secondly, income or production figure has to be adjusted for population growth. This is done by dividing the total level of output by the size of the population. The outcome achieved out of this activity is known as per capita output/income. Both of these aspects are correct in the sense that they can be used to measure or determine the productive capacity of the economy (economic growth). However, in practice, economic growth is simply measured by determining the aggregate level of output (i.e. real income) in the economy at a specified period of time, usually a year. The real income or output is constantly represented by real Gross Domestic Product (GDP), that is, the value of goods and services produced within the boundaries of the country at a specified period, and the value is expressed at constant prices. The second aspect (per capita output or income) is commonly used to measure the standard of living (the general level of wealth in a society). Therefore, the above explanation unequivocally suggests the use of real GDP as the measure of the economic growth.

Figure 3: National GDP



Source: Quantec Research Pty (Ltd)

As shown in Figure 3, over the past ten years South African economy retained its momentum in the last quarter of 2006. The South African economy recorded an economic growth of 4.5 percent and 5.6 percent for the third and fourth quarter of 2006 respectively. South African economy experienced an overall growth of 5 percent during 2006. However, the overall growth of 5 percent achieved in 2006 is outperformed by the economic growth achieved in 2005, whereby South Africa recorded an overall economic growth of 5.1 percent which is the highest achievement in overall growth since 2000. The growth achieved during these two peak periods can be ascribed as result of a slowdown in the global economic growth. This slowdown in the global economic growth was accompanied by the resilient high global commodity demand that favoured commodity exporting countries like South Africa.

Currently, the growth of economy in South Africa stands at 4.6 percent. This signifies an economic upswing of approximately, 0.1 percent when it is compared to the third quarter of the corresponding year (2006). The reason that can be ascribed to this economic upswing experienced by South Africa at the end of third quarter is due to the significant increase in the total household consumption. The household consumption has been dramatically increased by 5 percent compared to the 2006. The increased experienced in the household consumption is better explained by 6 percent increase in the total disposable income (that is income after tax which can be saved or consumed). According to the economic point of view, an increase in consumption spending triggers an increase in aggregate demand in the economy. The increase in aggregate demand in the economy stimulates an increase in the production of goods and services so as to meet the rising domestic demand. This is the element which ultimately leads to an increase in the productive capacity of the economy or economic growth (considering the definition of GDP). However, a rising increase in the aggregate demand may also have some negative implication in the economy such as increase in the inflation and the balance of payment problems that is, it acts as a recipe for current account deficit.

These aforementioned economic problems occurred only if the increase in the disposable income that triggers an increase in aggregate demand is mostly financed by borrowings (credit). Moreover, if the current producers of goods and services are unable to meet the rising demand in the economy; this will lead to high demand in imports.

3.3. Limpopo Gross Domestic Product (GPD)

Limpopo provincial economy generates /contributes 6 percent share of the national GDP. It is estimated that much of this percentage share to the national GDP is contributed by tertiary industries which account about 65.21 percent of the provincial GDP. The second in line is the primary industries, notably, mining sector account for 25.6 percent of the provincial GDP in the third quarter of 2007. The least contributing sector in the provincial GDP is found to be the manufacturing sector, responsible for 9.1 percent of the provincial GDP. These figures portrays that Limpopo is increasingly dependent on the tertiary industries, with primary and secondary industries gradually decreasing their contribution significantly (Table 3). This come as no surprise hence the structure of Limpopo economy is in line with the dynamics experienced by a modern economy.

It is evident that an economy that experiences a sustained increase in its Gross Domestic Product (GDP) over a long period of time will achieve an improvement in the living standard of its citizens. The Limpopo province targeted an increase in investment as one of the main drivers of economic growth. The PGDS target to achieve an investment of about R8.6billion per annum and the investment tracking system recorded about R4billion and R3.6billion in 2004/05 and 2005/06 respectively. Capacity investment between 2000 and 2004 has fallen from R6billion to about R4.1billion in which the PGDS aims an excess of R20billion in cluster support infrastructure by 2014. A focus attention has been directed to the agricultural, tourism, construction and manufacturing sector to achieve triple their size of contribution to GDP. Therefore, the contribution of the province to the South African GDP (6 percent) is very low hence the province found to be one of the lowest contributors. This is an indication of the need for the provincial government to implement the PGDS with a matter of urgency.

Table 3: Percentage of Sectoral Contribution to Limpopo GDP 1997-2007

<i>Sectors</i>	<i>1997</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
<i>Primary industries</i>	25.8	26.5	26.2	25.6	26.9	27.7	27.8	27.4	26.8	26.2	25.6
Agriculture, forestry and fishing	2.2	2.7	2.8	2.8	2.7	2.8	2.7	2.7	2.6	2.4	2.3
Mining and quarrying	23.6	23.8	23.4	22.9	24.3	24.9	25.1	24.7	24.2	23.8	23.4
<i>Secondary Industries</i>	9.8	9.3	9.0	9.6	9.0	9.0	8.8	8.9	8.9	9.0	9.1
Manufacturing	4.2	4.0	4.0	4.2	4.1	4.0	3.8	3.9	3.8	3.8	3.8
Electricity and water	3.2	3.2	3.0	3.2	2.8	2.8	3.2	3.2	3.1	3.1	3.1
Construction	2.4	2.2	2.0	2.2	2.1	2.2	1.9	1.9	2.0	2.1	2.2
<i>Tertiary Industries</i>	64.4	64.2	64.8	64.8	64.1	63.3	63.3	63.7	64.2	64.8	65.2
Wholesale & retail trade; hotels & restaurants	12.9	12.7	13.1	14.0	14.0	13.5	13.3	13.6	13.7	13.9	13.9
Transport and communication	7.0	7.3	8.0	8.5	9.5	10.6	10.7	10.6	11.0	11.3	11.6
Finance, real estate and business services	18.2	17.6	17.0	15.9	16.0	15.5	15.8	16.2	16.4	16.8	17.0
Community, social and other personal services	4.9	5.0	5.1	5.3	5.1	5.0	5.0	5.0	5.0	5.0	4.9
General government services	21.4	21.6	21.6	21.1	19.6	18.8	18.5	18.3	18.1	17.9	17.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source:

Quantec Research Pty (Ltd)

Despite the forecasting statistics that show the dominance of tertiary industries as the major contributor to Limpopo economy; mining and quarry sector remains the leading sector to contribute to the provincial GDP, accounts for 23.4 percent of the provincial GDP at the end of the third quarter of 2007. Following in line are Government services sector (17.8) percent and, Finance, real and business service sector accounts for (17.0) percent of the provincial GDP (as shown in the above Table 3).

Table 4: Location Quotient 2006

	Limpopo	South Africa	Location Quotient Limpopo 2006
GDPR	4.5	4.9	
Primary Industries	26.1	8.8	3.2
Agriculture, forestry and fishing	2.3	2.3	1.1
Mining & Quarrying	23.7	6.4	4.0
Secondary Industries	8.9	23.6	0.4
manufacturing	3.7	17.9	0.2
Electricity&Water	3.1	2.3	1.5
Construction	2.1	3.3	0.7
Tertiary Industries	64.2	66.3	1.3
Wholesale &Retail	13.2	14.3	1
Transport &communication	11.2	10.7	1.1
Finance,business services	16.7	21.6	0.8
Community,Social	4.9	5.8	0.9
General government Services	17.9	13.9	1.4
Total Industries	99.2	98.7	

Source: Quantec Research Pty (Ltd):2007

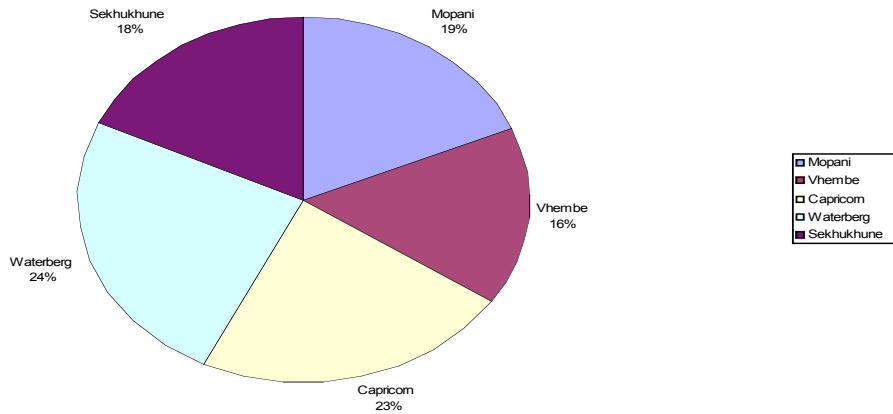
Location quotient is a tool that is used to measure the level of significance of economic sector in the province relative to similar sector at national level. The tool is used to further clarify the structural economic challenges facing a province. A desirable output is that location quotient should be > 1.

At the national level the industries that contributed the most to the GDP in 2006 are Finance & Business services, Manufacturing, Wholesale & Retail Trade, General Government services, Transport & Communication and Mining & Quarrying respectively (Table 4). The Limpopo location quotient is higher in Mining & Quarrying with about 4 followed by Electricity & Water with 1.5.

The lowest location quotient is in the manufacturing industry with about 0.2 and this has declined compared to 0.5 recorded in 2004. However, the province is facing a huge challenge with regards to manufacturing industry.

Limpopo has a very strong location quotient in the primary sector despite the small contribution the primary sector has on the economy as a whole. Therefore, the location quotient for the total industries in the province can be said to be desirable since this exceeds one.

Figure 4: Contribution to Provincial GDP (GDP-R) by Municipality (constant prices)-2006



Source: Quantec Research Pty (Ltd): 2007

In terms of municipalities' contributions to Limpopo's GDP-R in 2006 (Figure 4), the spread appears to be relatively even. The Waterberg District Municipality is the province's largest contributor with about 24 percent of economic activity, while the Vhembe District Municipality is the smallest contributor with about 16 percent.

Figure 5: Comparison of annual growth rates, Limpopo and South Africa 1996-2007q3



Source: Quantec Research Pty (Ltd): 2007

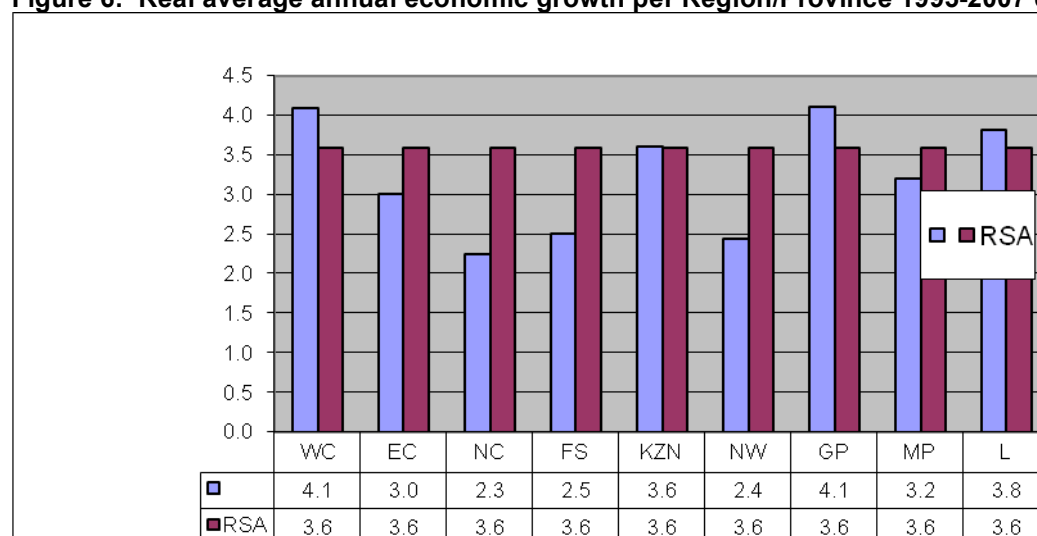
As depicted in Figure 5, the estimation reveals that Limpopo registers 4.1 percent economic growth in the 3rd quarter of 2007. As noted previously that the major contributing sectors to GDP include, mining and quarry; finance, real and business service sector; and government sector, it is important to highlight that Limpopo sectoral contribution to GDP is in stark contrast with that of the national economy.

The current South African economic growth of 4.6 percent is derived from the major contributions made by sectors which include finance, real and business service; manufacturing sector; and wholesale, retail trade, hotels & restaurants; accounts for 22 percent ; 17.9 percent and 15.4 percent respectively.

Moreover, a closer analysis of the comparative annual year on year growth rate from the period 1996 to 2007Q3 estimate shown in figure 5 reveals the following: Firstly, the Limpopo economic growth rate has once outperformed the national economic growth rate in four occasions or instances. This distinct economic performance produced by Limpopo economy is notably in 1997, 1998, 2001 and 2002 with economic growth of 7.4 percent, 3.9 percent, 7 percent and 4.6 percent respectively. Whilst on the other hand the national economy grew by 2.6 percent, 0.7 percent, 2.9 percent and 3.8 percent in respect of the afore-mentioned years.

Lastly, a positive correlation between Limpopo economic growth and national economic growth, notably, in 2005 to 2007 implies the similar characteristics between these two economies. In this context, similar characteristics mean that both Limpopo and national economies react or respond in the same way to external shocks. For example the high global commodity demand that favoured commodity export countries like South Africa experienced in 2005 and 2006 in particularly, also favoured or boosted the Limpopo economy. During these above mentioned periods the economy of Limpopo increased significantly because the province recorded an economic growth of 4.2 percent and 4.6 percent in 2005 and 2006 respectively; compared to the economic growth of 2.7 percent and 3.1 percent recorded in 2003 and 2004 respectively.

Figure 6: Real average annual economic growth per Region/Province 1995-2007 q3



Source: Quantec Research Pty (Ltd): 2007

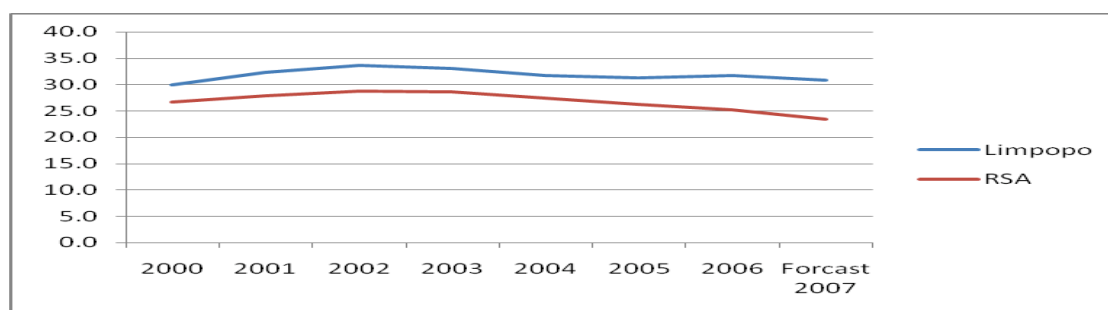
It is worth noting to highlight the fact that over the period 1995 -2007q3 estimates the average economic growth of Limpopo outperformed the national economic growth achieved over the same period. As shown in Figure 6 , the average economic growth of Limpopo over the period 1995 to 2007q3 stands at 3.8 percent which is slightly higher than that of South Africa (3.6 percent). In addition, Figure 6 also shows that the highest average annual economic growth rate over the concerned period has been recorded in Western Cape Province and Gauteng by 4.1 percent each. Following after these two provinces is Limpopo, recorded

3.8 percent average economic growth over the concerned period. On the other hand Northern Cape recorded the lowest average economic growth with only 2.3 percent.

3.4. Growth and Employment

In order to gain a more insight about the performance of the economy, one would be interested to know the impact made by the increase in economic growth on unemployment. In economic sense, this is known as employment coefficient which is the responsiveness of employment to changes in economic growth. Alternatively, the percentage change in employment brought by percentage change in economic growth. Therefore, this implies a closer look on these two economic indicators so as to measure the impact of economic variation to unemployment/or employment.

Figure 7: Official unemployment rate- South Africa and Limpopo 2000-2007



Source: Quantec Research Pty (Ltd): 2007

The current official rate of unemployment (defined as the number of unemployed in the economic active population that are available and willing to work and actively seeking for employment) in Limpopo is estimated at about 30.8 percent. This rate is far more above than that of the national that rests at 25 percent. As can be shown in the Figure above, the unemployment rate in Limpopo reached its peak in 2002 (33.7 percent) and start to slowdown at the end of 2005. During 2006, the Limpopo provincial unemployment picked up by 0.05 percent to 31.8 percent and is estimated to slow down to 30.8 percent during the third quarter of 2007. On the other hand the national unemployment rate gradually decreased significantly during the aforementioned period.

Table 5: The Provincial unemployment by District

District	Employed	Unemployed	Economically Active	% Unemployed
Mopani	169641	151137	320778	47.1
Vhembe	171671	47844	219515	21.8
Capricorn	146939	80349	227288	35.4
Waterberg	130274	34480	164754	20.9
Sekhukhune	138769	74335	213104	34.9

Source: Quantec Research Pty (Ltd): 2007

The employment situation in each district in the province presented in Table 5 reveals the social problems that the province is facing. Given the high unemployment rate in Limpopo, Mopani district recorded the highest rate of unemployment in 2006 with about 47 percent followed by Capricorn and Sekhukhune with about 35.4 and 34.9 percent respectively. Waterberg recorded the highest employment rate in the province with about 79 percent. The districts that have the lowest unemployment rate are also found to be those with the smallest economically active population

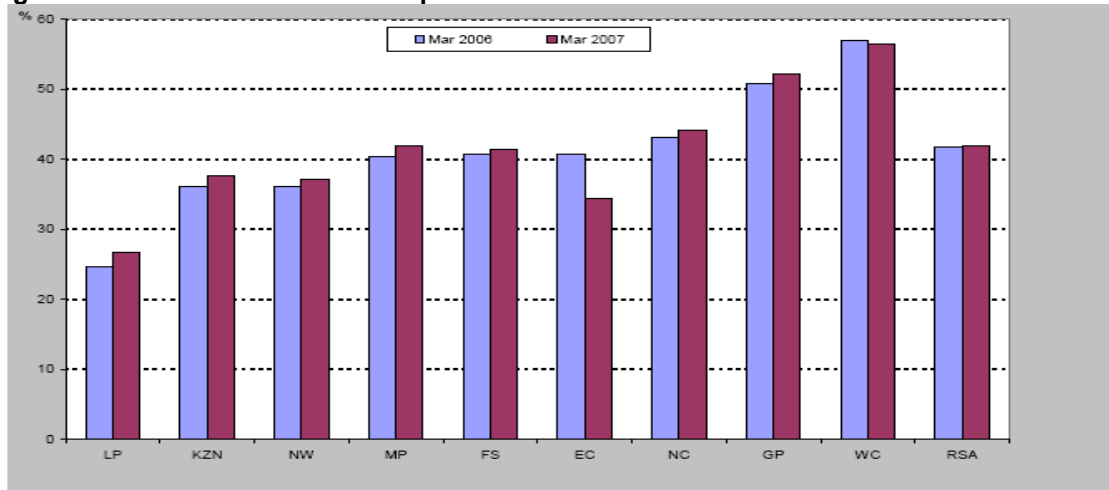
Table 6: Unemployment by Province (Percentage)

Province	2006 Rate (%)	2007 rate (%)
South Africa	25.6	25
Western Cape	16.7	17.2
Eastern Cape	22.2	25.5
Northern Cape	23.5	26.5
Free State	28.3	26.4
KwaZulu-Natal	28.4	29.2
North West	29.3	27,7
Gauteng	23.3	22.6
Mpumalanga	27.4	26.3
Limpopo	31.8	30.8

Source: Labour force Survey, March 2006/2007 (StatsSA)

The above table shows that in 2006 Limpopo recorded a highest number of economic active population who is actively seeking for employment but unable to secure one; this figure is at 31.8 percent. The second in line is North West (29.3 percent), followed by Kwa Zulu Natal and Free State recorded about 28.4 percent and 28.3 percent respectively. On the other hand Western Cape and Gauteng had the lowest numbers of unemployment with 16.7 percent and 23.3 percent respectively. Although, the Limpopo provincial unemployment has declined by about 1 percent between 2006 and 2007 but it is still higher than other provinces and the national averages which also experienced a decline.

Figure 8: Provincial Labour Absorption rates



Source: Labour force Survey, March 2007 (StatsSA)

Figure 8 shows the proportion of working age population that is employed (Labour Absorption Rate). This reveals the reason for Limpopo’s high unemployment rate: a low labour absorption rate (LAR). Despite the huge working age population that the province is endowed with the LAR still reveals the lowest in the country. About 25 percent of the working population (aged 15 – 65 years) are employed in 2006 contrary to about 42 percent recorded for the country as whole. Although, a slight improvement of about 2 percentage point was recorded in 2007 resulting into about 27 percent LAR for the province and this serve as the highest among the provinces that experiences an improvement. This is a positive achievement to the province since its LAR has been declining steadily each year from a rate of 31.5 percent in 2001 to 24.6 percent in 2006 of the labour absorption rate.

Table 7: Limpopo sectoral contribution to employment 2000-2006

Sectors	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture, forestry and fishing	186,583	162,942	143,325	125,455	107,745	87,568	69,110	70,877
Mining and quarrying	28,691	28,978	31,131	36,248	46,670	58,970	68,035	71,362
Manufacturing	54,963	61,006	63,136	63,221	64,627	64,389	59,790	60,712
Electricity and water	13,564	12,288	10,779	9,537	8,317	6,634	4,986	3,734
Construction	62,763	57,502	52,372	49,187	48,143	46,439	44,932	40,120
Wholesale & Retail trade; hotels & restaurants	251,639	251,016	238,297	228,835	232,025	242,443	248,764	248,412
Transport and communication	25,445	23,563	22,827	24,704	28,045	31,059	32,749	34,204
Finance, real estate and business services	24,842	26,337	27,232	28,429	32,728	37,749	41,044	44,660
Community, social and other personal services	273,166	277,011	281,470	280,346	269,911	256,659	247,236	238,019
Total employment	921,655	900,645	870,568	845,962	838,212	831,910	816,647	812,100
Unemployed	392,861	430,466	442,176	418,784	389,242	379,387	379,956	361,797
Unemployment%	29.9	32.3	33.7	33.1	31.7	31.3	31.8	30.8

Source: Quantec Research Pty (Ltd): 2007

As noted previously, during the period between 2003 and 2005 Limpopo experienced a slightly decrease in the rate of unemployment, therefore this triggers a curiosity to consider sectors that contributed to the reduction in unemployment over the period concerned.

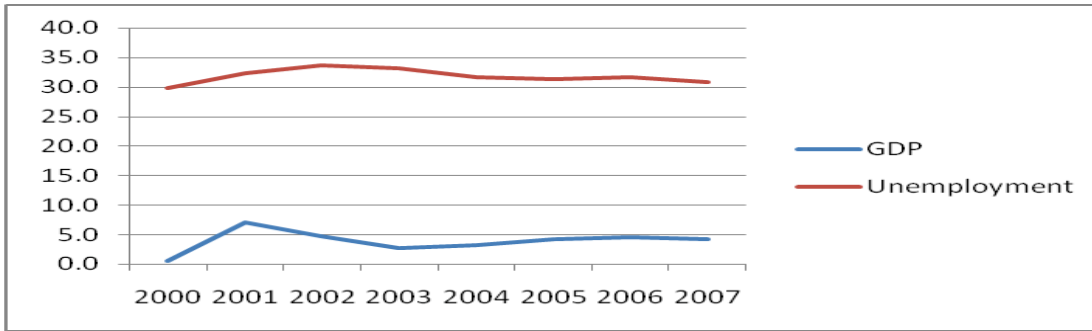
A closer analysis to Table 7 reveals that the highest number of labour had been absorbed in community, social and other personal service sector; wholesale, trade, hotels & restaurants; and agriculture, forestry and fishing sectors. Alternatively, the aforementioned sectors were the ones that contributed more to the reduction of unemployment rate in Limpopo by absorbing large number of employees over the period 2003 to 2005.

Interestingly, mining and quarry sector which is the largest contributor to the provincial GDP absorbed insignificant share of labour compared to other sectors that had significant share contribution to the provincial GDP. This anomaly situation in mining and quarry sector is due to the nature of its products. This sector is the one that its products constitute the overall South African exports, meaning that this is an exporting industry. As an exporting industry there is a need to withstand the global competition, that is, it should be globally competitive. The drive to become global competitiveness pushed exports industries to shift from labour intensive mode of production to capital intensive mode of production through the use of advanced technologies. This situation has resulted in an increase in capital labour ratio in these institutions.

The increment of capital labour ratio in these industries has also led to an increase of 3 to 6 percent capital intensity of the South African economy which put South Africa to be six times higher than other developing countries such as Malaysia, Ireland for example in terms of capital intensity of the economy.

Therefore, this means that in South Africa in order to produce more of goods and services, more units of capital are employed than more units of labour

Figure 9: Comparison between growth and employment in Limpopo 2000-2007q3



Source: Quantec Research Pty (Ltd): 2007

As explained prior that it is important to measure the dent that economic growth made on employment. The motive behind that is derived from economic point of view. Studies that deal with unemployment suggest a rise in economic growth as a weapon to fight the social and political stress made by high unemployment rate. Then it is important to take a closer look on the results generated by the comparison of economic growth and employment in Limpopo.

Figure 9 reveals a positive correlation between unemployment and economic growth. This means that when economic growth increases, unemployment increases (employment decreases). This is in sharp contrast with the economic literature. The actual meaning given to this kind of situation is known as the Jobless Growth. Jobless Growth is the situation whereby an increase in economic growth resulted to decrease in employment. This is a serious virus that infected the provincial economy. This horrible situation occurred if the economy had a negative employment coefficient.

It is important to note that the South African economy also experiencing this kind of situation. The national employment coefficient is -1, 5 percent. This means that a one percent increase in economic growth resulted to 1, 5 percent in employment decrease (this justifies the high rate of retrenchment occurred in national economy meanwhile the economy grows annually).

Most studies that attempted to solve the problem of jobless growth in South Africa suggest a 5 percent to 6 percent increase to the rate at which economy grows. The increase of economic growth to these aforementioned percentages is believed to increase the employment coefficient to 0.8 percent. If the national economy can achieve 0.8 percent employment coefficient, it is believed that the current rate of unemployment in South Africa can be reduced by half (50 percent).

In order to halve the current rate of unemployment in Limpopo our own calculations suggest the economic growth rate that is between 6, 5 percent and 7, 5 percent. The suggested economic growth rate is associated with an employment coefficient of 0.6 percent which is the percentage that can lead to positive response of employment to economic growth.

3. 4. Prices

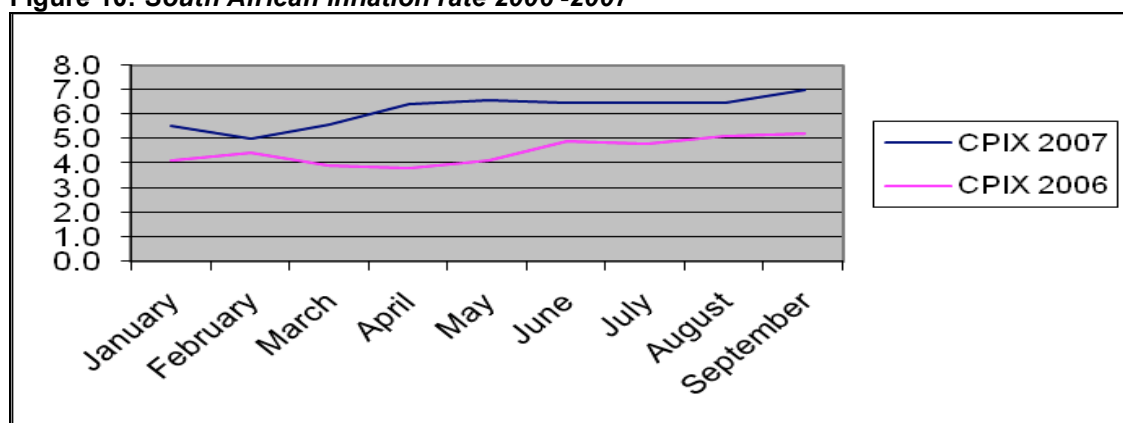
Price stability is one of the most important economic indicators that used to measure the performance of the economy during a particular point in time. Price stability is normally determined through the use of the inflation rate in economy over a defined period. There are different measures used to measure the inflation, these include, Consumer Price Index (CPI), Cost of living Index (COLI), Producer Price Index (PPI), Commodity Price Index, Wholesale Price Indices and Capital Goods Price Index. All of the afore-mentioned measures of inflation are correct in the sense; however, the most commonly used measure of inflation is CPI. CPI is an index of prices of representative basket of goods and services. A continuous increase in this index over a certain period of time is known as inflation hence thereof inflation is defined as continuous or sustained general increase in prices.

It is important to highlight the fact that the decision that was taken by the South African monetary authorities in 2000 to target inflation in South Africa has given rise to the importance of CPIX instead of CPI to measure inflation in South Africa. CPIX is computed by excluding the mortgage interest rates from the CPI. The motive behind this activity is due to the perverse impact that changes in mortgage interest rates had when Central Bank tempered the interest rates (are the main instrument for monetary policy) to stabilize prices. Regardless of the importance of CPIX as the measure of inflation in South Africa, CPI still remains the powerful measure of inflation.

3.5. National Inflation

Despite remaining within the target band of 3 percent to 6 percent CPIX Inflation in South Africa, domestic price pressures mounted steadily. CPIX inflation has increased from annual rate on a monthly basis of 3.8 percent in April 2006; and remained constant in the last four months of 2006 at 5.2 percent. For 2006 the average CPIX inflation was reported at 4.6 percent. (see figure 10).

Figure 10: South African inflation rate 2006 -2007



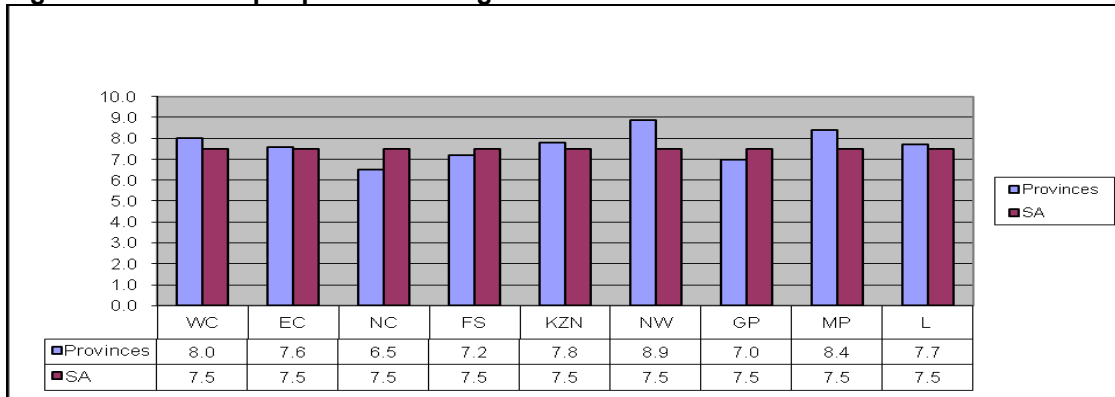
Source: Quantec Research Pty (Ltd): 2007

As shown in figure 10, for the year 2007, the CPIX inflation has mounted beyond the target band of 3 percent to 6 percent. CPIX inflation has increased from an annual rate on a monthly basis of 6.4 percent in April 2007. It Stabilizes from June and August at 6.5 percent and further its upward path in September 2007 by toping 7 percent. This shows an increase of 2.8 percent compared to CPIX inflation reported on September 2006.

The main drivers behind this increase in inflation experienced this year are nobly as an increase in food price(+3.6 percent), housing excluding interest rates on mortgage bond (+0.8 percent), medical care and health expenses (+0.5 percent), fuel and power (+0.4 percent), transport cost (+0.3 percent), education(+0.3 percent) and cigarettes, cigars and tobacco(+0.2 percent)

3.6. Limpopo Inflation

Figure 11: Inflation per provinces/ Regions 2007

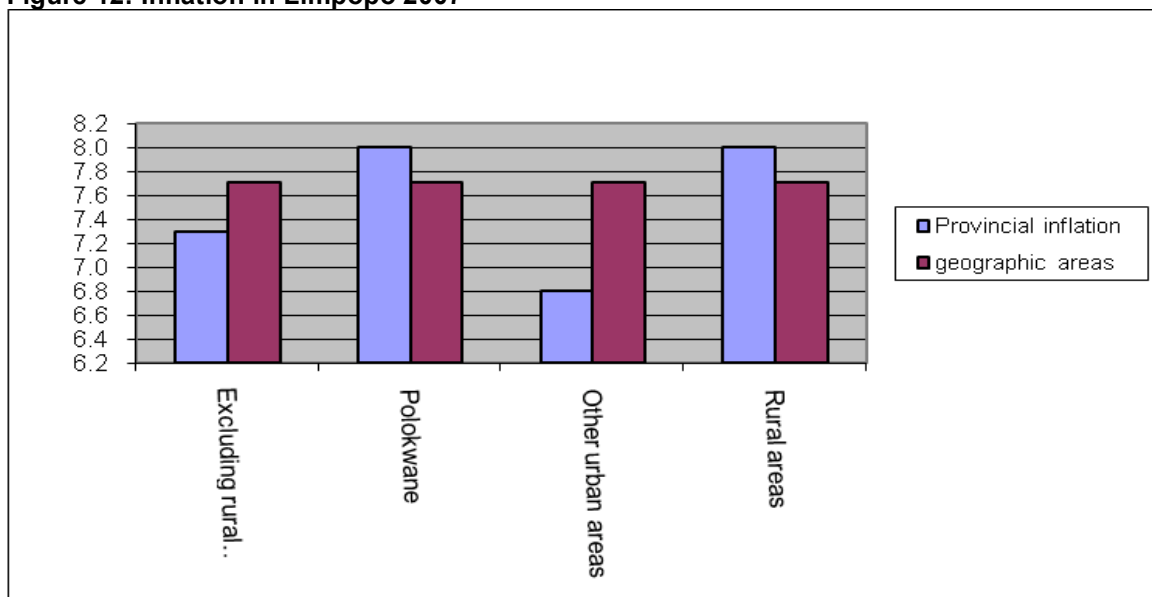


Source: Quantec Research Pty (Ltd): 2007

The current inflation rate in Limpopo is at about 7.2 percent when CPIX is used and reached to 7.7 percent using the CPI. In both measures of inflation reflect the fact that inflation in Limpopo is above than that of South Africa (CPIX, 7.0) (CPI, 7.5) by insignificant amount of 0.2 percent.

On the other hand the Limpopo inflation is considerable compared to other provinces. It is within the same ranges that of provinces like G.P 7.0%, F.S 7.2%, KZN 7.8% and EC 7.6% and lower than WC(8.0%), WC (8.9%), M.P (8.45) (see figure12)

Figure 12: Inflation in Limpopo 2007



Source: Quantec Research Pty (Ltd): 2007

As can be noted in Figure 12, Polokwane and rural areas of Limpopo accounted a higher rate of inflation than the rest of the Province. Both Polokwane and rural areas of Limpopo recorded 8% in each. This situation is worrisome having rural inflation rate equivalent with that of capital city of the province. Nevertheless the main drivers for this high inflation rate in the rural areas of Limpopo are the increase in food prices from 12.8% in August 2007 to 13.8% in September 2007; an increase in households operation prices from 6.6% to 7.9% in August 2007 and September 2007 respectively; and an increase in transports costs from 0.9 percent to 1.8 percent in August and September 2007 respectively.

It is important to note the implication of this high inflation rate in the Province. The most important effect it has is that; it hurts people on their fixed income, especially pensioners and low earners by reducing their purchasing power. This effect is explained on follows:

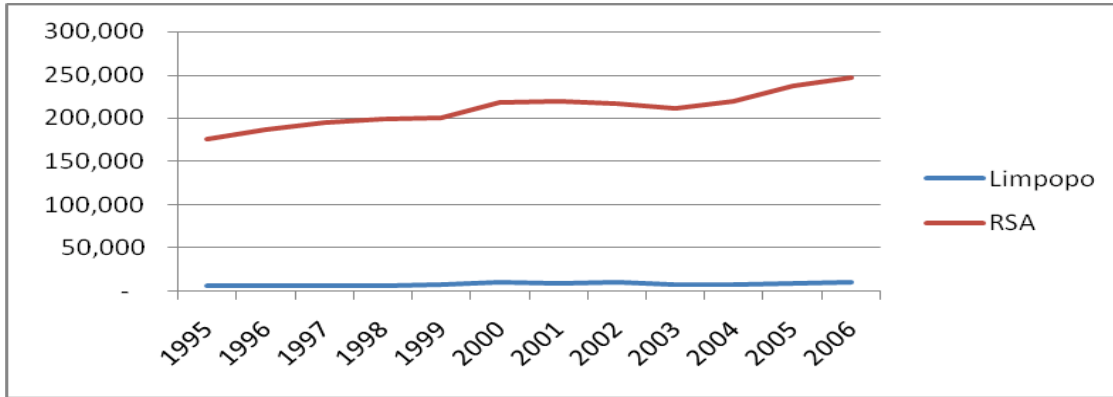
Assume a person living in rural area of Limpopo and depends on any kinds of social grant (e.g. child support grant, old age pension) or earn a low wage of R750.00 per month. His or her real income is R507.79. This means that the value of his/her income is equivalent R507.79. Alternatively his/her real income of R750 can only purchase goods and services to the value of R 507.79.

3.7. FOREIGN TRADE POSITION AND BALANCE OF PAYMENT

South Africa has maintained a positive balance of payment at the end of 2006. Despite the pressures exerted by the economic performance and sharply higher oil prices experienced in 2006 that increased the South Africa current account deficit; in overall South Africa maintains a positive balance of payment. This is due to the point that an increase in current account deficit is offset by the surplus on the financial account of the balance of payment which reached R96.3 billion in the last nine months of 2006 and the beginning of 2007.

The South African current account deficit which amounts to 5 percent of the GDP is perpetuated by factors such as an increase in oil prices, an increase in investment and rising household incomes that pulled in higher imports of capital and consumption goods. These aforementioned factors contributed to an increase in the value of imports resulted to out value the exports. This deficit is felt much on the exchange rate of the Rand. The exchange rate of the Rand has significantly depreciated since the first quarter of 2006 (R6, 9937/\$) and reach its peak in the third quarter (August) 2007 to R7 109/\$ which is the situation last experienced in 2002.

Figure 13: Comparison of export position of South Africa between Limpopo and South Africa 1995-2006.



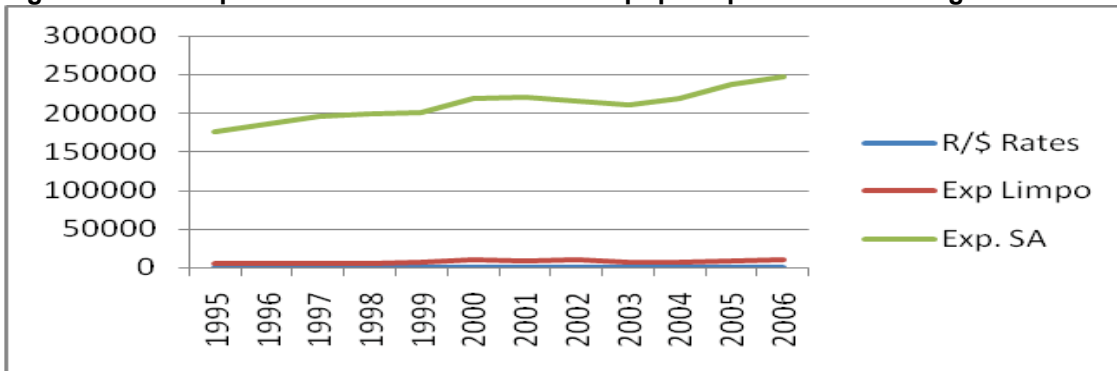
Source: Quantec Research Pty (Ltd): 2007

The exports performance of Limpopo displays a steady increase for the period 2000-2006. The absolute level of exports as depicted in figure 13 increased during 2004, 2005 and 2006 by R7 729 million, R8 933 million and R9 511 million respectively. This increase followed after a slight constrain in 2003. On the other hand the similar trend has been exhibited within the export performance of South Africa. During the year 2006, South Africa has experienced a rise or increase in the volume of exports by 2, 2% as compared to 2005.

The export performance experienced in Limpopo and National has been boosted by the weaker R/U\$ exchange rate that depreciated significantly in 2005 and 2006. Importantly, R/U\$ exchange rate is one of the most factors that influenced export in the entire country.

When the R/U\$ depreciates the demand for South African exports rises because they become cheap in the international market. This economic view has been proven by fluctuation of exports followed the R/\$ changes shown in the figure below.

Figure 14: A comparison of South Africa and Limpopo exports and exchange rates -1995-2006



Source: Quantec Research Pty (Ltd): 2007

A close analysis of Figure 14 substantiates or proves the point made above. During 2000 when the R/\$ depreciated by almost 20 percent, both South African and Limpopo exports increased. This trend is exhibited itself even in other periods (2000, 2004 and 2006) where the Rand depreciated significantly against the Dollar

Despite the R/U\$ exchange rate as the most contributing factor that drives an increase in South African exports during the aforementioned years, there are other factors that played a role in the exports performance of South Africa for example a favourable growth conditions among major trading partners particularly, the United States, Japan and Europe supported the export of precious metals, mineral products and basic metals. Moreover a strong demand and price increase for general purpose machinery and equipment from mining ,electricity and water projects in Africa and the Middle East boosted export performance in Limpopo and the whole country

Table 8: Sectoral contribution to Limpopo exports 2000-2006

Sectors /Items	2000	2001	2002	2003	2004	2005	2006
Agriculture, forestry & fishing (11-13)	209	247	364	480	402	404	443
Total: Mining	7,333	6,921	5,837	5,777	6,397	6,769	7,027
Food (301 -304)	186	120	111	83	56	72	77
Basic chemicals (334)	994	784	636	475	586	1,300	1,222
Other chemicals & man -made fibres (335 -336)	2	3	10	17	13	27	31
Basic iron & steel (351)	1,192	756	3,094	97	158	256	387
Basic non-ferrous metals (352)	19	19	11	11	20	23	141
Metal products excluding machinery (353 -355)	3	4	4	21	5	17	3
Machinery & equipment (356 - 359)	32	26	21	21	23	25	107
Professional & scientific equipment (374 -376)	4	19	45	10	41	6	40
Furniture (391)	93	29	23	19	4	8	5
Total goods exports	10,095	8,951	10,184	7,042	7,729	8,933	9,511

Source: Quantec Research Pty (Ltd): 2007

As depicted in the above table, the increase in Limpopo exports has been driven by the better performance in items such as mining products, basic chemicals, Steel and machinery. Though the major contributor to the Limpopo Provincial exports is mining products .The mining products constitutes approximately 75% of total value of Limpopo exports. Moreover Table 8 confirms what was explained previously that a strong demand in mining products and machinery and equipment in other countries such as USA, Middle East and Africa boosted the export performance in South Africa and hence thereof Limpopo. This is exhibited by 3,8 percent increase in Mining export between 2005 to 2006 and more than 300 percent at about 328 percent increase in the volume of exports for machines and equipment in the same period.

3.8. Income distribution of income

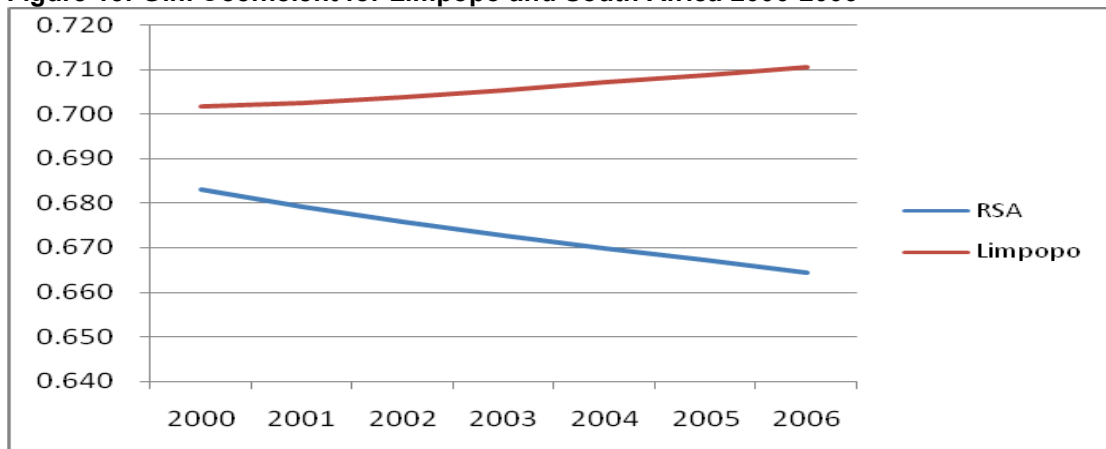
Equity is one of the most important and a complicated economic indicator that seeks to measure the performance of the economy over the defined period of time. To compute the process of measuring equity is time consuming and complicated. But, in order for one to comprehend the meaning and the importance of considering equity as one of the important economic indicators that need to be employed to measure the economic performance.

It is important to consider argument made by the greatest economic thinker and Economic Nobel, Laureate Amartya Sen. Sen argues that freedoms are primary ends of development and that the way to achieve development is to increase freedom in a society. He says “Development requires the removal of major sources of unfreedom: poverty as well as tyranny, poor economic opportunities, as well as systematic social deprivation, neglect of public facilities as well as intolerance and over activity of repressive state”.

Sen’s approach of development makes a good sense because it does not reduce the assessment of economic development to mean growth in GDP. The approach of freedom as development takes into account the ability of people to act to improve their lives. This meaning encapsulates the important of income distribution or an improvement in the income (or wealth) distribution. Therefore, it is important to consider what measures the equal distribution of income.

There are different measures of equal distribution of income (or wealth). These include Gini coefficient, Lorenzo curve, quantile ratio, Human development Index (HDI) (a recently measure of inequality introduced by the UNDP). However, Gini Coefficient is a commonly used measure of inequality and it is known as the quantitative measure of inequality in the distribution of income across countries, regions and population groups. The coefficient ranges from zero to one; with zero representing completely inequality in income distribution and one showing an extreme situation of inequality. Gini coefficient for Limpopo has been deteriorating since 2000, where the coefficient has increased from 0.702 in 2000 to 0.711 in 2006 (figure15).

Figure 15: Gini Coefficient for Limpopo and South Africa-2000-2006



Source: Quantec Research Pty (Ltd): 2007

The deterioration in Limpopo Gini Coefficient may be attributed to the following factors:

- Interracial inequality (inequality among the disadvantage population); in the province like Limpopo where the majority of citizens live in rural areas and are economic inactive. It is possible to achieve a big gap of inequality between the same population groups (blacks). This is due to the inactive economic participation which is resulted by lack of education or structural changes in labour market. This situation also leads these people to not possess any defined income. This lead to the minority, those are lucky enough, to participate in the economy and earn a defined income.
- Unemployment, especially to black women contributes to high rate of inequality because women are in majority.

- A snails pace in the rate of provincial interventions measures that have been adopted by the provincial government to ensure that the majority of people have access to the wealth generated by the province.

3.9. Socio-Indicators

It is essential for all, and especially provincial policy-makers to assess the impact which the resources allocated to the country make in the well-being of citizens. It is also important to relate the economic growth or lack of growth to the well-being of the citizens. The most efficient way to analyse the effectiveness of already implemented policies and to analyse the need for service delivery in other areas is to closely monitor specific statistics. This will additionally give a sense of how the province is progressing towards its PGDS goals and towards the Millennium Development Goals (MDGs). Various statistics pertaining to the Limpopo province are discussed below.

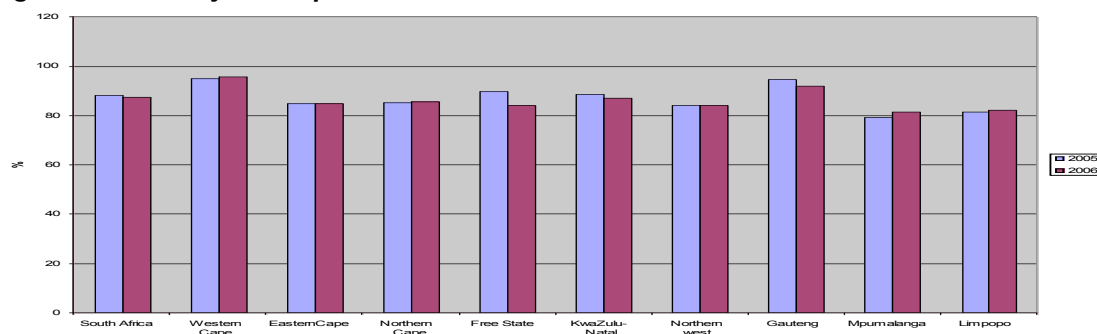
3.9.1. Improvement in the quality of life of the population of Limpopo

This objective of the PGDS is linked to the ability of the provincial government to be able to provide the basic necessities of life such as food, shelter clothing e.t.c to the people of Limpopo. To improve the quality of life of the people, the PGDS has target to develop resource potential, improving delivery of health services, reducing crime and corruption, meeting the needs of the population and promoting safe and healthy environment.

3.9.2. Education

Figure (16) indicates the percentage of people aged 15 years and above that can read and write per province in 2005 and 2006. A slight improvement was recorded for Limpopo in 2006 but despite this the literacy rate in the province is still below the national average and is the second lowest ranked province in this regard, after Mpumalanga.

Figure 16: Literacy Rates per Province



Source: General Household Survey, 2005/2006 (StatsSA)

Improving the quality of life of the people, the PGDS target to reduce the level of illiteracy from 25 percent to 10 percent by 2009. To achieve this, the government have focused on establishing Adult Basic Education and Training (ABET) centres across all the communities in the province and as of today about 555 ABET centres has been established. Implementing the learnership, about 800 ABET learners needs to register for the various learnerships and 35,000 ABET learners for levels 1-4.

There should also be an improvement in the Early Childhood Development (ECD). The PGDS aim at achieving 85 percent accesses to ECD by 2009 through the provision of access to the ordinary public schooling system. In 2007 about 505 569 grade R-3 learners enrolled (28.4% out of 1780 143 learners for all grades). The Learner-Teacher attainment strategy will also be implemented. Implementation of the no fee school policy has taken place and about 2557 no fee schools have been declared and have received their paper budget. Funding at minimum (R579 per learner) until 2007 and as from 2008 the province will adhere to the national threshold of R773 per learner.

3.9.3. Health

Measures to improve access to health services in Limpopo province included the building of new facilities, increasing the number of clinics offering 24 hours services and increasing the number of mobile stopping points. In addition to this, free health services for pregnant women, children under 6 years old and for all citizens at Primary Health Care facilities are to be phased in.

Specifically, the ratio of clinics to 10 000 population has increased from 1:14 798 in 2000 to 1:10 707 in 2005. The primary health care (PHC) utilization rate has improved from 2.2 visits/per person in 2001 to 2.7 visits/per person in 2005. Antenatal visits increased from 1.1 to 4 visits/ person. Drug availability from depots increased from 70% to 93%

Since 2002 there has not been a reported case of cholera in the province. This success is due to active community involvement and participation, awareness campaigns, improved water supply and improved sanitation.

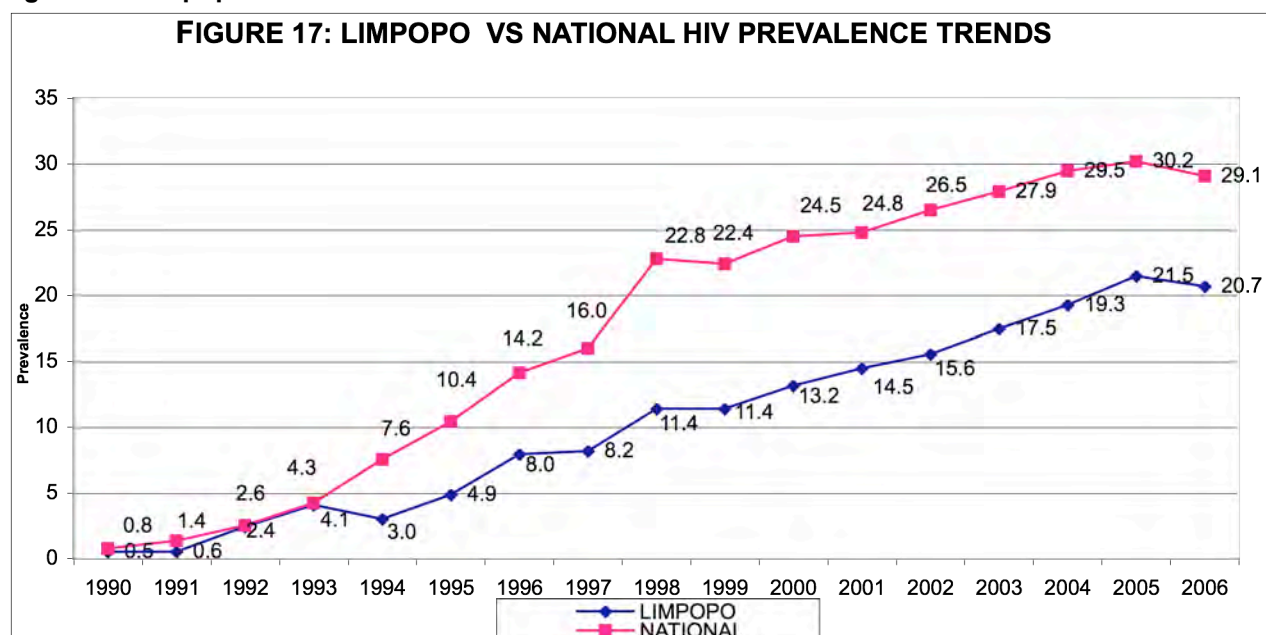
In terms of malaria prevention, spray coverage has improved from 600 000 structures to 1 million structures. A cross-border initiative has been established between Limpopo, Moçambique and Zimbabwe. In addition, case fatality rates due to malaria have declined from 1.45 percent in 2003/04 to 0.7 percent in 2005/06. However, the number of cases of malaria (total) has increased since 2002.

Table 9: Top Five Prevalent Conditions in Limpopo (excluding HIV/AIDS)

Condition	% Cases	CFR (%)
Tuberculosis	67 %	4.4%
Malaria	26.1%	1.5%
Food Poisoning	2.3%	1.6%
Viral Hepatitis B	1.5%	6.8%
Rabies	0.2%	100%

Source: Provincial Notification System (2007)

Tuberculosis is most prevalent medical condition in all Provinces in South Africa. In Limpopo, Tuberculosis accounts for 67% of all notifiable medical conditions reported in 2007 with case fatality rate of 4.4%. Approximately 55% of TB patients are HIV positive (*MRC MDR TB Study: 2002*). The second most prevalent condition is Malaria accounting for 26.1% of notifiable medical conditions with a case fatality rate of 1.5%. The most killer disease in Limpopo is Human Rabies with case fatality of 100%. Most dog bites and confirmed human Rabies cases are reported in Vhembe District (see Table 9)

Figure 17: Limpopo vs. National HIV/AIDS Prevalence Trends

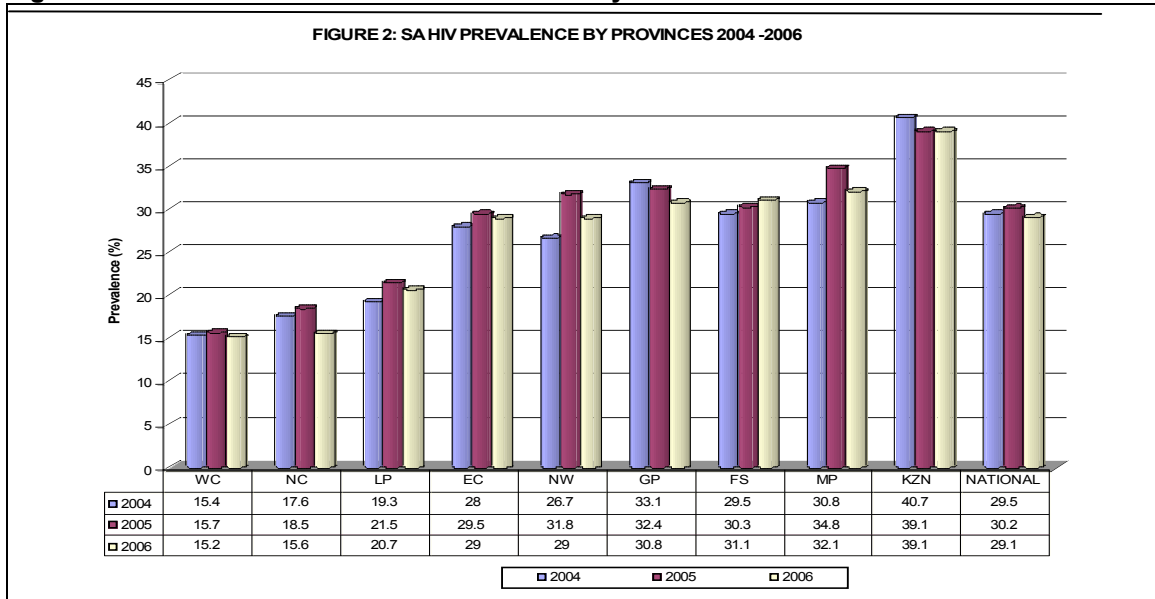
Source: Limpopo Epi Unit

3.9.3.(i) HIV prevalence by provinces

All provinces estimates remained at a stable level of HIV prevalence compared to 2005. Mpumalanga, North West and Gauteng show a statistical significant decrease between the period 2005 and 2006.

The Limpopo HIV/AIDS prevalence rate is the third lowest in the country, after the Western Cape and the Northern Cape, as shown below in Figure (17). However a concern has to be registered that even though there was a decline between 2005 and 2006 there has been an increase from 19.3 in 2004 to 20.7 in 2006.

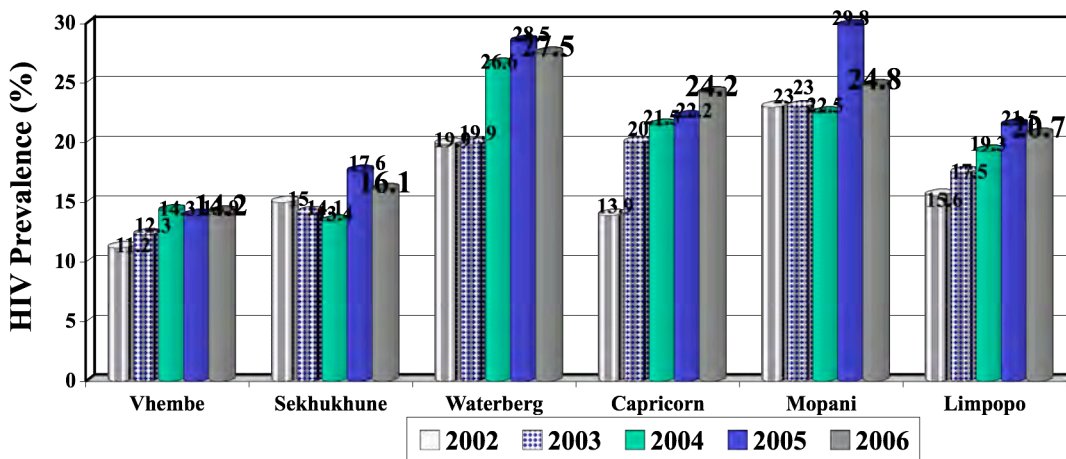
Figure 18: South African HIV/AIDS Prevalence by Province



Source: NDoH Epi Unit

As shown in the figure 18, Kwazulu Natal has recorded a highest the HIV/AIDS prevalence rate (39.1) in 2006 compared to other provinces. Following in line in terms of recording a high HIV/AIDS prevalence rate is the Mpumalanga province which recorded 32.1 HIV/AIDS prevalence rate. The lowest rates of HIV/AIDS prevalence rate are shown in Northern Cape and Western Cape provinces recorded an HIV/AIDS prevalence rate of 15.6 and 15.2 respectively. Limpopo province recorded HIV/AIDS prevalence rate of 20.7. This rate put the Limpopo province among the provinces with lowest rate of HIV/AIDS prevalence rate. Moreover, it is noted the fact that the HIV/AIDS prevalence rate shows a slightly decrease or improvement in almost all provinces except Free State province in the period 2004 to 2006.

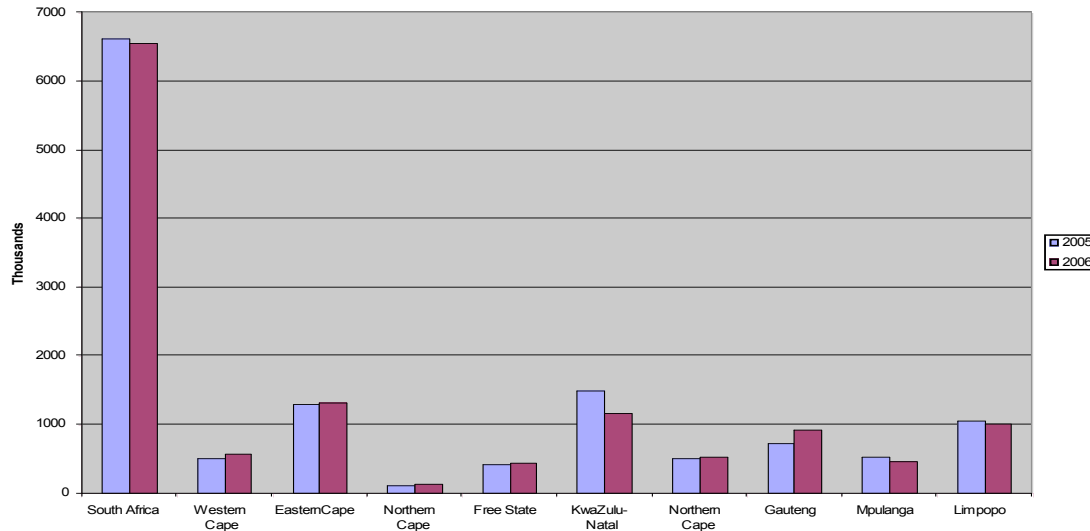
Figure 19: Limpopo HIV/AIDS Prevalence Rate by District



Within the Limpopo Province, high HIV/AIDS prevalence rates were recorded in the Waterberg and Mopani in 2006, as shown below in Figure 19. They have however reduced as compared to 2005. Capricorn and Vhembe have increased as compared to 2005.

(ii) Social Welfare

Figure 20: Individuals (thousand) visiting Welfare Office per Province



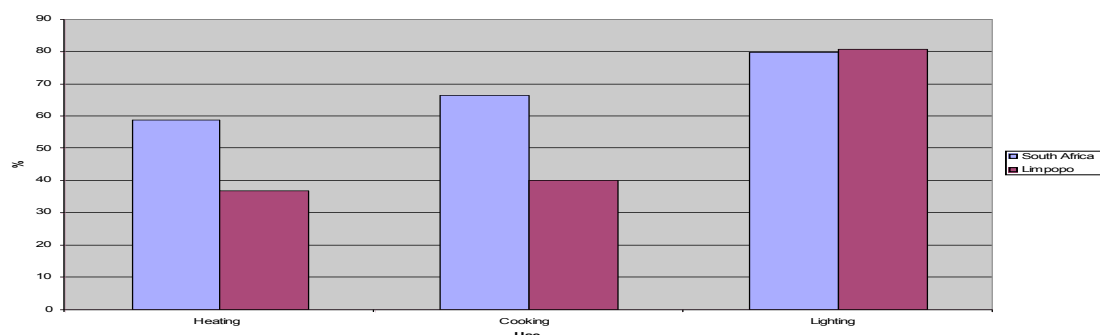
Source: General Household Survey, 2005/2006 (Statssa)

The number of people that visited the welfare in the province has declined approximately by about 10 percent between 2005 and 2006. This is similar to the decline experienced with the country as a whole. Despite this fact, Limpopo still has the third highest number of welfare office visits recording about 16 percent of the total in South Africa.

3.9.4. Access to Water and Electricity

Figure (21) shows the electricity usage among the Limpopo households and in South Africa in general. The usage shows the percentage of households that uses electricity for cooking, heating and lighting

Figure 21: Access to Electricity Usage in the Province

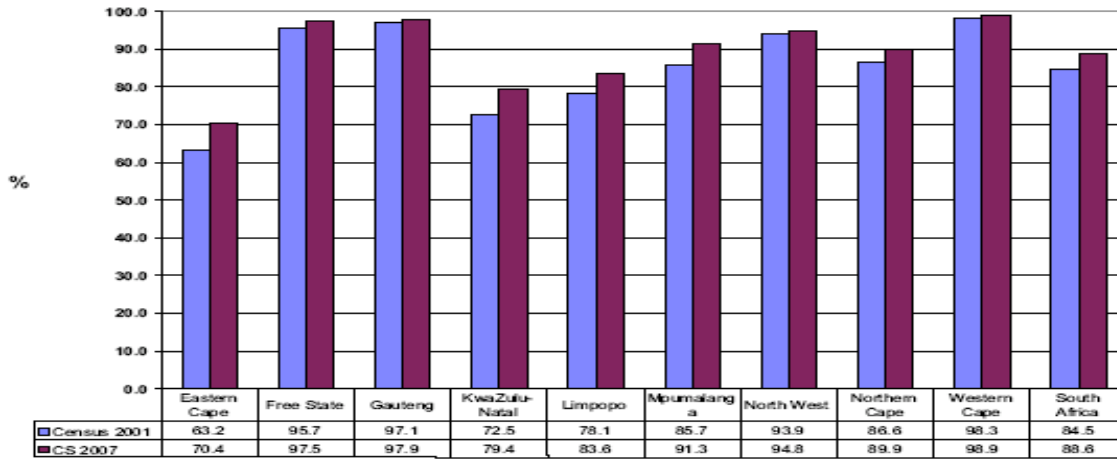


Source: General Household Survey, 2006 (Statssa)

The province consumption of electricity in the area of heating and cooking is still found to low compared to the national estimate of about 58.8 percent and 66.5 percent that uses electricity for heating and cooking respectively in 2006.

About 36.8 percent of the population of Limpopo only uses electricity for heating their households while about 60 percent still result into other sources for cooking. Household's electricity usage for lighting is slightly above the national average with about 81 percent for the province while the total number for the whole country is reported to be about 80 percent.

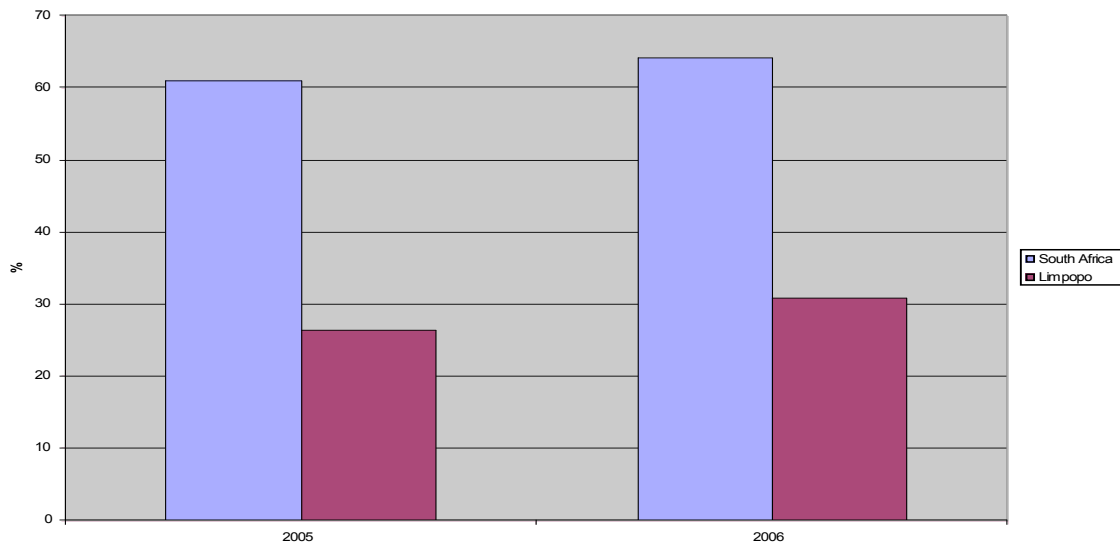
Figure 22: Percentage of households with access to piped water by province



Source: Statssa (community survey 2007)

The percentage of households with piped water in Limpopo has increased with about 5.5 percent between 2001 and 2007. This increase is higher than the national average, although, the current estimate is still below the national average but shows a much better improvement than some other provinces (Figure 22).

Figure 23: Percentage of household that paid for water

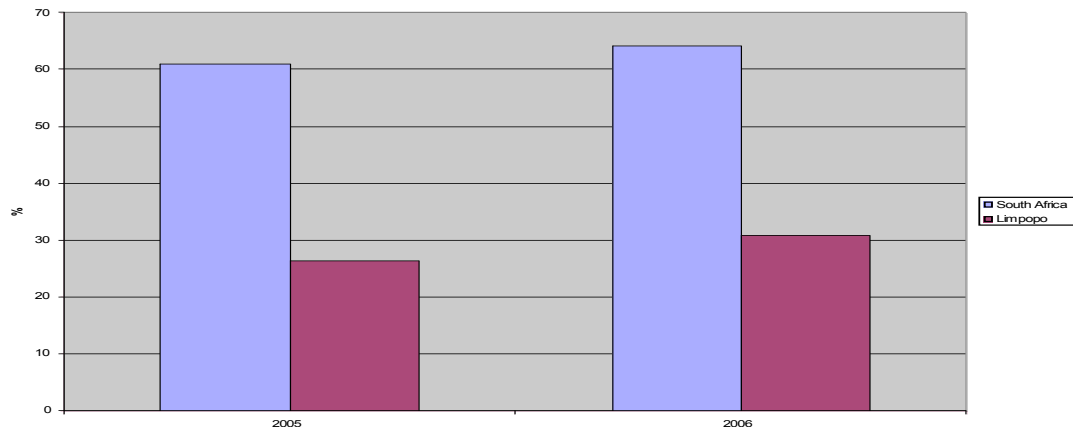


Source: General Household Survey, 2006 (Statssa)

In Figure (23), among the percentage of households that have access to piped water only about 26 percent are paying for water usage in 2005 but a slight improvement was made in 2006 to about 31 percent. This is still far below the national average of about 64 percent.

3.9.5. Sanitation

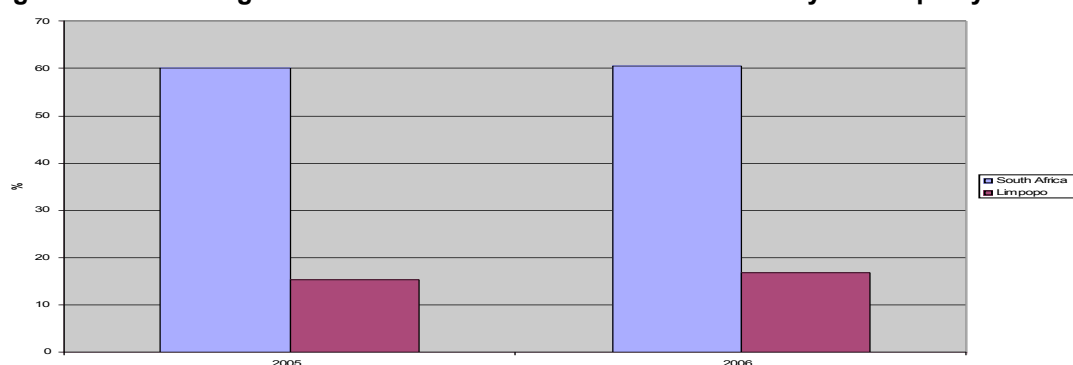
A huge improvement has been recorded in 2006 in terms of sanitation in the province. Figure (24) compared households using bucket toilet or no toilets in the province in 2005 and 2006 with national average. About 14 percent of Limpopo households in 2005 do not have access to proper sanitation – one of the highest rates in the country and above the national average of about 10 percent. However, this rate has steadily declining from 19.6 percent in 2002 and another huge decline was recorded again in 2006 to about 7.9 percent which is now below the national average rate.



Source: General Household Survey, 2006 (Statssa)

Compared to the national average, the services of the municipalities in the province in removing the households refuse are still very poor (Figure 25). The overall national average refuse removal is recorded to be about 60 percent of households in the country while only about 17 percent of household's refuse in Limpopo is being removed by the municipality.

Figure 25: Percentage of households whose refuse is removed by municipality



Source: General Household Survey, 2006 (Statssa)

The provision of basic services to all the households of about 1,243,497 in the province is one of the main targets of the PGDS. All households should have access to portable clean water by 2008, sanitation by 2010, and electricity by 2012. In 2006, about 932,622 households (75%) had access to water and in 2007 the number of households that were supplied with water increased to about 1,069,407 (86%, cumulatively). The target of 994,798 HH (80%) access to water which was set for 2007/08 was met.

Also, a total of 748, 403 households were identified to be in need of free basic water as per specification according to their income level. A total of 498 544 (67.6%) out of 737 172 poor households are served with Free Basic Water. At the end of 2007 access to free basic water was 503 430 HH which converts to 67.27%. In terms of sanitation, the number of households who had access to sanitation was 572,010 (46%) in 2006 and in 2007 the target of 621,748 HH (50%) was met. The access was recorded at 820,708 households (66%, cumulatively) and this number is 16% more than the target for 2007.

In 2006 households which had access to electricity were about 895,318 (72%). This number rose by about 1 337 in 2007 which constitutes a total number of households electrified to about 896,655 (72.1%). A total of about 113,661 out of 160, 086 configured households within Eskom area (71%) received FBE in 2006 and about 9, 860 households are receiving Non-Grid FBE. About 38 733 households are receiving FBE from licensed municipalities while about 208 679 households are registered to receive FBE. A total of 162,254 of 737,172 poor HH (22%) receive FBE, 8460 upgraded (7%).

An additional 214 848 HH (which is about 29.14%) have been configured to receive FBE (166 990 Eskom area, 38 733 municipal area and 9 125 non-grid). The token collection within Eskom area is 46% in 2007.

4. Receipts

4.1. Overall Position

Limpopo Provincial Government is mainly funded from the Equitable Share, Conditional Grants and Provincial Own Receipts. The revenue is generated from five Economic Classifications namely, Tax Receipts which comprises among others motor vehicle license fees. Non Tax Receipts which comprises of the sale of goods and services other than capital assets. Transfers received, Sale of Capital Assets and Financial Transactions which comprises of Stale Cheques and previous year's financial expenditure. The sales of goods and services other than capital assets include items such as patient fees (generated by the Department of Health) and rentals. The three main provincial own revenue contributors are, motor vehicle license, sales of goods and services other than capital particularly patient fees and interest, dividends and rent on land are responsible for 89 percent of provincial generated revenue. All provincial revenues decreased by about 2 percent on nominal terms from the fiscal year 2006/2007 to 2007/2008. For the 2008/2009 financial year, the provincial revenue increased by 19.3 percent on nominal terms and by 14.3 percent in real terms. The provincial own revenues is estimated to register about 3.5 percent growth rate on nominal terms over the 2008/2009 MTEF.

This limited revenue basis signals the provincial government to explore other constitutional and legal ways of identifying new sources of revenue. Moreover, there is a need for the proper costing of estimated revenue collection which will contribute to the improvement of revenue collection strategies and the reduction in under collection of revenue by the responsible departments.

Motor vehicle license fees

The motor vehicle license is the largest contributor to the provincial own revenue and has shown a constant increase over the past years. The revenue generated out of motor license fees shared about 32 percent of the provincial own revenue for the financial year 2007/2008 and 31.3 percent for the financial year

2008/2009. This revenue item has increased by 3.8 percent from the financial year 2006/2007 to 2007/2008 and thereafter by 16.9 percent for the 2008/2009 financial year. The motor vehicle license fees show a growth rate of 4.4 percent over the 2008/2009 MTEF which is due to maintenance of optimal revenue collection.

Sales of goods and services other than capital assets.

The sales of goods and services contribute 29.1 percent of the total provincial own revenue for the financial year 2007/2008 and accounted for 30, 8 percent for the financial year 2008/2009. Importantly, the sale of goods and services for the financial year 2009/2010 (31.1 percent) and 2010/2011 (31.4 percent) regain a contribution as the largest contributor to the provincial own revenue in contrast of the previous financial year. The largest contributor to the sales of goods and service other than capital assets are administrative fees which accounts almost 90 percent of the provincial sales of goods and services other than capital. For the period between 2007/2008 revised estimates and 2008/2009, the administration increased by a remarkable margin of 28.5 percent on nominal terms. The positive growth rate in the sale of goods and services other than capital is due to the implementation of the Limpopo Business Registration Strategy by the Department of Economic Development, Environment and Tourism and the improvement in the collection of outstanding fees by the Department of Health. The growth rate for the sales of goods and services other than capital assets over the 2008/2009 MTEF is estimated at about 4.8 percent which is due to the provincial strategy to maintain an optimum revenue collection in the disposal of capital assets.

Interests, dividends and rent on land

Interest, dividends and rent on land account for 19.2 percent of the total provincial own revenue for the financial year 2007/2008 and about 24 percent for the financial year 2008/2009. This revenue item has decreased by 26.6 percent from 2006/2007 to 2007/2008 financial year. The reason for this unusual scenario is due to the existing provincial overdrafts. The estimated interest income for the year 2007/2008 was revised downwards from R109,506 million to R85,115 million since the province anticipated low or unrealized interest income because of the provincial bank overdraft position. For the period between 2007/2008 revised estimates and 2008/2009 financial year, this revenue item recorded a positive real growth rate of 45.3 percent; and it is further estimated to record a positive nominal growth rate of 3.3 percent over the 2008/2009 MTEF. This is due to the anticipated interest income increase which is due to the efforts taken by the province to finance the provincial bank overdraft by the equitable share savings realized from the financial year 2006/2007 and the departmental budget cuts that took place during the 2007/2008 adjustment.

Table1. 6: Summary of provincial receipts

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07	2007/08					
Transfer receipts from national									
Equitable share	17,151,770	18,798,992	21,258,824	22,339,538	22,548,035	22,548,035	25,934,942	29,252,084	31,868,841
Conditional grants	1,604,784	2,090,354	1,997,124	2,503,763	2,577,834	2,577,834	3,167,884	3,557,760	4,384,377
Total transfer receipts from national	18,756,554	20,889,346	23,255,948	24,843,301	25,125,869	25,125,869	29,102,826	32,809,844	36,253,218
Provincial own receipts									
Tax receipts	135,974	143,786	153,373	157,921	164,251	164,251	192,878	205,814	219,699
Non-tax receipts	197,910	202,032	230,412	255,853	227,039	231,272	314,564	327,595	345,600
Sale of goods and services other than capital assets	99,929	106,295	115,245	132,075	125,183	129,416	163,680	173,757	184,742
Fines, penalties and forfeits	26,384	13,085	11,876	14,272	16,741	16,741	27,198	27,761	29,000
Interest, dividends and rent on land	71,597	82,652	103,291	109,506	85,115	85,115	123,686	126,077	131,858
Transfers received	-	32	33	20,000	20,000	20,000	36	38	-
Sale of capital assets	9,592	18,946	16,311	5,693	16,505	13,353	10,543	13,903	13,564
Financial transactions	7,512	27,179	50,951	29,399	16,327	15,246	12,041	10,317	9,290
Total provincial own receipts	350,988	391,975	451,080	468,866	444,122	444,122	530,062	557,667	588,153
Total provincial receipts	19,107,542	21,281,321	23,707,028	25,312,167	25,569,991	25,569,991	29,632,888	33,367,511	36,841,371

Equitable Shares

Equitable share is an unconditional transfer to the provincial governments to fund the gap that provinces are experiencing due to their limited fiscal capacity and the significant expenditure responsibilities assigned to them. The equitable share is determined through a consultative process and the formula being used places priority on the provision of social services such as education, social development and health. As a result, the formula is redistributive and biased towards the poorer provinces. The equitable share allocation year-on-year increase grows by 6 percent for the period between 2006/2007 to 2007/2008. The provincial equitable shares increase by about 15 percent on year on year from the financial year 2007/2008 to 2008/2009 and further increases by 12.7 percent and 8.9 percent for the financial year 2009/2010 and 2010/2011 respectively. Over the 2008/2009 MTEF, the provincial equitable shares recorded a positive nominal growth rate of about 7.1 percent. The increase in equitable share experienced by the province is partly due to the policy adjustments and realignment of provincial boundaries as from 01 March 2006; high unequal distribution of income and poverty gap; and high rate of unemployment that the province is faced with.

Conditional Grants

Table 1.7: Summary of conditional grants by grant

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07	2007/08					
Vote 3	409,871	489,199	558,419	597,440	608,601	608,601	773,291	734,952	850,098
National School Nutrition Prog.	153,125	204,469	202,039	192,694	192,694	192,694	252,901	290,488	375,721
Financial Management & Quality Enhancement	-	-	-	-	-	-	-	-	-
HIV/AIDS	19,415	20,371	21,594	23,005	31,236	31,236	24,495	25,882	27,454
Early Childhood Development	-	-	-	-	-	-	-	-	-
Provincial Infrastructure	237,331	264,359	291,786	314,298	314,298	314,298	384,249	418,582	446,923
Flood Reconstruction	-	-	-	-	-	-	-	-	-
Further Education & Training College SPG	-	-	43,000	67,443	70,373	70,373	111,646	-	-
Vote 4	73,072	139,726	101,860	127,944	173,723	173,723	161,069	186,089	215,517
Disaster Management (Drought relief)	2,000	21,946	-	-	45,000	45,000	-	-	-
Land Care	2,044	5,308	7,950	7,943	8,722	8,722	8,325	7,713	8,176
Provincial Infrastructure	35,600	60,255	43,767	57,080	57,080	57,080	71,641	83,083	92,531
Comprehensive Agriculture Support Programme	33,428	52,217	50,143	62,921	62,921	62,921	81,103	95,293	114,810
Vote 05	-	-	-	-	-	-	-	-	-
Provincial Infrastructure	-	-	-	-	-	-	-	-	-
Vote 7	407,450	645,940	508,808	639,609	653,805	653,805	880,775	929,031	1,248,075
Malaria and Cholera Prevention	6,100	2,718	-	-	-	-	-	-	-
Hospital Management and Quality Improvement	-	21,844	-	-	-	-	-	-	-
Health Professional Training & Development	51,805	72,411	72,411	76,032	76,032	76,032	79,834	88,759	94,085
Hospital Rehabilitation	106,463	211,584	48,247	148,172	148,172	148,172	248,540	196,233	305,954
HIV/AIDS	77,430	134,002	175,861	189,930	200,578	200,578	234,410	275,226	376,877
Integrated Nutrition Programme	20,320	28,593	-	-	-	-	-	-	-
National Tertiary Services	46,878	75,404	71,579	79,649	79,649	79,649	150,168	176,325	255,097
Redistribution of Specialised Health Services	15,388	-	-	-	-	-	-	-	-
Provincial Infrastructure	83,066	92,526	102,125	106,631	106,631	106,631	134,366	157,255	176,149
Forensic Pathology Service Grant	-	6,858	38,585	39,195	42,743	42,743	33,457	35,233	39,913
Medico-Legal	-	-	-	-	-	-	-	-	-
Vote 8	237,331	264,359	291,786	440,461	440,461	440,461	486,041	646,256	778,518
Provincial Infrastructure	237,331	264,359	291,786	440,461	440,461	440,461	486,041	646,256	778,518
Vote 9	-	-	-	-	-	-	12,294	13,776	15,154
Devolution of Property Rate Funds Grant	-	-	-	-	-	-	12,294	13,776	15,154
Vote 11	405,776	478,176	521,331	651,705	651,705	651,705	783,247	939,677	1,168,678
SA Housing Fund	369,818	456,915	521,331	651,705	651,705	651,705	783,247	939,677	1,168,678
Human Settlement Capacity Building	11,660	21,261	-	-	-	-	-	-	-
Local Gov't Capacity Building Fund	20,100	-	-	-	-	-	-	-	-
Municipal Infrastructure Programme	4,198	-	-	-	-	-	-	-	-
Flood Disaster	-	-	-	-	-	-	-	-	-
Vote 12	70,284	70,284	-	-	-	-	-	-	-
Financial Management	-	-	-	-	-	-	-	-	-
HIV/AIDS	9,138	9,138	-	-	-	-	-	-	-
Integrated Social Development Services Grant	61,146	61,146	-	-	-	-	-	-	-
Vote 13	1,000	2,670	14,820	46,604	49,539	49,539	71,167	107,979	108,337
Mass Sport & Recreation Participation Prog.	1,000	2,670	14,820	23,744	26,679	26,679	28,241	52,023	45,604
Library Services	-	-	-	22,860	22,860	22,860	42,926	55,956	62,733
Freedom Day Celebration	-	-	-	-	-	-	-	-	-
Total conditional grants	1,604,784	2,090,354	1,997,024	2,503,763	2,577,834	2,577,834	3,167,884	3,557,760	4,384,377

Conditional grants are earmarked funds provided by the national government to the province for the achievement of specific targets. All conditional grants have clearly stipulated conditions that the recipients have to meet in order to fully access these grants. Conditional grants allocations are generally made in tranches and require strict reporting

The use of conditional grants include among other things, the fulfillment of national determined policy objectives, addressing backlogs and to effect transition through supporting capacity building and structural adjustment within the recipients. As shown in the table above, the conditional grants appropriated to Limpopo province increased by 22.8 percent on nominal terms from the financial period 2007/2008 to 2008/2009. They further increased by 12.3 percent and 23.3 percent for the financial year 2009/2010 and 2010/2011 respectively. Over the 2008/2009 MTEF, the provincial conditional grants are estimated to register a positive nominal growth rate of 11.4 percent on year to year growth.

PRIORITY SPENDING ADDRESSED BY CONDITIONAL GRANTS

As stated above that conditional grants are funds that are earmarked by governments to provinces to achieve a specific targets such as addressing backlogs and effects transition through supporting capacity building and structural adjustment within recipient administration. The fact that the conditional grants such as Infrastructure grants to Province (Limpopo), Hospital Revitalization, National School Nutrition Programme, Comprehensive HIV and AIDS grants and Intergraded Human Settlement Development grant constitute a larger portion of approximately 86 percent of the total conditional grants to Limpopo crystallised the government efforts in this regard.

In order to achieve the pre-mentioned objective of the conditional grants, much of the conditional grants will be improve the province health system, education system, Provincial Infrastructure and housing so that the poorest of the poor in the province can be sheltered, educated and immunized/diagnosed. Therefore the spending priorities of the conditional grants to Limpopo seek to improve the social sector conditions.

REVISION OF CONDITIONAL GRANTS

Integrated Housing and Human Settlement grant baseline was revised upwards to R783 247 million, R939 677 million and R116 678 million in fiscal year 2008/09, 2009/2010 and 2010/2011 respectively. A further upward revision was also made in the National Tertiary Service grants baseline to R150 168 million, R176 325 million and R255 097 million in 2008/2009, 2009/2010 and 2010/2011 financial year respectively. The motive behind for this upward revision made in the National Tertiary Service Grant is to assist province to plan, moderate and transform tertiary services. This is the idea which is in line with national policy objectives to improve access and equity, especially in areas such as such as diagnostic radiology, telemedicine and oncology. Moreover Infrastructure grant to province received additional funds and are amounting to R486 041 million, R646 256 million and R778, 518 million in 2008/09, 2009/2010 and 2010/2011 financial year respectively. The additional fund injected to infrastructure grant to provinces seeks to address school infrastructure needs such as the replacing of unsafe and inappropriate school structures.

Furthermore, National School Nutrition Programme grant also received an additional funding to the baseline totaled to R252 901 million, R290 488 million and R375 721 million in fiscal year 2008/2009, 2009/2010 and 2010/2011 respectively. This R919 million injected to this grant over the 2008/2009 MTEF will be used to consolidate the programme in the primary school phase by covering all eligible learners up to grade 7, improvement the quality of meals and providing meals on more school days.

Hospital Revitalisation grant baseline was revised to R248 540 million, R196 233 million and R305 954 million in 2008/2009, 2009/2010 and 2010/2011 respectively. The idea behind this injection in this grant is to assist the province to equip and modernise the hospital facilities.

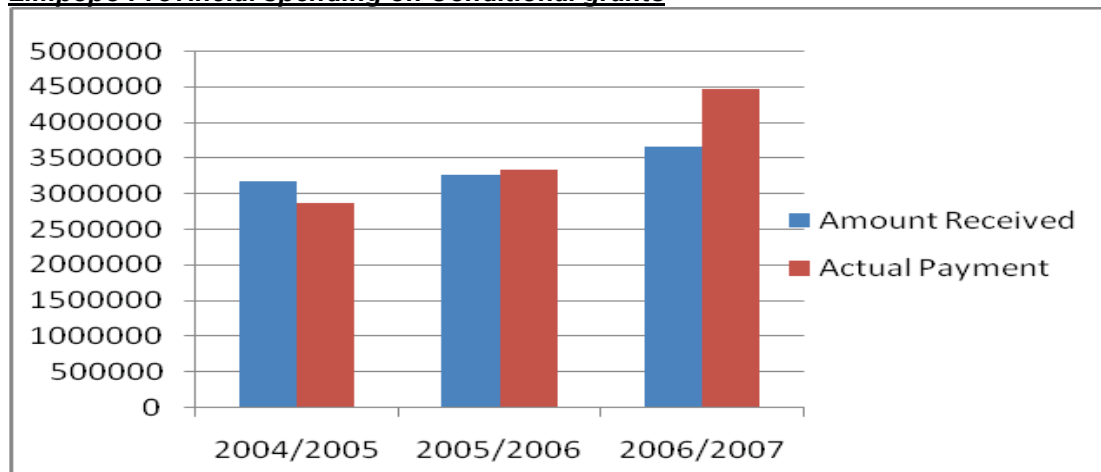
Comprehensive HIV and AIDS grant increased to R234 410 million, R275 226 million and R376 877 million in the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. The additional fund to Comprehensive HIV and AIDS grant seeks to fund the rollout of the comprehensive HIV and AIDS plan.

Forensic Pathology Service grant baseline received an additional funding amounting to R33 457million, R35 233 million and R 39 913 million for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. The additional injection to this program aims to finance the capital cost relating to the building and upgrading of mortuaries.

Lastly, Comprehensive Agricultural Support Program Grant expands to R81 103 million, R95 293 million and R114 810 million for 2008/2009, 2009/2010 and 2010/2011 fiscal year respectively. The additional fund is to be utilized to render extension and advisory services to emerging farmers.

SPENDING ON CONDITIONAL GRANTS

Limpopo Provincial spending on Conditional grants

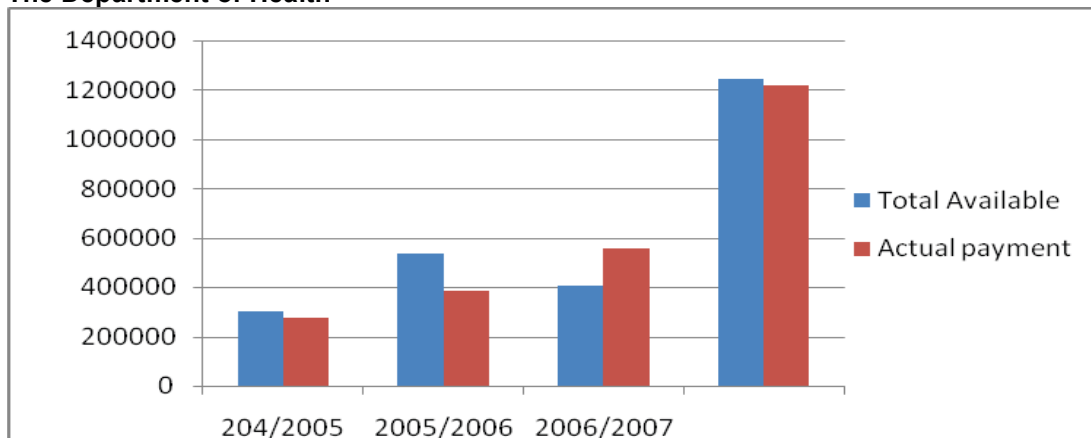


Source: Own calculations

The province received an amount of R1 6 billion, R2 billion and 1 9 billion in 2004/2005, 2005/2006 and 2006/2007 respectively. These funds were earmarked to address some backlogs in areas such as Health, Education and the development of provincial infrastructure. From the earmarked funds (conditional grants) the province received over the MTEF 2004/2005, the province overspent by the total percentage of about 5 percent. For the financial year 2004/2005 the province under spent its conditional grants allocation by 12 percent hence the total spending was 88 percent. However for the financial year 2005/2006 and 2006/2007 the province overspent its allocated conditional grants budget by 9 percent and 12 percent respectively (See the figure above).

The large percent share of conditional grants allocated to the province during the 2004/2005 MTEF and the outer years were for the improvement and the development of the provincial infrastructure; Provincial Infrastructure grants constituted 37 percent, 17 percent and 47 percent in 2004/2005, 2005/2006 and 2006/2007 respectively. Following in line was the Integrated Housing and Human Settlement Development Grant received by the Department of Housing. This grant constituted 28 percent, 23 percent and 26 percent for the 2004/2005, 2005/2006 and 2006/2007 financial year respectively. The Department of Housing spent 80 percent and 79 percent on this conditional grant for the financial year 2004/2005 and 2005/2006 respectively. This spending pattern justifies an underspending of 20 percent and 21 percent in 2004/2005 and 2005/2006 respectively. However, the Department spending pattern on this conditional grant took another direction during the financial year 2006/2007 where the analysis reveals 24 percent overspending by this department. For the 2008/2009 MTEF, this department has been allocated an amount of R783 247, 939 677 and R1 1 68 678 billion for the Integrated Housing and Human Development grant respectively.

The Department of Health

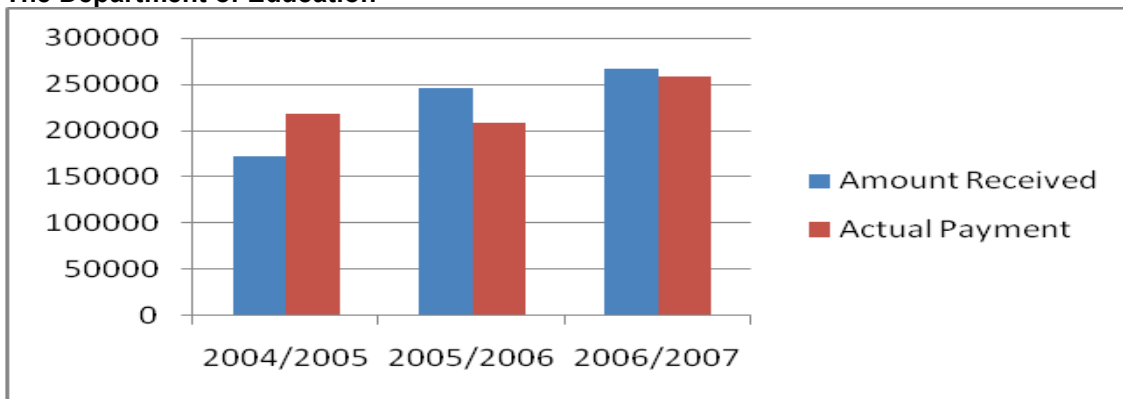


Source: Own Calculations

As shown in the above tale, the Department of Health received an allocated amount of R407 450 million, R645 940 million, R508 808million for conditional grants for the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. From this total conditional grants allocation received by this department, the department underspent by 9.2 percent and 19 percent in the financial year 2004/2005 and 2005/2006 respectively. However, for the financial year 2006/2007, the department overspent its allocation for conditional grants by 36 percent. Therefore, for the 2004/2005 MTEF, the department spent 97 percent on average.

The largest percentage of the Department of Health conditional grants was allocated for the Hospital Revitalisation grant which constituted of 38 percent share and 43 percent of the total conditional grants allocation to the Department of Health in 2004/2005 and 2005/2006 respectively. Besides for the Hospital Revitalisation grants, other conditional grants allocation in 2004/2005, 2005/2006 and 2006/2007 to the department of Health included Comprehensive HIV and AIDS grant, Forensic Pathology Service grant, Health professional Training and Development grant and National Tertiary Service Grant.

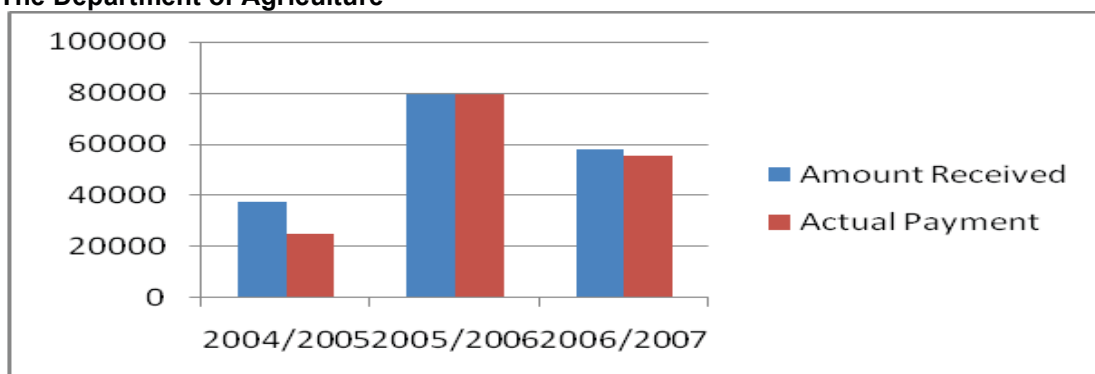
The Department of Education



Source: Own Calculations

Conditional Grants allocation to the department of Education grew by 10.8 percent over the period 2004/2005-2006/2007 on year to year growth. Over the 2004/2005 MTEF the department of Education spent 99 percent of its conditional grants allocation. For the fiscal year 2004/2005 the department overspent by its conditional grants allocation 26 percent. However in the outer years the 2004/2005 MTEF, the department underspent by 16 percent and 4 percent respectively. The conditional grant that were allocated to the department over the 2004/2005 MTEF included the National School Nutrition Program grant (which constituted almost 89 percent of the total conditional grants allocation to this Department), HIV and AIDS (Life Skills Education) grant. However, for the financial years 2005/2006 and 2006/2007 HIV and AIDS grants had a largest share of conditional grants received by the Department of Health which constituted 83 percent and 76 percent respectively. During the financial year 2006/2007, the department received an additional conditional grant that was earmarked for improving the conditions of the Further Education and Training College so as to address the mismatch of skills in the labour market. This grant known as Further Education and Training College Sector Recapitalisation grant amounted to R43 million for the financial year 2006/2007. The Further Education and Training College Sector Recapitalisation grant has been scheduled until 2008/2009 and thereafter the Province is expected to finance this grant from its equitable share allocation. The other two above mentioned conditional grant to the department will remain financed by National Government over the 2008/2009 MTEF.

The Department of Agriculture



Source: Own Calculations

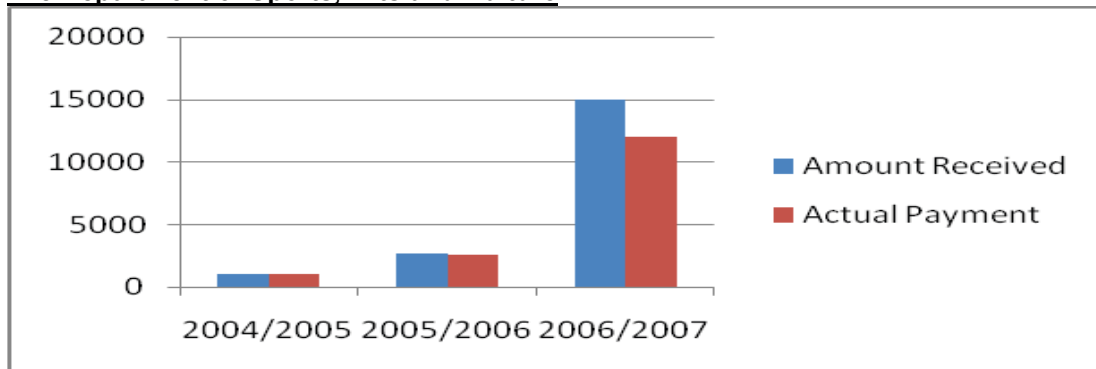
The Agriculture department has received funds earmarked for specific purposes to the value of R73 072 million, R139 726 million and R 101 860 million in 2004/2005, 2005/2006 and 2006/2007 respectively. These funds were earmarked to finance Comprehensive Agriculture Support Programme grant, Land Care Programme grant: Poverty Relief and infrastructure, and Agricultural Disaster Management grant.

Out of the total conditional grants allocation to the department; a larger percent of was appropriate for Comprehensive Agricultural Support Programme grant which constituted more than half over the 2004/2005 MTEF.

During the fiscal year 2004/2005 and 2006/2007 the department underspent its conditional grant allocation by 37 percent and 4 percent respectively. On the other hand, for the financial year 2005/2006, the department reached its equilibrium in terms of spending for its conditional grants allocation.

Over the 2008/2009 MTEF the conditional grants allocation grows by 10.2 percent on year on year growth rate. From 2008/2009 to 2009/2010 conditional grant allocation increased by 7 percent thereafter decreased by 2 percent from 2009/2010 to 2010/2011. For the 2008/2009 MTEF, the departmental conditional grant allocation includes Comprehensive Agricultural Support programme grant and Land Care Programme grant: Poverty Relief and Infrastructure development.

The Department of Sports, Arts and Culture



Source: Own Calculations

The Department of Sports received the conditional grant allocation amounting to R1 million, R2 670 million and R14 820 million in the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. Out of its conditional grants allocations, the department received in the above mentioned financial years; the department spent 98 percent, 96 percent and 80 percent respectively. On average the department spent 83 percent over 2004/2005 MTEF which represents an average under spending of 17 percent in that same MTEF.

The conditional grant allocation to the department of Sport (Mass Sport and Recreation Participate Programme grant; the one and only conditional grant to the department of Sports) increased by 12 percent on year by year growth rate for the period 2004/2005- 2007/2008. For the 2008/2009 MTEF the department received a growth rate of 13.3 percent in its conditional grants appropriation. This remarkable positive growth rate in the conditional grants to this department is due to the introduction a new conditional grant called Library Services which in fact has come into effect in the 2007/2008 financial year.

The Public Works Department

The department of Public Works did not receive any form of conditional grant over the 2004/2005 MTEF. Currently the department receives the conditional grants allocation for the 2008/09 MTF. The Devolution of Property Rate Funds grant to province which is the only grant allocated to this department has appropriated an amount of R12 294 million, R13 776 million or R15 154 million over the 2008/2009 MTEF respectively.

In a nutshell, the LPG condition grants allocation has recorded 15, 4 percent nominal growth rate over the period 2004/2005 to 2010/2011. Moreover, the LPG had overspent its condition grants allocation by 11 percent on average over the 2004/2005 MTEF. The main drivers for the overspending was the overspending that experienced by the Departments such as the Department of Health (overspent by 3 percent in 2006/2007, Department of Housing (overspent by 24 percent in 2006/2007) and the Department of Education which over spent by 26 percent in 2004/2005.

TOTAL PROVINCIAL OWN RECEIPTS (OWN REVENUE)

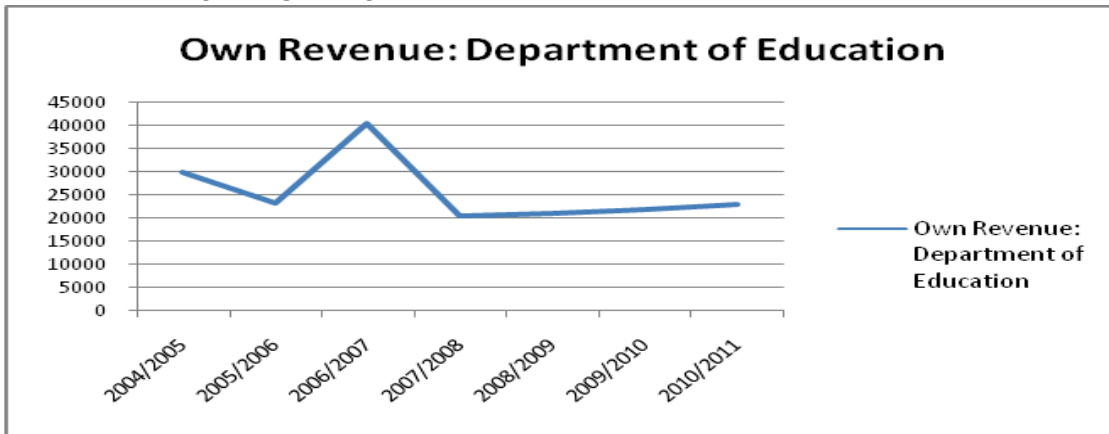
Table 1.8: Summary of provincial own receipts by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07						
Office of the Premier	271	459	1,063	468	468	468	679	709	714
Provincial Legislature	228	254	698	140	300	300	238	267	264
Education	16,365	17,056	47,497	36,141	20,651	20,651	21,222	22,105	23,069
Agriculture	8,282	13,817	10,257	10,770	10,770	10,770	11,697	12,281	12,894
Provincial Treasury	68,456	80,082	104,404	111,424	85,594	85,594	125,590	128,128	133,085
Economic Development, Environmental Affairs and Tourism	34,177	21,504	26,472	23,400	30,300	30,300	41,315	45,521	48,727
Health	60,000	70,950	71,800	72,584	72,584	72,584	87,175	93,009	98,799
Roads and Transport	146,635	149,134	157,357	166,600	170,860	170,860	209,632	219,382	232,404
Public Works	14,124	21,198	23,008	23,693	23,693	23,693	27,321	30,758	32,596
Safety, Security and Liaison	147	46	80	60	273	273	89	74	91
Social Development	213	359	248	256	3,684	3,684	307	334	339
Local government & housing	1,909	15,340	6,894	1,530	4,500	4,500	2,950	3,190	3,264
Sport, Arts & Culture	181	1,776	1,302	21,800	20,445	20,445	1,847	1,909	1,907
Total provincial own receipts	350,988	391,975	451,080	468,866	444,122	444,122	530,062	557,667	588,153

The province generated an amount of R350 988 million, R391 975 million and R451 080 million for own revenue in 2004/2005, 2005/2006 and 2006/2007 respectively. This shows an average increase of 8. 7 percent over 2004/2005 MTEF (see the above Table).The largest contributors to the provincial own revenue were the Department of Transport which contributed R146 635 million, R149 134 million and R157 357 million in 2004/2005, 2005/2006 and 2006/2007 respectively. Following in line was the Provincial Treasury and the Department of Health. The Provincial Treasury contributed an amount of R68 456 million, R80 082 million and R104 404million in 2004/2005, 2005/2006 and 2006/2007 respectively. The Department of Health had contributed an amount of R60 million, R70 950 million and R71 800 million in 2004/2005, 2005.2006 and 2006/2007 respectively.

Between the financial year 2007/2008 revised estimates and 2008/2009; the provincial own revenue recorded a positive growth rate of 19.3 percent. Moreover, for the 2008/2009 MTEF, the provincial revenue is estimated to grow by 3.5 percent on year to year growth rate. The deviation and reduction in growth rate for the 2008/2009 MTEF when compared to the period between 2007/2008 revised estimates and 2008/2009 financial year is due to the fact that most departments, especially those that are relatively small fluctuated on year and their revenue is made up of interest, dividends and Rent on land and financial transaction in and liabilities. This kind of revenue is occasionally supplemented by the once of payment (see the above table)

DEPARTMENT OF EDUCATION

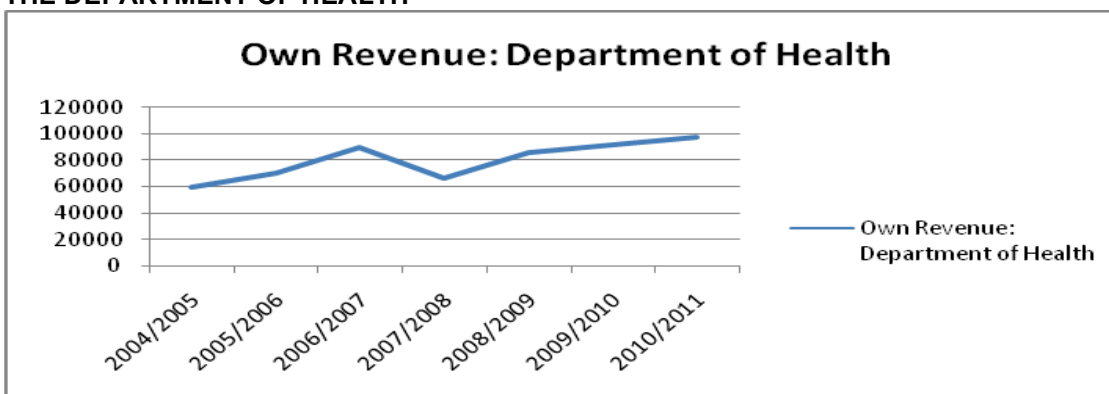


Source: Own Calculations

The above figure shows that the Department of Education collected more revenue in financial year 2006/2007. Over the 2004/2005 MTEF, the department recorded about 42.6 percent growth rate. The Department of Education collects revenue from items such as Commission on insurance, Sales of Capital Assets and Financial Transactions.

Between the 2007/2008 revised estimates and 2008/2009 financial year, the departmental own revenue recorded a 2.8 percent growth rate. Furthermore, for the 2008/2009 MTEF, the departmental own revenue is estimated to register 2.8 percent growth rate. The motive behind the 2.8 percent growth rate estimated between the 2007/2008 revised estimates and 2008/2009 financial year is due to the estimated reduction in the financial transactions on stale cheques as the department will be making most of its payments via Electronic Bank Transfer(EBT) and not issuing cheques.

THE DEPARTMENT OF HEALTH

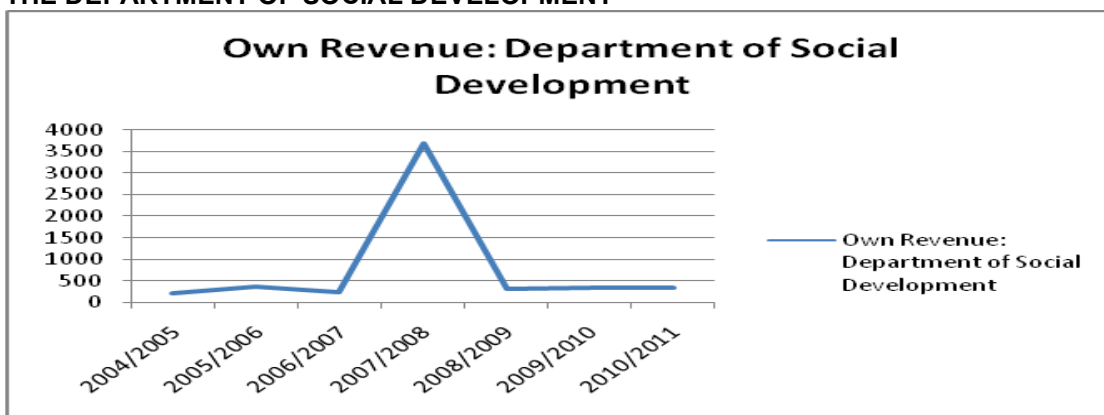


Source: Own Calculations

The Department Health is the second largest contributor in the provincial own revenue. Much of its revenue is derived from the sale of goods and service other than capital in the form of patient fees. This revenue item contributes more than half of the departmental own revenue generated by the Department of Health.

As shown from the above figure, for the financial year 2006/2007, the Department of Health collected more revenue than other year in the 2004/2005 MTEF. The department collected about R10 million for the aforementioned financial period. Over the 2004/2005 MTEF, the departmental own revenue increased by 6.8 percent on average. During the period between 2007/2008 revised estimates and 2008/2009 financial years, the departmental own receipts recorded 18.8 percent growth rate. The 18.8 percent growth rate for the afore-mentioned period is due to the implementation of revenue collection strategy that seeks to assist specifically on the collection of outstanding patient fees. In addition, for the 2008/2009 MTEF, the own revenue for this department is estimated to improve by 10 percent real growth rate.

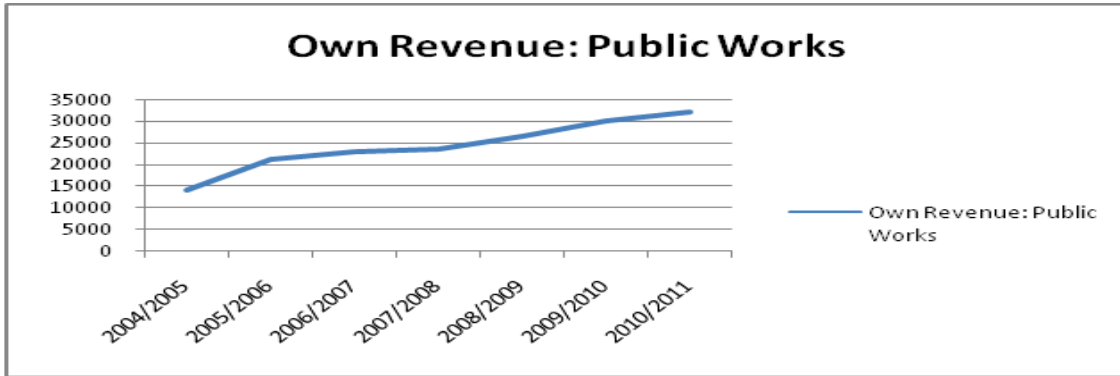
THE DEPARTMENT OF SOCIAL DEVELOPMENT



Source: Own Calculations

The above figure shows the uphill curve for the Social Developmental own receipts. As from the 2004/2005, the Departmental own revenue started to path upwards on a constant rate. During the 2007/2008 financial year, the departmental own revenue recorded an overwhelmed increase by more than 1000 percent. Thereafter, the departmental own revenue decreases drastically by the same rate (more than 1000 percent) of increase experienced during the boom in revenue. This fluctuation has resulted in the negative growth rate (-91.7 percent) experienced by the department in the period between 2007/2008 revised estimates and 2008/2009 fiscal year. This fluctuation by the department is due to the once off refund of R3.4 million during the 2007/2008 financial year. The department estimates a positive real growth rate of 9.6 percent over the 2008/2009 MTEF.

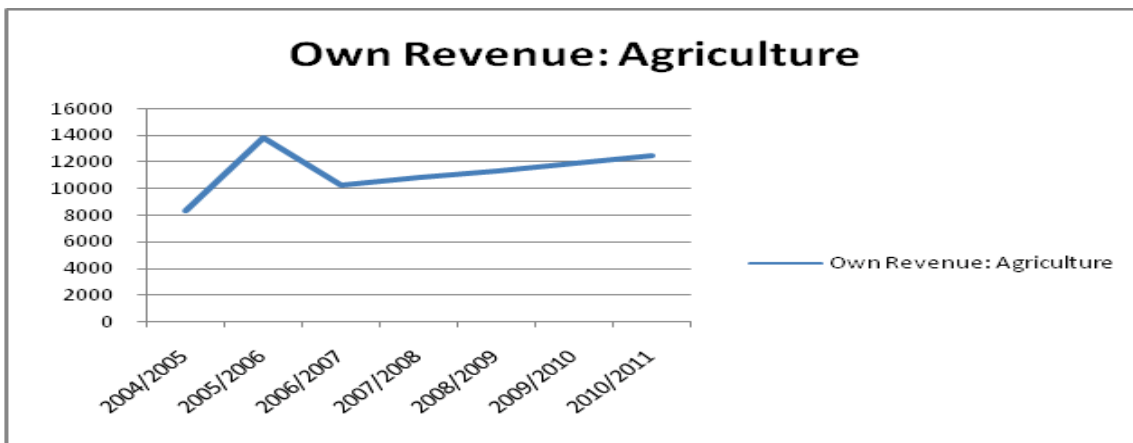
The Public Works Department



Source: Own Calculations

The Department of Public Works own receipts increased steadily over the period 2004/2005 to 2010/2011. Over the 2004/2005 MTEF, the department own revenue increased by 3.6 percent on average. For the period between 2007/2008 revised estimate and 2008/2009 fiscal year, the department recorded a positive growth rate of 13 percent of its own revenue. This positive growth rate achieved by the department in the aforementioned period is due to the 8 percent rental increase for the 2008/2009 fiscal year. In addition, the departmental own revenue is estimated to increase by 16 percent growth rate over the 2008/2009 MTEF (see the above figure).

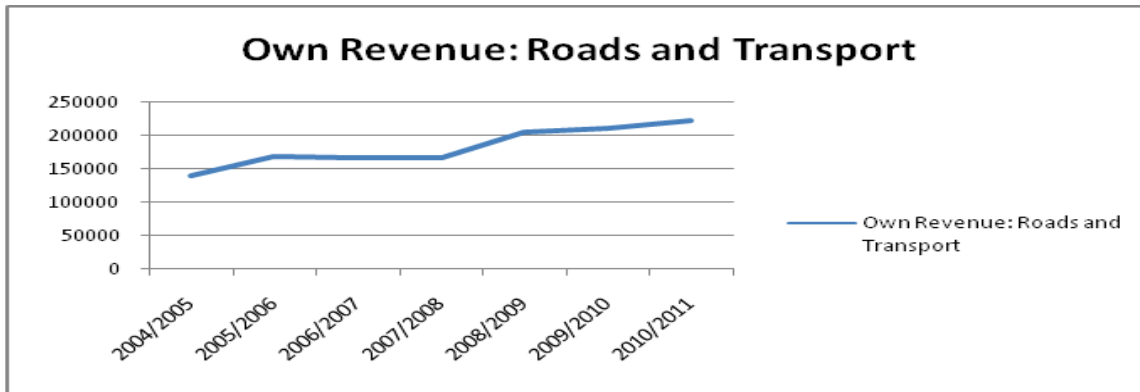
The Department of agriculture



Source: Own Calculations

The analysis of the own revenue for the Department of Agriculture reveals a steady increase for the period between 2004/2005 to 2010/2011. For the period between 2007/2008 revised estimates and 2008/2009 financial year, the department recorded a 8.6 percent increase which crops out due to inflation consideration. Over the 2008/2009 MTEF, the department estimates a 7.6 percent growth rate, which is adjusted to inflation (see the figure above).

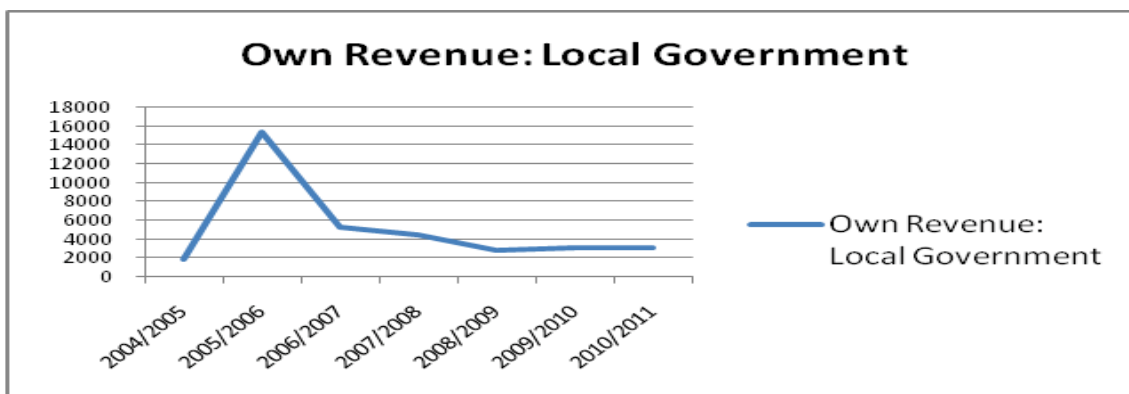
The Department of Roads and Transport



Source: Own Calculations

The Department of Roads and Transport contributes the largest share in the provincial own revenue through its motor vehicle license fees. This revenue item, contributes 82 percent of the departmental own revenue generated by this department and contributes 32 percent of the total provincial own revenue. The department of Roads and Transport own revenue increases by 22,7 percent in the period between 2007/2008 revised estimates and 2008/2009 financial year. The positive growth rate in the afore-mentioned period is due to the implementation of the collection strategy on outstanding license fees and fines to the municipalities. As depicted in the above figure, for the 2008/2009 MTEF, the department estimates a 7.8 percent growth rate (adjusted inflation).

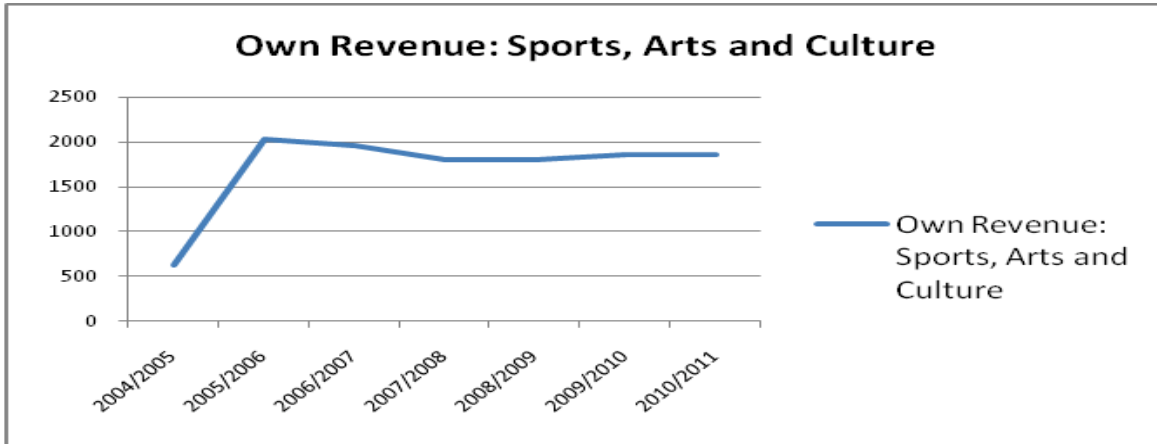
The Department of Local Government



Source: Own Calculations

The above figure shows that the Department of Local Government and Housing own revenue increased sharply in the fiscal year 2005/2006 and thereafter decreased marginally before the pattern stabilises over the 2008/2009 MTEF. For the 2004/2005 MTEF, the departmental own revenue increased due to once off revenue collection. During the period 2007/2008 revised estimates and 2008/2009 financial year, the departmental own revenue for the Department of Local Government and Housing decreased by 34.4 percent. This situation has been caused by the once off refund from the municipalities during the 2007/2008 financial year of R3 million. Over the 2008/2009 MTEF, the departmental own revenue is estimated to increase by 9.4 percent when inflation is taken into consideration.

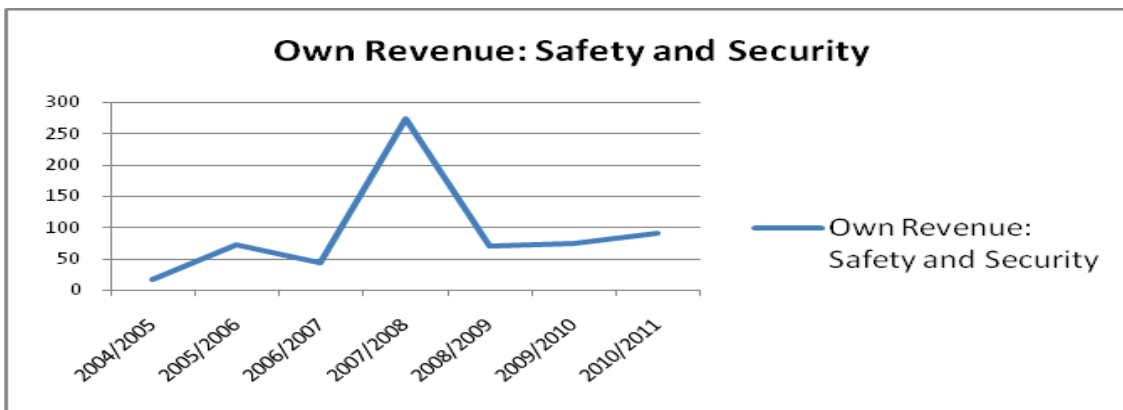
The Department of Sports, Arts and Culture



Source: Own Calculations

The above figure shows that the Sports, Arts and Culture departmental own revenue shows a constant increase from 2004/2005 to 2010/2011 financial years. The revenue collected by the department increased at a faster rate in the period 2004/2005 to 2006/2007, and thereafter stabilises. Over the 2004/2005 MTEF, the departmental own revenue of this department increased by 93 percent on average. For the period between 2007/2008 revised estimates and 2008/2009 financial year, the Sports, Arts and Culture own revenue shows a 90.9 percent sharp decrease which is purported by the once off refund from the Municipalities valued at R20 million. This fund was transferred by this department to the municipalities to assist them in the building of the stadia as part of the 2010 preparations. The fund was not utilized by the municipalities as they received donations from the Development Bank of Southern Africa, and the fund was recovered during the 2007/08 financial year. The Department projects a positive growth rate of 3.3 percent (adjusted inflation) on the departmental own revenue over the 2008/2009 MTEF.

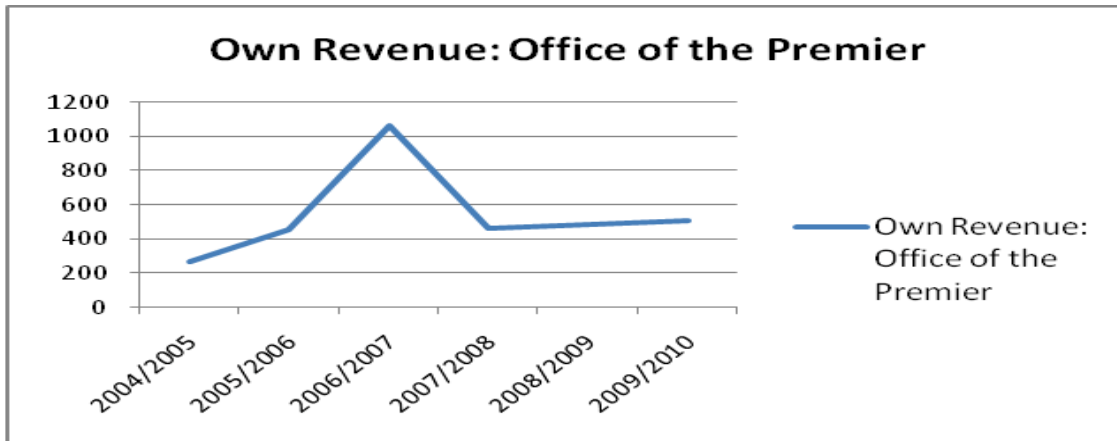
The Department of Safety and Security



Source: Own Calculations

The above figure shows a steady decrease in the Departmental own revenue for the period between 2004/2005 and 2005/2006 for a negative growth rate of 68.7 percent. During the financial year 2007/2008 the Department revised its revenue collection estimates by 355 percent from R60 thousand to R273 thousand due to the once off recovery of outstanding debts in the financial year 2007/2008. However, over the 2008/2009 MTEF, the Safety and Security own revenue improves marginally.

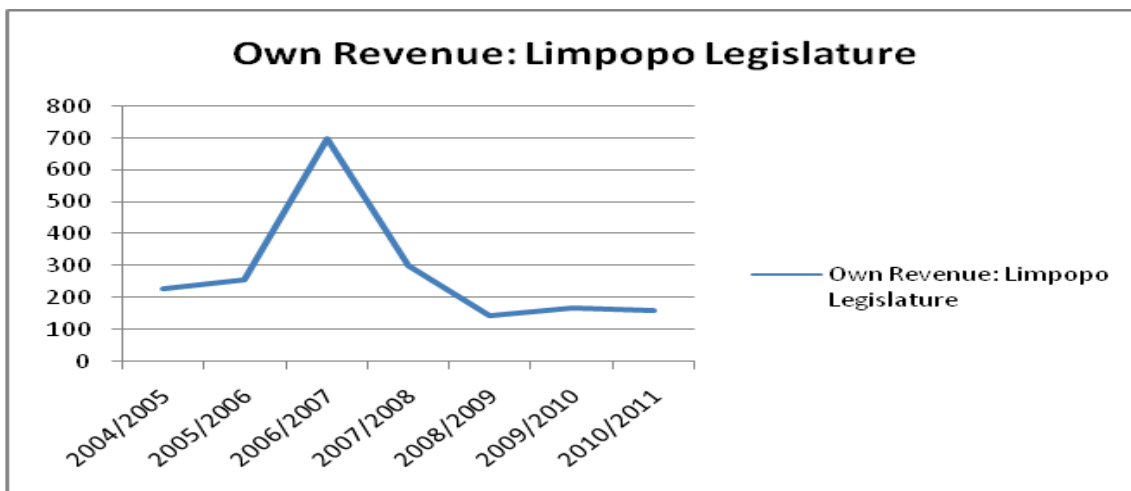
The Office of the Premier



Source: Own Calculations

The above figure depicts a steady increase in the Office of the Premier own revenue for the period 2004/2005 and 2006/2007, and thereafter a slight decrease in 2007/2008 which stabilises over the 2008/2009 MTEF. For the 2004/2005 MTEF, the departmental revenue increased by 100 percent. Between the period 2007/2008 revised estimates and 2008/2009 financial year, the Office of the Premier recorded a positive growth rate of 45.1 percent. The main contributing factor to this is due to the once off recovery of outstanding debts in 2007/2008 fiscal year. Over the 2008/2009 MTEF, the own revenue increases by 4.8 percent.

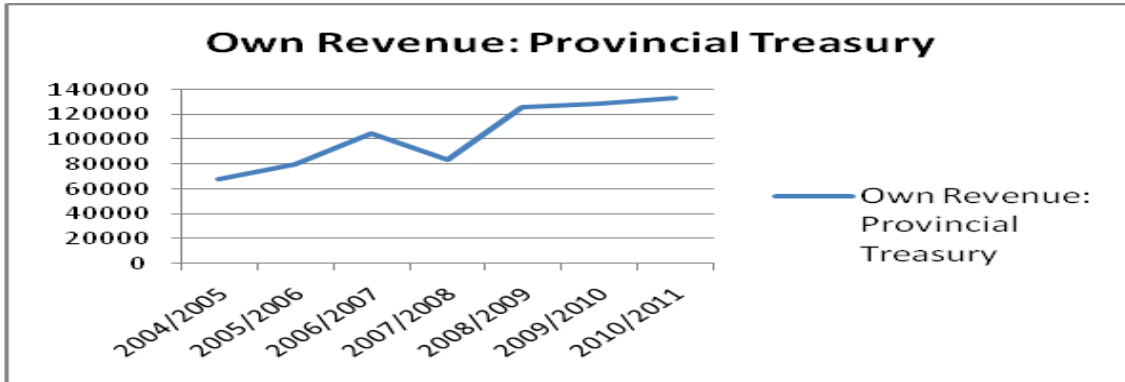
Limpopo Legislature



Source: Own Calculations

The Limpopo Legislature is one of the provincial votes that contributes little to the provincial own revenue, as it retains its own revenue in terms of legislation. Over the 2004/2005 MTEF, the Limpopo legislature own receipts increased by 93.2 percent. The own revenue for Limpopo Legislature decreased dramatically by 20.6 percent for the period between 2007/2008 revised estimates and 2008/2009 fiscal year (see the above figure). The main reason that led to this cause is the once off recovery of debts owed by the European Union in 2007/2008 financial year. However, for the 2008/2009 MTEF, the own revenue for the Limpopo Legislature will improve by 11.6 percent growth rate.

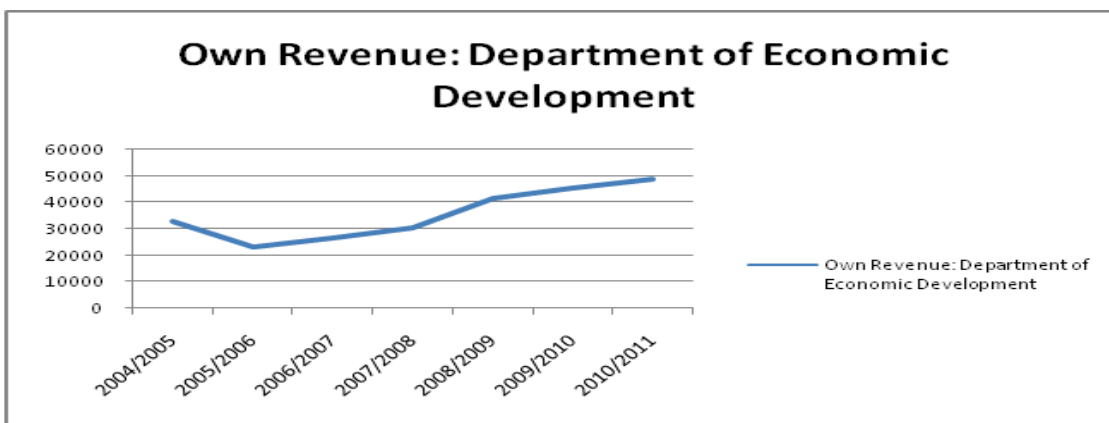
Provincial Treasury



Source: Own Calculations

The own revenue for the Provincial Treasury which is mainly derived from the interest income in the favourable bank balance increased steadily over the 2008/2009 MTEF (see the above figure). For the 2004/2005 MTEF, the Provincial Treasury recorded a growth rate of 23 percent. This growth rate achieved by the Provincial Treasury over the 2004/2005 MTEF was due to the Provincial bank overdraft, that is, unfavourable bank balance culminated since 1999/2000 fiscal year. Between the period 2007/2008 revised estimate and 2008/2009 financial year, the Provincial own revenue recorded 46.7 percent growth rate. This is culminated from the 2008/2009 favourable bank balance anticipated by the province for the 2008/2009 financial year. Over the 2008/2009 MTEF, the departmental own revenue for the Provincial Treasury is anticipated to reach 4 percent growth rate.

The Department of Economic Development



Source: Own Calculations

The Department of Economic Development generates its revenue through the collection of Casino Taxes, Horse Racing Taxes and Liquor Licenses. Over the 2004/2005 MTEF the own revenue trends for this department shows a 7 percent decrease. The period between 2007/2008 revised estimates and 2008/2009 fiscal year, the departmental own revenue improves by 36.4 percent. This positive growth is due to the implementation of the Limpopo Business License Registration Strategy. Over the 2008/2009 MTEF, this department anticipates a 14.6 percent improvement in revenue collection.

5. Payments

5.1 Overall Position

The overall provincial payments stands at about R25 483 billion for the financial year 2007/2008. This amount signifies a growth rate of 1.7 percent as adjusted to inflation (in real terms). For the 2008/2009 MTEF, the provincial payments show a nominal growth rate of 7.5 percent. The growth rate of 7.5 percent on provincial payments for the 2008/2009 MTEF is slower by 1.5 percent compared to the 2004/2005 MTEF. This can be attributed to the fact that the province has shown significant improvement to some socio-economic status such as an increase in the number of provincial dwellers that have an access to water, electricity and sanitation; and an economic growth rate on constant prices.

The growth rate of 2.5 percent in real terms or 7.5 percent on nominal terms for the 2008/2009 MTEF is budgeted to finance the provincial priorities as they appeared in Provincial Growth development Strategy as Millennium Development Goals. The agreed provincial priorities include the provincial economic growth, to attain a regional integration, to enhance innovation and competitiveness, to improve the institutional efficiency and effectiveness of the government. The aforementioned provincial priorities aim at a common goal, that is, to improve the quality of life of the population of Limpopo.

In a means to achieve the above mentioned provincial priorities; the provincial budget for the 2008/2009 MTEF has been broken down into programmer level. All the provincial programmes for the 2008/2009 MTEF allocated an amount of R29 633 billion, R33 367 billion and R36 841 billion respectively.

5.2 Payments by Vote

Table 1.10. Summary of provincial payments and estimates by vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07	2007/08					
Vote 01: Office of the Premier	270,128	333,021	530,666	448,433	401,768	401,768	515,615	555,816	581,807
Vote 15: Legislature	83,949	92,709	107,100	100,275	97,976	117,145	115,799	122,877	130,592
Vote 03: Education	9,609,942	10,361,404	11,365,966	11,948,413	11,926,675	12,025,666	14,221,050	15,925,244	17,341,802
Vote 04: Agriculture	732,990	980,785	1,023,818	1,094,439	1,101,349	1,101,351	1,042,252	1,237,989	1,396,205
Vote 05: Provincial Treasury	422,532	242,587	257,224	286,296	266,844	256,449	305,197	329,429	340,150
Vote 06: Economic Development, Environmental Affairs and	405,148	529,225	613,247	759,580	656,836	609,947	654,045	745,071	772,023
Vote 07: Health	4,168,712	4,788,257	5,831,895	6,096,010	5,986,606	6,276,360	7,594,071	8,535,795	9,594,127
Vote 08: Transport	1,444,595	1,769,682	1,892,434	2,310,650	2,282,034	2,454,200	2,420,586	2,767,448	3,119,586
Vote 09: Public Works	516,005	568,099	601,885	601,598	578,159	578,159	649,710	711,246	746,280
Vote 10: Safety, Security and Liaison	20,511	22,613	31,318	37,772	36,760	35,651	43,061	46,855	50,675
Vote 11: Local government & housing	616,983	747,821	1,097,866	1,044,737	1,054,062	1,054,018	1,158,967	1,341,670	1,639,462
Vote 12: Social Development	344,253	358,169	401,391	439,040	427,078	427,078	725,606	811,162	883,631
Vote 13: Sport, Arts & Culture	83,139	111,531	118,796	144,924	145,130	145,129	186,929	236,909	245,031
Total provincial payments by Vote	18,718,887	20,905,903	23,873,606	25,312,167	24,961,277	25,482,921	29,632,888	33,367,511	36,841,371

The Department of Education

The department of Education received a budgeted amount of R 11 948 billion in the financial year 2007/2008. The main appropriation has been further revised upwards to R12 026 billion during the adjustment period. The appropriation amount increases by 5.8 percent from R11 366 billion in 2006/2007 financial year to R12 026 billion in the financial year 2007/2008. For the 2008/2009 financial year, the Department of Education allocation grows by 18.2 percent in nominal terms and by 13.2 percent in real terms. Over the 2008/2009 MTEF, the department estimates grows by 6.8 percent on nominal terms and by 1.8 percent in real terms.

For the period 2007/2008 to 2008/2009, the real growth rate of 13.2 percent will be utilized to finance the introduction of the National Curriculum Statement e.g. LTSM, the introduction of no fee schools and QUIDS UP- additional resource like laboratory equipment, LTSM, photocopies to disadvantaged schools, Early Child Development, Textbooks for Grade 10-12 to support the NCS, Personnel Wage Settlement and Learner Teacher Attainment Strategy. On the other hand the annual average growth rate of 6.8 percent on nominal terms for the 2008/2009 MTEF will finance the Occupational Specific dispensation, the remuneration of principals, additional support staff at schools and districts, systematic evaluation, the continuation of FET recapitalization, Expansion of Grade R, Expansion of inclusive Education (learners with disabilities) and Scholar transport. The increase in the Department of Education is justified by the current provincial status on the level of education. It has been explained in the previous sections of this document that approximately 30 percent of the provincial population aged 20 years and above have no schooling and only 6,8 percent possess a higher education.

Moreover, the province experiences the shortage of highly skilled labour especially in the science and financial management fields. Furthermore, the province boasts with the majority of its population that are younger than 20 years (the population which is younger than that of national one), which is the age that is still schooling. Lastly, the increase on the spending on education will boost the provincial learner per capita which is very low compared to other provinces.

The Department of Health

The Department of Health received an appropriation amount of R6 096 billion during the financial year 2007/2008. This appropriation has been further revised upwards during the adjustment period to R6 276 billion. The Department spent an amount of R3 586 billion or 63.8 percent at the end of December 2007. An increase in the departmental appropriation was due to the pressures indicated by the department to finance the spending in District Health Services (R379 million), personnel spending (R191 million) and spending on goods and services (R273 million). The department of Health estimates to spend an amount of R7 594 billion, R8 536 billion, R9 594 billion in 2008/2009, 2009/2010 and 2010/2011 respectively. The aforementioned spending estimates for the 2008/2009 MTEF will be used to finance health programmes such as to strengthen the district health primary health care, Government Aids Action Plan, Electronic Data Interchange (which is the top up to the improvement of information systems in public health, to beef up on goods and services for all provincial new clinics and improvement in the provincial health infrastructure, Personnel Wage Settlement, Occupational Specific Dispensation (OSD), Tuberculosis-Multi Drug Resistance (MDR) Medical Waste Management and Pharmaceutical services..

The above provincial health programmes seek to reduce the incident of malaria, HIV/Aids which are the major serious diseases that threaten the stability in the province. Moreover, these programmes ensure that the people of this province have access to health care hence the statistics show a small percentage number of people that possess medical aid coverage. Basically, this top up on the Department of Health baseline seeks to improve the health conditions of the province which is the step that lead to the improvement of the provincial Human Development Index (HDI) and ultimately a better life to the population of the Limpopo province.

The Department of Social development

The department of Social development has been appropriated an amount of R439 040 million during the financial year 2007/2008. The appropriation amount of R439 040 million has been further revised downwards to R427 078 million during the adjustment period. This amount has grown up by about 6.3 percent in nominal terms and by 1.3 percent in real terms compared to the financial year 2006/2007. For the period between 2007/2008 and 2008/2009, the payment estimates for this department grow up by about 70 percent in nominal terms or 65 percent in real terms. Over the 2008/2009 MTEF, the departmental payment estimates recorded a growth rate of 6.8 percent on nominal terms or 1.8 percent in real terms.

This significant increase in the departmental payments estimates is due to the additional injections to programmes such as Social Welfare Services, which increases by 52.4 percent on nominal terms compared to the financial year 2006/2007 and by 22.9 percent over the MTEF; and the development of infrastructure

which increased by 72.6 percent in nominal terms compared to the 2006/2007 financial year and by 22.6 percent over the MTEF.

This remarkable increase in the departmental payment estimates take into account of the provincial social status. The province is characterized by high actual dependency rate of about 8 percent (the number of people that depend on one person who is actually employed at certain period of time), high number of people that live under poverty line of \$2 a day, approximately 60 percent of the provincial population and especially in the provincial areas such as Sekhukhune, Capricorn and Vhembe. All of the above mentioned social indicators put the province to be the lowest among all other province in terms of equal distribution of income(income inequality) and the extent at which the population of the province have developed (Human development Index) with 0.711 and 0.49 respectively.

The Economic Development

The Department of Economic Development has been appropriated an amount of R759 580 million during the financial year 2007/2008. This appropriation has been revised downwards to R609 947 million during the adjustment period. The department has recorded a negative growth rate of 0.5 percent on nominal terms or 5,5 percent in real terms for the financial year 2007/2008. For the period between 2007/2008 revised estimates and 2008/2009 financial year, the departmental payment estimates increase by 7.2 percent on nominal terms or 2.2 percent in real terms. Over the 2008/2009 MTEF, the departmental payment estimates increased by 5.7 percent on nominal terms and by 2.7 percent in real terms. The negative growth between the period 2006/2007 to 2007/2008 is due to the reduction on rent received, the purchase of capital assets by the department, the discontinuation of funds earmarked to fund the ICC, the reduction the funds portioned for the maintenance of game reserves. Only two programmes that showed a positive growth rate in this department, which are Business Regulation & Governance and Economic Planning. For the programme called Integrated Economic Development, the negative growth of 10, 9 percent between the period 2007/2008 and 2008/2009 is due to the shifting of some funds to finance the new departmental programme called Economic Planning.

The positive growth rates recorded in the two aforementioned programmes is due to the appointment of contract workers in the district for the implementation of Liquor Act and the personnel appointment in both programmes. Moreover as the provincial economic growth has outperformed the national one for the period 1995-2007, the unemployment in the province is still alarming more than other provinces, poverty is still stricken, income inequality is still persisting and the better life to the people of this province in terms of development is still a long journey to be travelled. Therefore, this requires a refocus in the provincial economy; it is on those grounds that the province has financed a new programme that will plan to achieve economic gains in the provincial economy.

The Department of Agriculture

The department of Agriculture has received an appropriated amount of R1 094 billion for the financial year 2007/2008. This amount has been further revised upwards to R1 101 billion during the adjustment period. During the financial period 2006/2007, the Department of Agriculture was appropriated an amount of R1 024 billion. This signifies a growth rate of 7, 5 percent on nominal terms and 2.5 percent in real terms between the aforesaid period. For the period between 2007/2008 and 2008/2009, the department recorded a negative growth rate of 5.4 percent on nominal terms or 0.4 percent in real terms. Over the 2008/2009 MTEF, the department payments estimates increased by 10.2 percent on nominal terms and by 5.2 percent in real terms.

The negative growth rate of 6.8 percent in real terms for the 2008/2009 financial year is due to factors such as reduction in spending on goods and services, the research station facilities and incinerators will not be acquired in the financial year 2008/2009, the vaccinations and dipping will be reduced, the reduction in funding of RESIS projects by more than 40 percent and the discontinuation of funding the renovation of two colleges (Madzivhandila and Tompi Seleka). However, the positive growth rate of 10.2 percent on nominal terms or 5.2 percent in real terms is due to the increase in the CASP and IGP conditional grants.

The Department of Public Works

The Department of Public works has been appropriated an amount of R601 598 million during the financial year 2007/2008. The allocated amount has been further revised upwards during the adjustment period to R578 159 million. The departmental payments estimates decreased to 3.9 percent on nominal terms and by 8.9 percent in real terms between the period 2006/2007 and 2007/2008 financial year. For the period between 2007/2008 financial year and 2008/2009 financial year, the departmental payments estimates increased by 12.4 percent on nominal terms or by 7.4 percent in real terms. Over the 2008/2009 MTEF, the departmental payment estimates increases by 4.7 percent on nominal terms or a negative growth rate of 1.3 percent in real terms.

The negative growth rate recorded by the department between the financial year 2007/2008 and 2008/2009 financial year is due to the amount of R6, 8 million transferred to finance the payments of National Youth Services. The significant growth rate of 14.5 percent on nominal terms or 9.5 percent in real terms is due to additional amount catered for the new mandate on job creation for the National Youth Service Commission and improvement on Expanded Public Works Programmes (EPWP) projects in the maintenance of buildings; the rising costs of managing properties, maintaining and building of infrastructure in the province; and an increase in the capacity of capital projects. It is important to highlight the fact that under the EPWP projects for maintenance of buildings, construction of schools, clinics and landscaping, about 574 youth will be recruited in collaboration with the National youth Commission to undergo a two year skills training in various scarce trades such as plumbing, carpentry, tilling.

All of the above initiatives seek to address the problems such as unemployment in the province and the skills shortage in technical field which hampers the economic growth and development in the province and even the national economy.

Moreover, these initiatives contribute positively to attain some of the provincial Millennium Development Goals agreed upon in the Provincial Growth Development Strategy such to enhance innovation and competitiveness and growing the provincial economy due to the spill over from the provincial infrastructure development.

The Department of Transport

At the beginning of the financial year 2007/2008, the Department of Roads and Transport received an allocated budget of R2 311 billion and this appropriation has been revised upwards during the adjustment period to R2 454 million. The appropriated budget for the 2007/2008 financial year increased by 34 percent on nominal terms and by 29 percent in real terms compared to the previous financial year. For the period between 2007/2008 financial year and 2008/2009 financial year, the departmental payment estimates decreases by 4.9 percent on nominal terms and decreased by 0.1 percent in real terms. Over the 2008/2009 MTEF, the departmental payment estimates has shown a growth rate of 8,8 percent on nominal terms or 3.8 percent in real terms.

The growth rate in this departmental payment estimates recorded between the 2007/2008 and 2008/2009 financial years; and over the 2008/2009 MTEF is due to the additional amount injected in items like the building of provincial head office and traffic stations, upgrading of its technology, the purchase of capital equipments such as heavy duty machines so as to help to fast track the service delivery and to reduce the leasing budget, the implementation of the new Public Transport Strategy as well as building of inter-modal facilities, the implementation of the recruitment programme so as to reach the target number of traffic officers that need to be available for 2010 to handle the traffic during the soccer tournament and the implementation of EPWP projects under public transport as well as under road Infrastructure and maintenance.

It is important to highlight the fact that all the afore-mentioned spending priorities of this department impacted positively to the achievement of the Provincial Growth and Development Strategy hence they crystallized the creation of employment, the provincial infrastructure development, and the enhancement of innovation and competitiveness; which ultimately lead to the improvement in the quality of life of the population of the province.

The Department of Local government & Housing

The department of Local Government & Housing has been appropriated an amount of R1 045 billion at the beginning of the 2007/2008 financial year. This appropriation has been further revised upwards to R1 054 billion during the adjustment period. This allocation reflects a negative growth rate of 3.9 percent on nominal terms or 8.9 percent in real terms compared to the previous financial year allocation of R1 086 billion.

For the period between 2007/2008 and 2008/2009 financial years, the departmental payments estimates recorded a growth rate of 9.9 percent on nominal terms or 4.9 percent in real terms. Over the 2008/2009 MTEF, the departmental payments estimates show a 12.5 percent growth rate on nominal terms or 7.5 percent in real terms.

It is worth note to highlight the fact that the departmental growth rate achieved during the period between 2007/2008 and over the 2008/2009 MTEF is due to additional funds injected on the Integrated Housing & Human settlement Development Grant which among other things seeks to support the municipalities on Governance, Infrastructure and the implementation of Municipal Property Rates Act.

The Department of Safety, Security and Liaison

The Department of Safety, Security and Liaison had allocated an amount of R37 772 million at the beginning of the 2007/2008 financial year. During the adjustment period the departmental appropriation has been revised downwards to R35 651 million. This signifies a growth rate of 13.8 percent on nominal terms or 8.8 percent in real terms compared to the allocated budget of R31 318 million received by the department during the 2006/2007 financial year. For the period between 2007/2008 and 2008/2009 financial years, the departmental payments are estimated to grow by 20.8 percent on nominal terms or 15.2 percent in real terms. Over the 2008/2009 MTEF, the departmental payments are estimated to grow by 5.6 percent on nominal terms or a positive growth rate of 0.6 percent in real terms.

The departmental payments estimates growth rate of 20.8 percent on nominal terms or 15.8 percent in real terms for the period between 2007/2008 and 2008/2009; and a slightly growth rate of 5.6 percent on nominal terms or a positive growth rate of

0.6 percent in real terms over the 2008/2009 is due to an additional amount added to Crime Prevention and Community Relations which resulted to 90.1 percent growth rate in this programme for the period between 2007/2008 and 2009/2009 financial year and slow down to 28.3 percent over the 2008/2009 MTEF, additional amount to Monitoring and Evaluation programme which also results to a significant growth rate of 62.8 percent for the period 2007/2008 to 2008/2009 and slows down to 24 percent over the 2008/2009 MTEF; and the scrapping off for two programmes , which are Research and Communications. The injections to the receiving programme can be attributed to strengthen the provincial Safety and Security for the 2010 FIFA Soccer Tournament.

The Office of the Premier

The Office of the Premier (OOP) has received an appropriation amount of R448 433 million at the beginning of the financial year 2007/2008 and this allocation has been further revised downwards to R401 768 million during the adjustment period. When this allocation is compared to the previous financial year allocation, that is, 2006/2007 financial year, the comparison reveals a negative growth rate of 24 percent on nominal terms or 19 percent in real terms.

For the period between 2007/2008 and 2008/2009 financial year, the departmental payment estimates increased by 28.4 percent on nominal terms or by 23.4 percent in real terms. Over the 2008/2009 MTEF, the departmental payments are estimated to increase by 4.1 percent on nominal terms and record a negative real growth rate of 0.9 percent. The significant increase of 28.4 percent on nominal terms or 23.4 percent in real terms for the period 2007/2008-2008/2009 financial years, and a slow down in growth rate to 4.1 percent on nominal terms and negative 0, 9 percent in real terms can be attributed to the fact that most of the OOP's programmes are linked to the term of Premiers Office which ends on the financial year 2008/2009.

The additional funds to the OOP have been injected to Corporate Support to beef up on items such as the implementation of the transversal function and provincial Government Information Technology Office, to give proper baselines for the implementation of the shared legal services from other departments. Moreover, some funds have been added to address the CDP and the implementation of the Provincial Growth and Development Strategy.

The Provincial Legislature

The Provincial Legislature has been budgeted an amount of R100 275 million at the beginning of the financial year 2007/2008. The appropriation amount for the Provincial Legislature has been revised upwards to R117 145 million during the adjustment period. This signifies a positive growth rate of 5.1 percent on nominal terms and a negative growth rate of 0.1 percent in real terms when it compares to the 2006/2007 financial year allocation (R107 100 million). For the period 2007/2008-2008/2009 financial years, the Provincial Legislature payments are estimated to slow down by negative growth rate of 1.1 percent on nominal terms or by negative growth rate of 6.1 percent in real terms. Over the 2008/2009 MTEF, the Provincial Legislature estimates a growth rate of 4.1 percent on nominal terms or a negative growth rate of 0.9 percent in real terms on its payments.

The positive growth rate of 4.1 percent on nominal terms that the Provincial Legislatures estimated to pay over the 2008/2009 MTEF is due to additional amount of R4 million added to the baseline over the 2008/2009. The additional funding is due to an increase of the constituency allowances, training of political party support staff. However, the negative growth rate of 1.1 percent on nominal terms for the period 2007/2008-2008/2009 financial years is due to the reduction in certain items such as the reduction in public participation activities, reduction in hansard and language services, reduction in the legislature events marketing and reduction in the catering for the legislature's events.

The Department of Sports, Arts & Culture

The Department of Sports, Arts and Culture had received an allocated budget of R145 129 million at the beginning of the 2007/2008 financial year. The allocated budget appropriated to this department remained constant throughout the financial year. When this allocated budget for the 2007/2008 is compared to the previous financial year (2006/2007), the allocation reveals a 22 percent on nominal growth rate and by 17 percent in real terms for the 2007/2008 financial year.

For the period 2007/2008-2008/2009 financial years, the departmental payments are estimated to increase by 29 percent on nominal terms or by 24 percent in real terms. Over the 2008/2009 MTEF, the departmental payments are estimated to grow by 9.4 percent on nominal terms or by 4.4 percent in real terms.

The positive growth rate estimated by the Department of Sports, Arts and Culture its payments for both periods, which are, 2007/2008-2008/2009 financial year and 2008/2009 MTEF is due to the additional funds injected on items such as Provincial Archives, Provincial Sports Academy and for the preparations to host 2009 South African games.

The Provincial Treasury

The Provincial Treasury had had an appropriation amount of R286 296 million at the beginning of the 2007/2008 financial year. The allocated budget of this department has been revised downwards to R256 449 million during the adjustment period. This allocation reflects a negative growth rate of 0.3 percent when it is compared to the previous year allocation of R257 224 million. For the period 2007/2008-2008/2009 financial year, the Provincial Treasury estimates a growth rate of 19 percent on nominal terms and by 14 percent in real terms to its payments. Over the 2008/2009 MTEF, the Provincial Treasury estimates a growth rate of 3.7 percent on nominal terms to its payments.

The positive growth rate in the provincial payments estimates for the aforementioned periods is due to the significant budget increase recorded in programmes such as Budget Services and Intergovernmental Relations and Asset and Liabilities Management. For both programmes these injections are due to factors such as payment of consultants for services like assistance to all municipalities in the conversion of IMFO to GRAP reporting, assistance to the Provincial Treasury in building Macro Economic Model, completing of the Medium Term Budget Policy statement and completing the Socio-Economic Impact of the budget, and the filling of existing vacant posts.

5.3 Payments by economic classification

Table 1.11: Summary of provincial payments and estimates by economic classification

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07	2007/08					
Current payments	15,540,997	17,424,407	18,927,965	20,257,220	19,955,031	20,329,548	23,463,515	26,355,163	28,913,877
Compensation of employees	12,400,458	13,622,193	14,816,263	15,852,363	15,848,871	16,109,701	18,064,045	19,774,379	21,008,733
Goods and services	3,139,295	3,801,064	4,109,062	4,404,842	4,104,791	4,218,477	5,399,454	6,580,768	7,905,127
Interest and rent on land	-	14	15	15	15	15	16	16	17
Financial transactions in assets and liabilities	1,244	1,136	2,625	-	1,354	1,355	-	-	-
Unauthorised expenditure	-	-	-	-	-	-	-	-	-
Transfers and subsidies to:	1,865,004	2,235,703	3,086,169	3,336,594	3,444,157	3,598,013	4,005,301	4,395,501	4,973,362
Provinces and municipalities	53,210	160,907	198,485	107,402	72,336	71,762	116,274	95,811	98,834
Departmental agencies and accounts	269,182	284,656	315,952	233,551	227,137	227,137	197,247	246,213	262,890
Universities and technikons	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	822,701	1,034,827	1,086,549	1,432,433	1,382,303	1,515,568	1,402,247	1,569,673	1,798,348
Foreign governments and international organisations	218	-	-	-	-	-	-	-	-
Non-profit institutions	263,631	236,059	681,671	722,891	940,683	960,618	1,238,928	1,315,674	1,406,063
Households	456,062	519,254	803,512	840,317	821,698	822,928	1,050,605	1,168,130	1,407,227
Payments for capital assets	1,312,886	1,245,793	1,859,472	1,718,353	1,562,089	1,555,360	2,164,072	2,616,847	2,954,132
Buildings and other fixed structures	891,027	765,891	1,276,562	1,113,334	1,058,451	1,107,800	1,573,562	1,812,759	2,065,619
Machinery and equipment	356,129	337,759	536,508	501,627	423,646	389,624	475,195	671,089	744,012
Cultivated assets	978	-	565	642	-	-	-	-	-
Software and other intangible assets	27,615	2,382	27,822	39,829	17,071	16,465	21,212	24,706	24,681
Land and subsoil assets	37,137	139,761	18,015	62,921	62,921	41,471	94,103	108,293	119,810
Total economic classification	18,718,887	20,905,903	23,873,606	25,312,167	24,961,277	25,482,921	29,632,888	33,367,511	36,841,371

The Provincial payments by economic classification is categorized in terms of the Economic Reporting Format issued by the National Treasury in October 2003 which was implemented in all national and provincial departments as part of the migration process to Basic Accounting Standards (BAS). This new Economic Reporting Format came into effect from 1 April 2004. The new format classified economic payments into three headings, which are Current Payments, Transfers and Subsidies and Payments for capital assets.

Much of the funds for the province are being utilized to finance the current payments which includes compensation of employees, goods and services, interest on rent on land and financial transactions in assets and liabilities. Of which the larger percentage is used to finance the compensation of employees. The compensation of employees sliced more than a half of the total provincial budget, for example for the financial year 2007/2008 the compensation of employees shared about 63 percent of the provincial total

allocation, and for the 2008/2009 MTEF the compensation of employees shared 61 percent, 59 percent and 57 percent respectively.

These statistics put the province in the top list in terms of payments to compensation of employees when it is compared to other provinces. The payment on goods and services constitute less than a quarter of the total provincial payments. For example in the 2007/2008 financial year, the payment on goods and services constituted about 17 percent of the total provincial payments; and for the 2008/2009 MTEF, the payment on goods and services constituted about 18 percent, 20 percent and 22 percent respectively.

The Provincial Transfers and Subsidies to Municipalities, Departmental agencies and accounts, Provincial Public Corporations and Private Enterprises, Non-profit institutions and Households constitute less than a quarter of the total provincial budget. For the 2008/2009 financial year, the provincial transfers and subsidies share a total percentage of 13.7 percent from the overall provincial budget. Over the 2008/2009 MTEF, the provincial transfers and subsidies sliced 7.3 percent. The larger percentage of the funds allocated to transfers and subsidies are appropriated to Provincial Public Corporation and Private Enterprises. During the 2007/2008 financial year the Provincial Transfers and Subsidies to the Provincial Public Corporations and Private Enterprises constitute 42 percent of the total funds appropriated to the Provincial Transfers and Subsidies. Over the 2008/2009, the provincial Public Corporations and Subsidies constitute 35 percent, 36 percent and 36 percent of the funds allocated to the Provincial Transfers and Subsidies in respect of the financial years of the 2008/2009 MTEF. The Provincial Public Corporations and Private Enterprise are made up of corporations and enterprises such as Limpopo Development (LimDev) Limpopo Business Support Agency (LIBSA), Trade Investment Limpopo (TIL), Roads agency Limpopo (RAL) to mention few.

It is, however, that the smallest share of the Provincial Transfers and Subsidies is appropriated to Municipalities. For the financial year 2007/2008, the Provincial Transfers to Municipalities constituted about 2 percent of the total Provincial Transfers and Subsidies. Over the 2008/2009 MTEF, the provincial transfers to municipalities constitute 3 percent, 2.2 percent and 2 percent respectively. The Provincial Transfers to Municipalities is made up of transfers to the provincial district municipalities which are Capricorn District Municipality, Vhembe District Municipality, Mopani district municipality, Waterberg District Municipality and Bohlabela District Municipality.

The Provincial Payments to Capital Assets include the Building and other fixed structures, Machinery and equipment, cultivated assets, Software and other intangible assets, and Land and sub-soil assets. The Provincial Payments to Capital Assets constitute the smallest share of the total provincial payments. On the total provincial payments to capital assets, the largest percentage share is used to finance the provincial Building and other fixed structures. The provincial payment to buildings and other fixed structures constituted about 71 percent of the total provincial payments to capital assets during the financial year 2007/2008. For the 2008/2009 MTEF, payments made to buildings and other fixed structures are estimated at 72 percent, 69.2 percent and 70 percent of the total provincial payments to capital assets respectively.

Table 1.11. Summary of provincial payments and estimates by policy area

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07	2007/08					
General public services	1,568,607	1,580,019	1,884,664	1,750,372	1,690,155	1,698,885	1,889,612	2,045,619	2,186,661
Public order and safety	20,511	22,613	31,318	37,772	36,760	35,651	43,061	46,855	50,675
Economic affairs	2,340,419	3,075,854	3,519,833	4,128,879	4,007,310	4,122,174	4,035,638	4,650,297	5,184,419
Environmental protection	242,314	203,838	9,666	35,790	32,909	43,324	81,245	100,211	103,395
Housing and community amenities	340,990	404,218	654,036	730,967	708,654	708,654	855,676	1,015,419	1,251,630
Health	4,168,712	4,788,257	5,831,895	6,096,010	5,986,606	6,276,360	7,594,071	8,535,795	9,594,127
Recreation, culture and religion	83,139	111,531	118,796	144,924	145,130	145,129	186,929	236,909	245,031
Education	9,609,942	10,361,404	11,365,966	11,948,413	11,926,675	12,025,666	14,221,050	15,925,244	17,341,802
Social protection	344,253	358,169	401,391	439,040	427,078	427,078	725,606	811,162	883,631
Total provincial payments and estimates by policy area	18,718,887	20,905,903	23,817,565	25,312,167	24,961,277	25,482,921	29,632,888	33,367,511	36,841,371

The provincial payments by policy area constituted of nine programmes. The provincial payments by policy area classify the payments according to the functions of the government. This classification of payments by government functions is sometimes known as the government purpose classification or payments by policy area. The government purpose classification or payments by policy area is designed to reflect the distribution of spending among the various services provided. By virtue of its purpose, it is a useful tool for tracing the implementation and direction of government policies. Therefore, it is on those grounds that it is important to consider each and every provincial government purpose or policy area and they are interalia:

General public services has been allocated an amount of R1 569 billion during the financial year 2004/2005. The allocation to the General public services has further increased to R1 580 billion and R1 888 billion for the financial year 2005/2006 and 2006/2007 respectively. For the 2004/2005 MTEF, the General public service allocations increased by 6, 8 percent on nominal terms. During the 2007/2008 financial year, the General public services received an amount R1 750 billion at the beginning of the fiscal year. This main allocation has been revised downwards to R1 699 billion during the adjustment period. Over the 2008/2009 MTEF, the general public services appropriated an amount of R 1 890 billion, R2 045 billion and R2 187 billion in respect of the financial years. The General public services include the Financial and Fiscal Services that is rendered by the provincial treasury, executive and legislation that is rendered by the Provincial Legislature and the Office of the Premier, and general services which are rendered by the Department of Public works and Local Government and Housing.

Public Order and Safety has been allocated a budgeted amount of R20 511 million, R22 613 million and R31 318 million during the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. This appropriation shows a growth rate of 15, 5 percent on nominal terms for the 2004/2005 MTEF. For the 2007/2008 financial year, the funds allocated to public order and safety amounted to R37 772 million at the beginning of this financial year. During the adjustment period, the main appropriation has been revised downwards to R35 651 million. Over the 2008/2009 MTEF, the appropriation to the Public order and safety amounted to R43 061 million, R46 855 million and R50 675 million in respect of the financial years. The allocation for the 2008/2009 MTEF shows a 5.6 percent growth rate on nominal terms. The Public Order and Safety constitute of one programme called police services which is rendered by the Department of safety and Liaison.

Economic Affairs had an allocated budget of R2 340 billion, R3 076 billion and R3 555 billion during the 2004/2005, 2005/2006 and 2006/2007 financial years respectively. This allocation over the 2004/2005 MTEF signifies about 15 percent growth rate on nominal terms recorded over the 2004/2005 MTEF. At the beginning of the 2007/2008 financial year, the Economic Affairs received an appropriation of R4 129 billion. This main appropriation allocated to Economic Affairs has been revised downwards during the adjustment period to R4 122 billion. Over the 2008/2009 MTEF, the Economic Affairs allocated an amount of R4 036 billion, R4 650 billion and R5 184 billion in respect of the financial years of the 2008/2009 MTEF. This appropriation over the 2008/2009 MTEF shows an average growth rate of about 9 percent on nominal terms. The Economic affairs is made up of programmes like General economic affairs which is lead by the Department of Economic Development, Agriculture which is under the auspices of the Department of Agriculture, and the transport which is monitored and controlled by the Department of Transport. It is worth noting to highlight the fact that much of the funds allocated for Economic affairs are appropriated to Department of Roads and Transport about 60 percent of the total allocations to Economic Affairs.

Environmental Protection had an allocated amount of R242 314 million, R203 838 million and R9 666 million during the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. For the financial year 2007/2008, the main allocation appropriated to Environmental Protection amounted to R36 million. The main appropriation has been revised upwards to R43 million during the adjustment period. Over the 2008/2009 MTEF, the Environmental Protection payments are estimated at R81 million, R100 million and R103 million in respect of the financial years. This signifies a positive growth rate of 8.3 percent on nominal terms for the 2008/2009 MTEF.

Housing and Community amenities appropriated a budget of R341 million, R404 million and R695 million for the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. The allocation for the 2004/2005 MTEF shows a growth rate of 27 percent on nominal terms. At the beginning of the 2007/2008 financial year, the Housing and community amenities received an allocated budget of R709 million. This allocation has been revised downwards to R709 million during the adjustment period. Over the 2008/2009 MTEF, the Housing and community amenities payments show an amount of R856 million, R1 015 billion and R1 251 billion in respect of the 2008/2009 MTEF. For the 2008/2009 MTEF, the payments for the Housing and community amenities show a 13, 5 percent average growth rate over the 2008/2009 MTEF. The Housing and community amenities payments finances the only and one programme called Housing development which is monitored by the Provincial Department of Housing and local government.

The policy area: Health had allocated an amount of R4 169 million, R4 788 million and R5 832 million during the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. For the financial year 2007/2008, the Health received an allocated budget of R6 096 billion at the beginning of the financial year. The allocated amount has been revised upwards to R6 276 billion during the adjustment period. Over the 2008/2009 MTEF, the provincial policy area: Health payments show an amount of R7 594 billion, R8 536 billion and R9 594 billion in respect of the 2008/2009 METF financial years. The Health payments for 2008/2009 MTEF show an average growth rate of 8.1 percent on nominal terms. The Health allocations are solely responsible to fund the provincial hospital services which is monitored and rolled out by the provincial Department of Health.

Recreation, culture and religion government purpose classification received an appropriation amount of R83 139 million, R111 531 million and R118 796 million during the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. For the financial year 2007/2008, this government purpose classification received an allocated budget of R144 924 million which remained unchanged for the rest of the financial period. Over the 2008/2009 MTEF, the policy area: Recreation, culture and religion payments show an amount of R186 929 million, R236 909 million and R245 031 million in respect of the financial years. The Recreation, culture and religion payments show a growth rate of 9.4 percent on nominal terms. The payments for recreation, culture and religion finance the provincial sporting and recreation affair which is monitored by the Department of Sport, Arts and Culture.

The policy area: Education received an allocated budget of R9 610 billion, R10 361 billion and R11 366 billion for the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. For the 2007/2008 financial year, the amount appropriated to the policy area: Education amounting to R11 948 billion at the beginning of the financial year. During the adjustment period, the allocation of R11 948 billion has been revised upwards to R12 026 billion. Over the 2008/2009 MTEF, the payments for the policy area: Education are estimated to amount R14 221 billion, R15 925 billion and R17 342 billion in respect of the financial years of the 2008/2009 MTEF. The 2008/2009 allocation signifies an average growth rate of 6.8 percent on nominal terms. The programme: education not defined by the level is the only programme that is being financed by the allocation appropriated to the government purpose classification: education.

Social Protection government purpose classification had had an allocated budget of R344 253 million, R358 169 million and R401 391 million for the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. At the beginning of the 2007/2008 financial year, the policy area: social protection received the main appropriation of R439 040 million. This main appropriation has been adjusted downwards to R427 078 million during the adjustment period. Over the 2008/2009 MTEF, the social protection payments are estimated at about R725 606 million, R811 162 million and R883 631 million respectively. This medium term estimates show a growth rate of 6.7 percent on nominal terms. The policy area: Social protection consists of two programmes, which are Social Security Services and Social Services and Population Development. Both, Social Security Services and Social Services and Population Development share almost a half each of the total budget appropriated to Social Protection. Of which Social Security and Social Development shared a larger percentage of about 54 percent than the Social Security Services.

5. 5. INFRASTRUCTURE

In his State of the Nation Address in 2006, President Thabo Mbeki said: *“We cannot allow that government departments become an obstacle to the achievement of the goal of a better life for all because of insufficient attention to the critical issue of effective and speedy delivery of services”.*

“Integration of planning and implementation across the government spheres is therefore one of the prime areas of focus in our programme...”.

As a province we acknowledge that Infrastructure supports the regeneration and building the local economies. Investment in infrastructure therefore provides a better life to all people and it reduces poverty by enabling faster economic growth and the creation of job opportunities.

In recognition of the importance of accelerating infrastructure delivery, National Treasury has developed an Infrastructure Delivery Improvement Programme (IDIP). The IDIP has three key components:

- The formulation of delivery management and guidelines;
- A capacity building strategy aimed at supporting the use of the toolkit in infrastructure delivery departments; and
- A strategy to improve the monitoring and reporting on infrastructure projects.

The Provincial Technical Assistants Team (PTAT), consisting of one Technical Assistant in Education and one in Public Works started in November 2006 and is responsible for:

- Implementing alternative models for accelerated delivery and capacity building;
- Developing a robust planning and budgeting capability, in line with IDIP principles;
- Developing an immovable asset management capability, which includes planning, budgeting and monitoring & evaluation relating to infrastructure maintenance and management;
- Developing efficient and effective integration and coordination mechanisms between the departments and its infrastructure implementing agents and
- Developing efficient and effective integration and coordination mechanisms between departments and other entities responsible for infrastructure planning.

In November 2007, a third Technical Assistant was appointed in the Department of Health. As a Province we support the Cabinet Statement of 21 February 2007, which relates to the alignment of the infrastructure delivery cycles with the MTEF budget cycle in order to improve planning, implementation and better cash flow management. Our IDIP Goal in the province is in support of the Accelerated and Shared Growth initiative of South Africa (ASGISA) – “Improve effectiveness and efficiency of delivery of Provincial Public Sector Infrastructure through institutionalising best practice tools and building of capacity”. Our IDIP Purpose in the province is in support of the Provincial Growth and Development Strategy (PGDS) –“IDIP supports the implementation of the PGDS by supporting targeted departments to strengthen their infrastructure delivery planning and management capacity systems”.

5.5.1. Provincial Infrastructure Payments.

Table 1.12.: Summary of provincial infrastructure payments and estimates by Vote

	2004/05	2005/06	2006/07	2007/08			2008/09	2009/10	2010/11
	audited	audited	preliminary	Main	Adjusted	Revised	METF	MTEF	MTEF
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Education	416,480	367,364	450,739	365,841	365,841	365,841	634,984	734,521	795,985
Agriculture	52,493	201,246	238,211	294,402	294,402	294,402	258,836	311,771	452,834
Economic Development	-	-	1,238	3,000	5,000	5,000	3,000	3,180	3,403
Health	237,955	275,498	449,553	463,129	420,383	390,383	685,989	814,073	1,011,011
Roads and Transport	952,449	1,152,058	1,236,695	1,527,675	1,527,675	1,527,675	1,282,844	1,434,025	1,659,243
Public Works	48,883	97,506	72,361	80,814	80,814	44,814	67,547	83,976	88,930
Local Government	318,023	443,000	813,145	651,705	651,705	651,705	783,247	939,677	1,168,678
Social Development	60,915	32,147	39,388	40,000	40,000	40,000	96,810	96,424	96,424
Sport	-	-	7,826	-	-	5,941	24,368	15,800	6,832
Total	2,087,198	2,568,819	3,309,156	3,426,566	3,385,820	3,325,761	3,837,625	4,433,447	5,283,340

Table 1.12(a): Details of payments for infrastructure by category

	2004/05	2005/06	2006/07	2007/08			2008/09	2009/10	2010/11
	audited	audited	preliminary	Main	Adjusted	Revised	METF	MTEF	MTEF
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
New constructions (buildings and infrastructure)	965,706	1,099,700	1,618,151	1,696,174	1,698,174	1,704,115	1,980,243	2,506,595	3,126,113
Rehabilitation/upgrading	634,903	878,892	938,315	1,012,390	969,644	928,644	1,358,544	1,346,243	1,398,910
Recurrent maintenance	321,874	344,689	477,878	405,611	405,611	405,611	200,090	245,652	323,815
Other capital projects	164,715	245,537	274,812	312,391	312,391	287,391	298,748	334,957	434,502
Total	2,087,198	2,568,819	3,309,156	3,426,566	3,385,820	3,325,761	3,837,625	4,433,447	5,283,340

The figures in the above mentioned tables include conditional grant funding as well as equitable share and consist of new construction, rehabilitation, other capital projects and maintenance.

The following sections detail the infrastructure spending in each category (new construction; rehabilitation; other capital projects and maintenance) by department. The following infrastructure projects are extracts from the detailed infrastructure project lists

1. New Construction

Education

The Department of Education's budget for 2008/09 amounts to R203 million.

Bendor Secondary	R5 million
Nirvana Primary	R15 million
Extention 44 (Green Side Primary)	R15 million
Marble Hall Secondary	R14 million
Burgersfort Driekop	R14 million

Health

In 2008/09 the Department of Health has been allocated a budget of R174 million for the construction of new health facilities.

Thabaleshaba Health Centre	R14 million
HC Boshoff New Health Centre	R16 million
New Academic Hospital	R37million
Sekhukhune Central Laundry	R80 million
Mokopane New Nursing College	R93 million

2. Rehabilitation /Upgrading

Education

The Department of Education's budget for rehabilitation/upgrading of projects in 2008/09 amounts to R241million compared to the revised estimate of R189 million in 2007/08.

Mohlabi Offshoot (New Split School)	R 2,1 million
Bodutlulo	R0, 750 million
Mmammati	R1, 4 million
Shupeng	R1, 4 million
Sebotsi Combined	R0, 750 million

Agriculture

The Department of Agriculture's budget for rehabilitation/upgrading of projects in 2008/09 amounts to R258 million compared to the revised estimate of R174 million in 2007/08.

Resis	R71 million
Dam safety	R1, 5 million
Rural Development	R72 million

Health

The Department of Health's budget for rehabilitation/upgrading of projects in 2008/09 amounts to R458 million compared to the revised estimate of R314 million in 2007/08.

Letaba Hospital	R60 million
Thabamooopo Hospital	R69 million
Maphuta Malajie Hospital	R58 million
Staff Accommodation	R109 million

Roads and Transport

The Department of Transport's budget for rehabilitation/upgrading of projects in 2008/09 amounts to R362 million compared to the revised estimate of R614 million in 2007/08.

Chebeng to Koloti to Ngoesheng to Mmadigorong to GaMaribana to GaKolopo to Kanana: 50 km	R15million
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Ceres (Ga-Ngwetsana) to WF Knobel Hosp. to Rapitsi to Kanana to Senwabarwana (Helene Franz Hospital)	R35 million
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Giyani to Phalaborwa	R15 million
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Mamitwa to Mavele to Xihoko to GaWale to GaMokgwathi to Dzumeri to Mushiyani to Makhuva	R35 million
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Modjadji-Mokwakwaila- Bambeni-Nkomo	R35 million
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Rita/Tikkieline to Burgersdorp to Julesburg/Rhulani to Hoveni to Callaise to Baloon to Sekororo	R15 million
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3. Other capital projects

Education

The Department of Education budget for other capital projects in 2008/09 amounts to R139 million.

Provision of water to school	R50 million
Electrification of schools	R25 million

4. Recurrent Maintenance

The provincial government have budgeted R200 million for maintenance for 2008/2009. The budget is provided as follows:

Education	R51 million
Health	R53 million
Roads and transport	R95 million

5.5.2. Provincial Public- Private Partnership Projects

Status of projects in the province and potential projects for the 2008/2009 financial year

Completed project (s)	Active project (s) 2007/08	Potential projects & Active projects 2008/09
Research project – Hans Hoheisen	Great North Transport	Integrated Water Services Project
District Strategy <ul style="list-style-type: none"> • Devolution of functions • Integration of district offices into municipal offices 	Amalgamation of Parastatals	Phalaborwa Hospital PPP
Renal dialysis PPP	Renal Dialysis PPP – Contract management	Potential Municipality PPPs
Shared Legal Service Centre	Hospital ‘Big Bang’ Revitalization Mega project	Hospital ‘Big Bang’ Revitalization Mega project
	International Convention Centre (Planning)	International Convention Centre (Assessment of approval and funding model)
	Phalaborwa Hospital PPP	Provincial Legislature

5.5.2 PROVINCIAL PUBLIC-PRIVATE PARTNERSHIP PROJECTS

RENAL DIALYSIS PPP – DEPARTMENT OF HEALTH AND SOCIAL DEVELOPMENT

This project was initiated to secure a private partner to upgrade, manage and maintain the unit in Polokwane Hospital. With a 12 bed renal unit, most patients needed to be transported to Gauteng Province for renal dialysis treatment and this resulted in the Department spending R17million (UPFS) on treatments and transporting the patients. The PPP has equipped the unit with 22 beds in total as well as fully equipped medical equipment needed. The partnership is for a period of 10 years, not to exceed R14.5 million per annum (capped by CPIX) per annum. The project was signed off at the end of 2006 and was officially opened by National Minister of Health in October 2007, contract management is underway and the provision of a sessional nephrologist has added great value the lives of renal patients in the Province. The private partner resumed its duty in December 2006.

The Department is required to pay unitary fees to the private partner as per signed agreement. Below is the table of the fees paid to the private partner. The fees are based on performance or number of treatments done per month.

PHALABORWA HOSPITAL PPP – Department of Health and Social Development

Two private investors have expressed interests formally in operating and maintaining the Phalaborwa Hospital. Options are being assessed as this project was at an advanced stage through the lifecycle of the PPP, by receiving Treasury Approval TAIIB where an RFP was issued to two (2) pre-qualified bidders. Due to failure of bid submissions by the private parties, de-registration of the project was recommended. An updated assessment of hospital needs will be analysed and project will be re-registered as this will only consider Phalaborwa Hospital and excluded the cluster of hospitals. Project anticipated to reach advanced stage in 2008/09 should it demonstrate value for money, affordability and appropriate risk transfer.

PROVINCIAL LEGISLATURE PROJECT – Provincial Legislature/Public Works

Due to accessibility, security and cost implications associated with the travelling of MPs and Executive Council members to Lebowakgomo, the province resolved to move the Legislature from Lebowakgomo to Polokwane. This will also ensure easy accessibility by the general public. This project is estimated to cost over R700 million for infrastructure development. Motivations were made to EXCO to follow the PPP process and a formal decision is awaited to proceed with the project.

MUNICIPAL PPPS: DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING

The 2008/09 financial year will assess opportunities for potential municipal PPPs in developing districts and nodal points of development. Training and capacity building will be planned to be undertaken and various assessments namely financial and economic will be undertaken.

MEGA PROJECTS

HOSPITAL ‘BIG BANG’ REVITALIZATION PROJECT – DEPARTMENT OF HEALTH AND SOCIAL DEVELOPMENT

The current Hospital Revitalization Programme (HRP) will not be able to address the infrastructure backlog in the province. Given the current pace of funding and the capacity of delivery, it is believed that may take up to 20 Years to complete the programme. It is therefore on those grounds that the Bing Bang approach has been put into place with the view to attempt to upscale the pace of delivery. This approach will be guided by the National Treasury’s Funding Process of Mega Projects in Provinces.

Funding for the model could be on the combination of the Hospital Revitalization grant, a portion of the capital equitable share and the Physical Facility Preventative Maintenance allocation. National co-funding contributions will also need to be considered. This approach could lead to the revitalization of all hospitals in a realistic and reduced time and ensure the execution of Planned Preventative Maintenance of building and equipment (medical and non-medical).

The Project will be in the planning phases with the commissioning of the detailed feasibility study looking into financial, economic, environmental, and risk analysis. Transaction Advisor costs will be associated with this project in the 2008/09 financial year.

INTEGRATED WATER SERVICES PROJECT: DEPARTMENT LOCAL GOVERNMENT AND HOUSING

Like any other province in South Africa, Limpopo is faced with a challenge of providing sufficient infrastructure to distribute water resources to all sectors (households, agriculture, mining and energy sector). On the other hand there is insufficient ecological water reserve to meet the future water demands. With this understanding the province will not be able to address water backlogs in support of all sectors without looking at alternative sources of water and funding. The project is being supported by all water sector stakeholders. The provincial integrated water strategy has been developed and is to be presented to the EXCO so that detailed feasibility studies can be commissioned.

5.6 Transfers

Table 1.16: Summary of provincial transfers to public entities by transferring department

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07						
Vote 01: Office of the Premier	30,000	27,150	4,176	-	-	-	-	-	-
Vote 04: Agriculture	33,854	24,095	76,347	44,070	44,070	44,070	28,145	29,692	31,474
Vote 06: Economic Development, Environmental Affairs and Tourism	146,606	167,337	180,500	121,375	143,361	143,361	178,153	206,953	221,440
Vote 08: Transport	559,000	874,737	882,066	1,205,800	1,173,800	1,173,800	1,187,294	1,340,918	1,538,909
Total	769,460	1,093,319	1,143,089	1,371,245	1,361,231	1,361,231	1,393,592	1,577,563	1,791,823

The province transferred an amount of R769 460 million, R218 982 million and R1 026 billion during the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. Alternatively, the provincial transfers to the public entities constitute approximately 4 percent on average of the total provincial budget. For the financial year 2007/2008, the provincial transfers to public entities amounted to R1 361 billion. The transfers to the public entities for the 2008/2009 amounts to R1 393 billion and R1 577 billion and R1 792 billion over the outer years of 2008/2009MTEF. Therefore it is estimated that the provincial transfers will grow by about 8.7 percent on nominal terms.

Initially, for the entire province there were four departments that were responsible to transferred some of the allocated funds to the provincial public entities, which included, the Office of the Premier, the Department of Agriculture, the Department of Economic Development, Environmental Affairs and Tourism and the Department of Transport. Currently, the number has been reduced to three and they are interalia: the Department of Agriculture, the Department of Economic Development, Environment affairs and Tourism, and the Department of Transport.

These departments including the Office of the Premier had their specific public entities which they transferred the funds to. It therefore it is important to single out each and every transferring department so as to get an understanding of the purpose of the departmental transfers to public entities.

The Office of the Premier

The Office of the Premier had entitled to transfer a percentage share of its allocated budget to the public entity called Trade Investment Limpopo (TIL) during the 2004/2005 MTEF. The OOP transferred an amount of R30 million, R27 150 million and R4 176 million to TIL for the 2004/2005, 2005/2006 and 2006/2007 financial year respectively. The transfers made by the Office of the Premier to Trade Investment Limpopo has discontinued since the end of the 2006/2007 MTEF. The main objective of this transfer to TIL was to increase the investment in the province, in other words was to market the province to the investors so as to attract as much of the Foreign Direct investment (FDI). This objective was aimed to achieve through the facilitation of twining agreements, economic co-operation and investment agreements, development of investment policy for Spatial Development Initiatives (SDIs), package SDIs, and shortening of lead time in accessing supply side initiatives. Currently, this function is under the Department of Economic Development and TIL receives its allocation from the Department of Economic Development.

The Department of Economic Development, Environment and Tourism

The transfers from the Department of Economic Development, Environment and Tourism to the provincial public entities amounted to R146 606 million, R167 337 million and R180 500 million during the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. For the 2007/2008 financial year, the department of Economic Development, Environment and Tourism transferred an amount of R121 875 million to the provincial public entities. The transfers made by this department to the provincial public entities constitute a percentage share of about 31 percent of the total budget appropriated to the Department of Economic Development, Environment and Tourism. Over the 2008/2009 MTEF, the departmental transfers amounted to R178 153 million, R206 953 million and R221 440 million for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. This means that the transfers made by the Department of Economic Development, Environment and Tourism to its transferring provincial public entities constitute a percentage share of about, 27.2 percent, 27.7 percent and 28.7 percent in respect of the 2008/2009 MTEF financial years. The recipients of these transfers include the Limpopo Development Corporation, Limpopo Business Support Agency, Trade Investment Limpopo, Limpopo Tourism & Parks Board, and Limpopo Casino & Gambling Board. These transfers seek to achieve some provincial goals which include among others, a healthy and fair trade environment, positioning Limpopo as a preferred eco-tourism destination in Southern African Development Countries (SADC), to sustain development through the sound environmental management, to ensure that SMMEs flourish and prosper in all sectors of the economy, and increase the investment in the province. The achievement of these goals results to increase in the provincial GDP, the creation of job opportunities and the reduction in poverty. All of the aforementioned possible outcomes crystallized the provincial government efforts to better life to all of its entire population.

The Department of Transport

The department of Transport transferred an amount of R559 000, R830 737 million and R822 066 million during the financial year 2004/2005, 2005/2006 and 2006/2007 financial year respectively. For the financial year 2007/2008, the department of Transport transferred an amount of R1 206 billion to its transferring provincial public entities. This amount has been revised upwards to R1 174 billion during the adjustment period. Over the 2008/2009 MTEF, the Department of Transport estimates to transfer an amount of R1 187 billion, R1 341 billion and R1 539 billion in respect of the financial years of this MTEF. It is worth noting to highlight the fact that out of the total amount of the provincial budget which is appropriated to the provincial public entities by the transferring departments; the Department of Transport contributes a larger percentage share to the provincial transfers to public entities. For example, the Department of Transport transferred about 86.2 percent during the financial year 2007/2008. Over the 2008/2009 MTEF, the departmental transfers are estimated at about 85.2 percent 85 percent and 86 percent in respect of the financial years in 2008/2009 MTEF. Much of the transfers made by the Department of Transport in 2008/2009 financial year are to be appropriated to the Road Agency Limpopo, almost 95 percent of the total transfers to the provincial public entities from the Department of Transport. The remaining percentage is allocated to the Polokwane International Airport. The main purpose of these transfers made by the Department of Transport is to improve the provincial infrastructure. An improvement of infrastructure impacted positively in the provincial gains to attract the FDIs.

The Department of Agriculture

During the financial year 2004/2005, 2005/2006 and 2006/2007, the Department of Agriculture transferred an amount of R33 854 million, R24 095 million and R76 347 million respectively. For the 2007/2008 financial year, the Department of Agriculture transfers an amount of R44 070 million to provincial public entity. Over the 2008/2009 MTEF, the Department of Agriculture estimates to transfer an amount of R28 145 million, R29 692 million and R31 474 million in respect of the 2009/2009 MTEF financial years. The department of Agriculture transferred an insignificant percent of about 3 percent yearly to the Agriculture and Rural Development Cooperation (ARDC). This is in line to the provincial strategic goals of better life to its citizens as appeared to the Provincial Growth Development Strategy, hence the majority of the provincial population live in rural areas and depends to agricultural practice to survive.

5.6.2 Transfers to development corporations

Table 1.16: Transfers to development corporations

Entity	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2007/08	2008/09	2009/10
	2004/05	2005/06	2006/07						
R thousand									
Limpopo Development Corporation	121,000	89,665	80,000	80,000	70,000	70,000	50,000	64,800	69,336
ARDC	33,854	24,095	76,347	44,070	44,070	44,070	28,145	29,692	31,474
Total provincial transfers to development corporations	154,854	113,760	156,347	124,070	114,070	114,070	78,145	94,492	100,810

The province is currently shares a certain percentage of its overall allocation to its two Development Corporations, namely, the Limpopo Development Corporation (LIMDEV) and the Agriculture and Rural development Cooperation (ARDC). The two Development Corporations are responsible to pursue the provincial development in areas such as provincial economy, rural development, and the implementation of the provincial development strategy. For that cause, the province has appropriated an amount of R154 854 million, R113 760 million and R156 347 million during the 2004/2005, 2005/2006 and 2006/2007 financial year respectively. For the financial year 2007/2008, the province appropriated an amount of R124 070 million. This allocation has been further revised upwards to R114 070 million. Over the 2008/2009 MTEF, the province estimates to appropriated an amount of R78 145 million, R94 492 million and R100 810 million in respect of the financial years of this MTEF. The provincial transfers to the provincial development corporations are estimated to increased by about 9 percent on nominal terms over the 2008/009 MTEF. This once again crystalised the provincial government commitment to the provincial development especially the rural growth and development.

5.6.3 Transfers to local government

Table 1.18: Summary of provincial transfers to local government by category

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited						
	2004/05	2005/06	2006/07	2007/08			2008/09	2009/10	2010/11
Category B	-	20,000	4,829	-	-	-	51,401	3,000	12,500
Category C	34,781	39,367	15,498	10,831	10,870	10,914	58,720	45,301	38,327
Total provincial transfers to local government	34,781	59,367	20,327	10,831	10,870	10,914	110,121	48,301	50,827

Section 31(2) (a) of the Division of Revenue Act, 2007, (DORA) compels the Provincial Treasury to gazette the following:

- ❖ The indicative allocation per municipality for every allocation made by the province to municipalities, including Schedule 5 allocations transferred to municipalities and other allocations from the province's own funds;
- ❖ The envisaged division of those allocations contemplated in respect of each municipality for the next financial year and over the outer years of the 2008/2009 MTEF; and
- ❖ The conditions and other information in respect of these allocations to facilitate performance measurement and the use of the required inputs and outputs.

Moreover, in terms of the Municipal Finance Management Act, 2003 (Act 56 of 2003), the Member of the executive Committee responsible for Finance in the province must, to the extent possible, when tabling the Provincial annual budget in the Provincial legislature, make public particulars of any allocations due to each municipality in terms of that budget. This includes amount to be transferred to the municipality during each of the next three financial years. Importantly, the aforementioned requirements provide predictability, certainty and transparency regarding the sources and levels of provincial intergovernmental funding for municipalities.

As indicated in the Table 1.18 in the above, the provincial transfers to the municipalities amounted to R34,777 million for the financial year 2004/2005, and to R59 845 million and R20 319 million for the financial year 2005/2006 and 2006/2007 respectively. This shows a negative growth rate of 16.4 percent over the 2004/2005 MTEF. For the financial year 2007/2008, the province transferred an amount of R10, 831 million at the beginning of this financial year. However, the province estimates to transfer an amount of R110 121 million, R48 301 million and R50, 827 million for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. Over the 2008/2009 MTEF, the provincial transfers to the provincial municipalities decrease by 22.7 percent on nominal terms. This can be attributed to the fact that municipalities are able to fend for themselves due to the revenue base that enjoyed more than the province.

5.7. Provincial payments and estimates by region, district and municipal ward

The above table categorizes provincial transfers to the municipality into three categories, viz, A (Metro municipality), B (District municipality) and C (Local municipalities). The Limpopo province do not possess the Category A (Metro municipality), it possesses Category B (District Municipality) and Category C (Local Municipality). The provincial transfers to the category B (District Municipalities), namely, Vhembe district municipality, Capricorn district municipality, Waterberg district municipality, Bohlabela district municipality, Mopani district municipality and Sekhukhune district municipality appropriated an amount of R51,401 million, R3 million and R12.5 million during the financial year 2008/2009, 2009/2010 and 2010/2011 respectively. The departments such as the Department of Economic Development, Tourism and Environment Affairs, Department of Health, the Department of Local Government and Housing, and the Office of the Premier are the ones that transfer some part of their allocation to the provincial municipalities.

The Department of Economic Development, Tourism and Environment Affairs transfers a total amount of R25 526 million in 2008/2009 financial year. Out of the R25 526 million transferred by this department, an amount of R2 million is transferred to Mopani district municipality and the balance (R 23 526 million) is transferred to Capricorn district municipality. The transfers to Mopani district municipality seeks to assist the Greater Giyani Local Municipality to establish commercially viable projects through community leadership and participation in the establishment of a number of individual and economically sustainable projects focused on the utilisation of the natural resources. On the other hand, the transfer to the Capricorn district municipality is made up of once off transfer of the amount that was budgeted for the International Convention Centre (ICC).

The Department of Education transfers an amount of R29 559 million, R31 101 million and R32 477 million in 2008/2009, 2009/2010 and 2010/2011 respectively. The Department of Health transfers to Mopani district municipality, Vhembe district municipality and Waterberg district municipality. The largest percentage of transfers from the Department of Health is transferred to the Vhembe district municipality. The afore-said transfers to the recipients' municipalities seek to assist municipal health services in areas such as personnel, assets and finances.

The Department of Local Government and Housing (DLGH) transfers a total amount of R26 475 million in the financial year 2008/2009 to the provincial municipalities. The departmental transfers to municipalities seek to serve some different specific purposes to different municipalities and they are as follows:

the implementation of people's housing program (R17 970 million) as part of the Housing subsidy schemes to all provincial municipalities; to assist the Provincial Electoral Commission in strengthening the electoral process in all provincial municipalities and for this programme an amount of R2 million has been set aside; to assist the Capricorn district municipality in developing the critical sectoral plans as part of the municipal Integrated Development Plans (IDP) and an amount of R5 million has been allocated for this programme; to assist the Sekhukhune district municipality in the construction of a fire station or disaster management center and the budget for this programme amounts to R3.5 million; to give assistance to Waterberg district municipality, Mopani district municipality and Vhembe district municipality to develop their Master System Plans and for this programme each of the afore-said municipalities has been allocated an amount of R500 000; and to give assistance to all provincial municipalities to develop the valuation rolls and for this programme the (DLGH) has put aside an amount of R2 million.

The Office of the Premier (OOP) transfers an amount of R28 561 million in 2008/2009 financial year to the provincial municipalities. The transfers made by the OOP to the provincial municipalities seek to address the following programmes: Firstly, the construction of Wild Life Centre in Waterberg district municipality. An amount of R3million has been set aside for the planning phase of the construction of the Wild Life Centre.

Secondly, the OOP transfers an amount of R2 582 million to Mopani district municipality for the planning phase of the extension of Giyani Water Treatment Plant.

Thirdly, an amount of R2 951 million has been transferred by the OOP to Mopani district municipality for the planning phase of the Lenyenye Town Outfall Sewer System.

Fourthly, the OOP transfers an amount of R10 5 million to the Capricorn district municipality. The purpose of this transfer is to assist Capricorn district municipality for the planning phase of the Lepelle-Nkumpi Bulk Water Supply.

Moreover, an amount of R6 9 million has been transferred by the OOP to the Sekhukhune district municipality. The purpose of this transfer is for the planning phase of the Burgersfort Road infrastructure. This includes the construction of new road and the upgrading of the existing roads in Tubatse local municipality.

Lastly, an amount of R2 626 million has been transferred by the OOP to Vhembe district municipality for the planning phase of the Luphephe/Nwanedi Regional Water Scheme.

5.8 Personnel numbers and costs

The Limpopo province public servants totalled 114 055; 116 321 and 115 013 at the beginning of the financial year 2004/2005, 2005/2006 and 2006/2007 respectively. At the beginning of the financial year 2007/2008 the Limpopo province is estimated to register a total number of 115 013 of personnel. It is further estimated that by the beginning of the financial year 2008/2009, 2009/2010 and 2010/2011 the province will be recorded a total number of 125 297; 134 647 and 144 445 personnel. This means that for the period 2007/2008 to 2008/2009 financial year, the provincial number of its personnel will grow by about 5.6 percent on average and over the 2008/2009 the provincial personnel will grow by about 2.7 percent on average which is a larger percentage compared to the 0.3 percent on average recorded in the 2004/2005 MTEF (see table 1.19).

Table 1.19: Summary of personnel numbers and costs by vote

Personnel numbers	As at 31 March 2004	As at 31 March 2005	As at 31 March 2006	As at 31 March 2007	As at 31 March 2008	As at 31 March 2009	As at 31 March 2010
Vote 01: Office of the Premier	2,221	2,340	2,258	2,258	2,258	2,258	2,258
Vote 02: Legislature	170	174	188	188	188	188	188
Vote 03: Education	63,722	66,843	66,843	66,341	68,865	71,893	74,908
Vote 04: Agriculture	8,840	8,091	6,173	5,978	4,687	4,687	4,687
Vote 05: Provincial Treasury	447	470	430	430	431	431	431
Vote 06: Economic Development, Environmental Affairs and	1,961	1,674	1,989	2,002	2,002	1,810	2,000
Vote 07: Health	26,100	26,200	26,500	28,126	35,771	41,986	48,348
Vote 08: Transport	4,497	4,552	4,245	4,407	4,503	4,627	4,627
Vote 09: Public Works	4,058	3,410	3,642	3,642	3,466	3,466	3,466
Vote 10: Safety, Security and Liaison	54	56	93	84	168	198	223
Vote 11: Local government & housing	778	1,216	1,209	1,293	1,303	1,303	1,303
Vote 12: Social Development	910	1,032	1,126	1,182	1,239	1,294	1,366
Vote 13: Sport, Arts & Culture	297	263	317	317	416	506	650
Total provincial personnel numbers	114,055	116,321	115,013	116,248	125,297	134,647	144,455
Total provincial personnel cost (R thousand)	12,400,458	13,622,193	14,817,519	15,848,871	18,028,994	19,746,784	20,979,995
Unit cost (R thousand)	109	117	129	136	144	147	145

A closer analysis in the above table reveals that the province spent more than half of its total receipts to personnel costs. In the financial year 2004/2005, 2005/2006 and 2006/2007, the personnel costs shared 66.2 percent, 65.2 percent and 62.1 percent respectively. For the financial year 2007/2008 and 2008/2009, the provincial personnel costs sliced 62.2 percent and 61 percent of the total provincial budget. For the outer years of the 2008/2009 MTEF, the provincial personnel costs are estimated to consume almost 59.2 percent and 57 percent of the total provincial receipts. This means that a more than half of the provincial budget is utilised for the personnel earnings and then a one third of the provincial budget is spent on service delivery.

A larger percentage of provincial compensation of employees is consumed by the Department of Education which employs more than half of the total number of provincial personnel. The Department of Education spent about R66 341 million in the financial year 2007/2008. It is further estimated that the Limpopo Department of Education will employ about 68 885 and 71 893 personnel for the financial year 2008/2009 and 2009/2010 respectively. Following in line is the provincial Department of Health, this department employs about 35 771 personnel which the number is still estimated to reach 48 348 personnel at the end of the 2008/2009 MTEF. The least Departments in terms of personnel numbers are the Provincial Legislature and Provincial Department of Safety, Security and Liaison which employs a total number of 84 for the financial year 2007/2008 and further estimated to employ 168 198 and 223 number of personnel for the financial year 2008/2009, 2009/2010 and 2010/2011 respectively.

Most of the personnel are currently employed in the Human Resource Component rather than Finance component. For the financial year 2007/2008 about 1 960 personnel employed under the Finance Component compared to 1897 personnel employed under Human Resource Component in the same period. The trend still continues over the 2008/2009 MTEF, having more personnel employed under the Finance component (see the table below).

Table 1.20: Summary of provincial human resources and finance components personnel numbers and costs

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates			
	Audited	Audited	Audited				2007/08	2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07							
Total for province										
Personnel numbers (head count)	114,055	116,321	115,013	115,883	115,883	115,883	122,408	128,730	132,678	
Personnel costs (R' 000)	12,400,458	13,622,193	14,816,263	15,848,871	15,848,871	15,848,871	18,064,045	19,774,379	20,653,637	
Human resources component										
Personnel numbers (head count)	1,849	1,578	1,655	1,897	1,897	1,897	1,954	2,252	1,569	
Personnel costs (R' 000)	217,333	202,286	180,808	253,891	253,891	241,830	257,862	275,999	232,354	
Head count as % of total province	1.62%	1.36%	1.44%	1.64%	1.64%	1.64%	1.60%	1.75%	1.18%	
Personnel cost as % of total province	1.75%	1.48%	1.22%	1.60%	1.60%	1.53%	1.43%	1.40%	1.13%	
Finance component										
Personnel numbers (head count)	1,439	1,462	1,418	1,960	1,960	1,960	2,014	2,035	1,462	
Personnel costs (R' 000)	159,789	179,762	196,103	241,748	251,940	251,940	247,377	258,390	267,361	
Head count as % of total province	1.26%	1.26%	1.23%	1.69%	1.69%	1.69%	1.65%	1.58%	1.10%	
Personnel cost as % of total province	1.29%	1.32%	1.32%	1.53%	1.59%	1.59%	1.37%	1.31%	1.29%	

Payments on training

Table 1.21: Summary of provincial payments on training by Vote

R thousand	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates			
	Audited	Audited	Audited				2007/08	2008/09	2009/10	2010/11
	2004/05	2005/06	2006/07							
Vote 01: Office of the Premier	2,041	2,971	1,852	2,479	2,479	2,479	2,479	2,652	2,859	
Vote 02: Legislature	1,059	255	770	1,164	1,164	1,164	780	550	750	
Vote 03: Education	22,792	27,489	31,040	32,915	32,915	32,915	32,915	35,109	37,040	
Vote 04: Agriculture	7,220	10,583	11,500	13,105	13,105	13,105	14,022	14,794	14,794	
Vote 05: Provincial Treasury	5,000	-	3,853	3,814	3,814	3,814	3,852	3,890	3,929	
Vote 06: Economic Development, Environmental Affairs and	3,784	3,596	7,352	3,470	3,470	3,470	3,761	3,949	4,146	
Vote 07: Health	146,572	177,418	188,063	197,466	197,466	197,466	211,289	221,852	224,293	
Vote 08: Transport	3,062	4,403	11,690	6,201	6,201	6,201	6,300	6,400	7,010	
Vote 09: Public Works	10,703	-	8,621	8,997	8,997	8,997	20,775	21,814	23,341	
Vote 10: Safety, Security and Liaison	129	110	375	340	340	340	390	425	475	
Vote 11: Local government & housing	3,101	3,101	1,600	2,537	2,537	2,537	2,889	3,063	3,246	
Vote 12: Social Development	1,500	1,000	1,000	3,000	3,000	3,000	3,000	3,000	3,000	
Vote 21: Sport, Arts & Culture	613	398	398	640	640	640	640	743	770	
Total provincial expenditure on training	207,576	231,324	268,114	276,128	276,128	276,128	303,092	318,241	325,653	

In terms of the National Skills Development Levies Act, 1999, each public service provider in the national and provincial spheres of government is required to budget a minimum of 1 percent of its payroll for the training and the education of employees. Moreover, the act requires the public service employer in the national and provincial spheres of government to contribute funds to a Sectoral Education and Training Authority (SETA). The above table which summarises the provincial payments on training per vote includes the training related costs such as tuition, travel and accommodation, and bursaries by the departments for their own staff.

The provincial payments increase by 9.7 percent in nominal terms, that is, from R276 128 million in 2007/2008 to R303 092 million in the financial year 2008/2009. Over the 2008/2009 MTEF, the provincial

payment on training is estimated to increase by annual average nominal rate of 2.4 percent. This positive nominal growth rate of 2.4 percent can be attributed to the following:

- Provision for stipends and training costs related to a two year training programme in various skills such as plumbing, carpentry, tilling etc. For this programme an amount of R6, 8 million is set aside under National Youth Service Commission as part of the EPWP.
- An earmarked funds of R79 million in 2008/2009 for the Health Professional Training and Development.
- A change in the national curriculum from what was called as Nated 550 to the New Curriculum Statement in the Department of Education resulting in the need for the training of educators for the new curriculum.
- The training of political support staff for a better understanding of the departmental processes especially administration.

