

1.2 Summary of budget aggregates

Table 1.1: Provincial Budget Summary

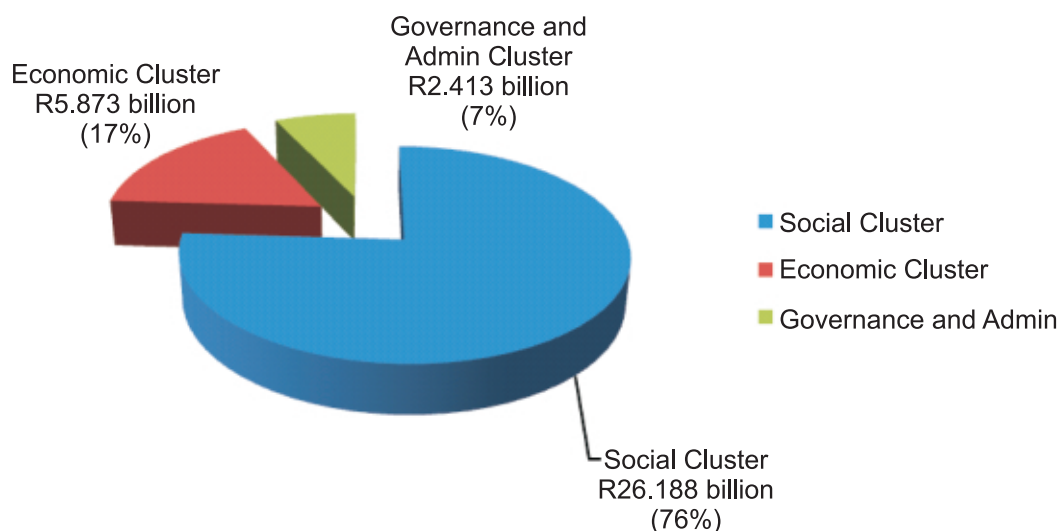
	Outcome			Main appropriation	Adjusted appropriation	Revised estimate	Medium-term estimates		
	Audited	Audited	Audited				2009/10	2010/11	2011/12
R thousand	2005/06	2006/07	2007/08		2008/09				
Provincial receipts									
Transfer receipts from national	20,271,907	22,550,268	24,193,829	29,102,826	29,912,067	30,879,159	33,980,784	37,642,737	40,730,715
Equitable share	18,181,553	20,553,144	21,615,995	25,934,942	26,545,173	27,512,265	29,861,344	32,567,740	34,806,606
Conditional grants	2,090,354	1,997,124	2,577,834	3,167,884	3,366,894	3,366,894	4,119,440	5,074,997	5,924,109
Provincial own receipts	391,975	451,080	444,122	530,062	539,803	539,803	559,661	596,671	617,956
Total provincial receipts	20,663,882	23,001,348	24,637,951	29,632,888	30,451,870	31,418,962	34,540,445	38,239,408	41,348,671
Provincial payments									
Current payments	17,424,407	18,921,184	19,892,257	23,422,020	24,268,648	24,901,332	27,213,956	29,711,437	31,787,120
Transfers and subsidies	2,235,703	3,072,930	3,445,059	4,047,232	4,156,667	4,169,974	4,768,274	5,267,013	5,791,801
Payments for capital assets	1,245,793	1,860,812	1,397,999	2,163,636	2,137,085	2,288,757	2,493,520	3,132,431	3,578,252
Contingency reserve (OSD - Health)							64,695	128,527	191,498
Total provincial payments	20,905,903	23,854,926	24,735,315	29,632,888	30,562,400	31,360,063	34,540,445	38,239,408	41,348,671
Financing (surrenders)	655,502	700,707	97,364		196,606	-			
Surplus/(deficit) after financing	413,481	(152,871)	-	-	86,076	58,899	-	-	-

The Provincial budget is in line with the National Medium-Term Strategic Framework, which addresses the 80:20 principle that is aligned to the 'Batho Pele'. The Provincial baseline increased from adjusted budget R31.419 billion in 2008/09 to R34.540 billion in 2009/10, an increase of 9 per cent.

The budget caters for higher-than-anticipated wage settlement, increased learner-teacher support materials, medical goods and services and occupation-specific dispensation for health professionals, as well as increased bus subsidies, cholera and infrastructure allocations.

1.2.1 Cluster allocation

Figure 1.1: Cluster Allocation



The Social Cluster receives R26.188 billion, which constitutes 76 per cent of the total allocation, compared to 76.2 per cent in 2008/09. The Economic Cluster receives R5.873 billion, which constitutes 17 per cent of the total allocation, compared to 16.7 per cent in 2008/09. The Governance and Administration Cluster receives R2.413 billion, constituting 7 per cent of the total allocation, compared to 7.1 per cent in 2008/09.

1.3 Financing

1.3.1 Deficit

Financing of unauthorised expenditure remains a challenge, as the amount has to be financed by the Provincial fiscus. Unauthorised expenditure approved by the Provincial Legislature with funding is a direct charge against the Revenue Fund and will be funded as and when surplus funds become available. Unauthorised expenditure approved by the Provincial Legislature without funding is not a direct charge against the Revenue Fund and will be funded over the Medium-Term Expenditure Budget as a first charge against the respective votes.

2 BUDGET PROCESS AND THE MTEF

The broad objectives of the Provincial budget process are protected by a legal framework encompassing the Public Finance Management Act (PFMA), the Municipal Finance Management Act (MFMA), the Intergovernmental Fiscal Relations Act 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 certainly 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 where broad reform aims are envisaged, which include the key stages of the Limpopo budgetary process starting 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, including National Ministers and Directors General, Provincial MECs and Heads of Department, and Provincial Treasuries. At Provincial level there are committees that deal with Provincial priorities and policies. The Provincial departments are arranged into clusters, which are involved in identifying these 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 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 coordination 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 the South African Local Government Association [SALGA]). The Joint Budget Committee, finance portfolio and standing committees play a vital role in this process.

3 SOCIO-ECONOMIC OUTLOOK

3.1 Demographic profile

3.1.1 Population

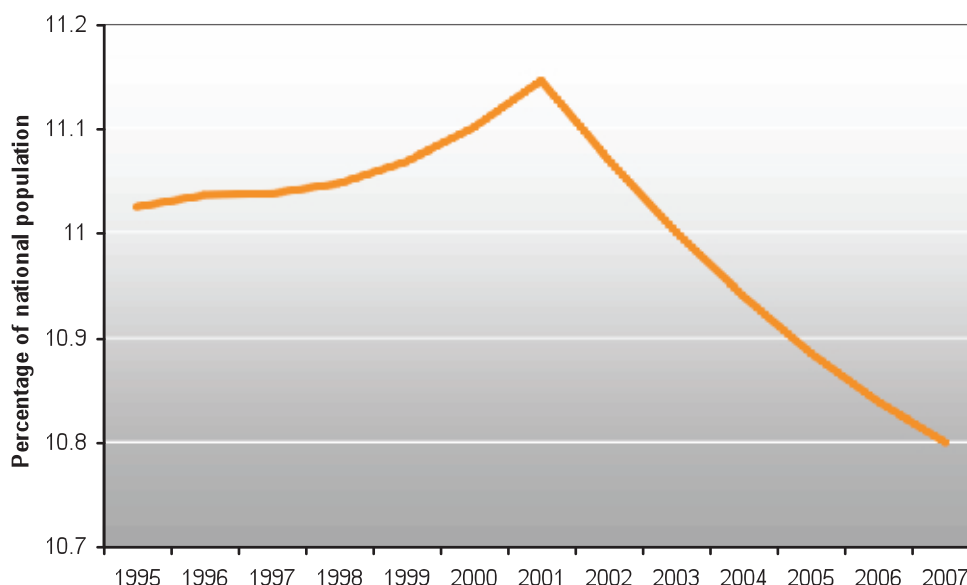
The Limpopo Province constitutes around 10.2 per cent of the total area of South Africa, and comprises a combination of dense urban and rural areas. The total population has grown from some 4.44 million people in 1995 to 5.24 million in 2007, an increase of 18 per cent. The population growth rate for the half-decade 2002-2007 decelerated to 4.35 per cent, from 8.41 per cent for the half-decade 1997-2002. The larger population base means an increased demand for municipal services.

The average household size decreased from 4.74 in 1995 to 4.31 in 2007. This is somewhat larger than the South African average of 3.88 in 2007.

3.1.1.1 Population in the national context

Estimates indicate that South Africa's population was 48.5 million in 2007. Limpopo's percentage share of the total South African population increased gradually from 11.02 per cent in 1995 to 11.15 per cent in 2001, before dropping to 10.8 per cent in 2007.

Figure 1.2: Limpopo Population as Percentage of National Population

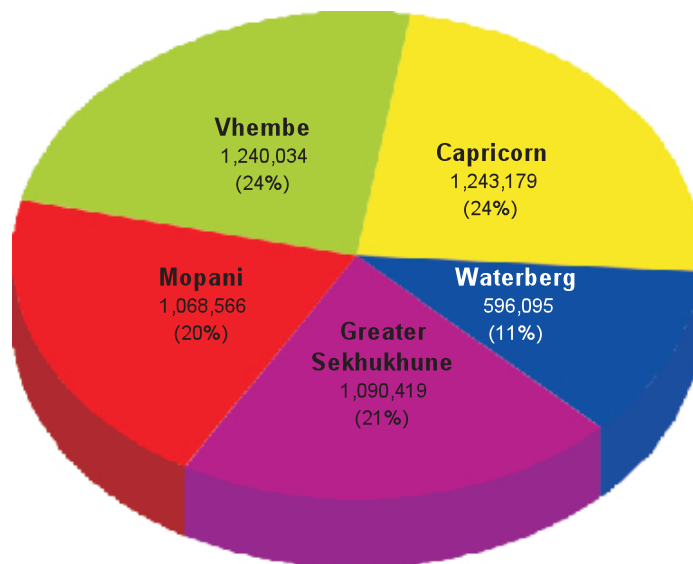


Source: Afrinem and Quantec Research, 2008

3.1.1.2 Population at district municipal level

Figure 1.3 reflects the distribution of the Province's 5.24 million people among its constituent districts. The most populous districts are Vhembe and Capricorn, which together make up approximately half of the total population of Limpopo. The Waterberg district had the smallest population in 2007, at 11 per cent of the total population of Limpopo.

Figure 1.3: Population by District, 2007



Source: Afrinem and Quantec Research, 2008

The Greater Sekhukhune district population is the fastest growing in the Province. While the Capricorn and Vhembe districts also experienced population growth in 2007, the Mopani and Waterberg districts experienced population loss.

3.1.1.3 Age distribution

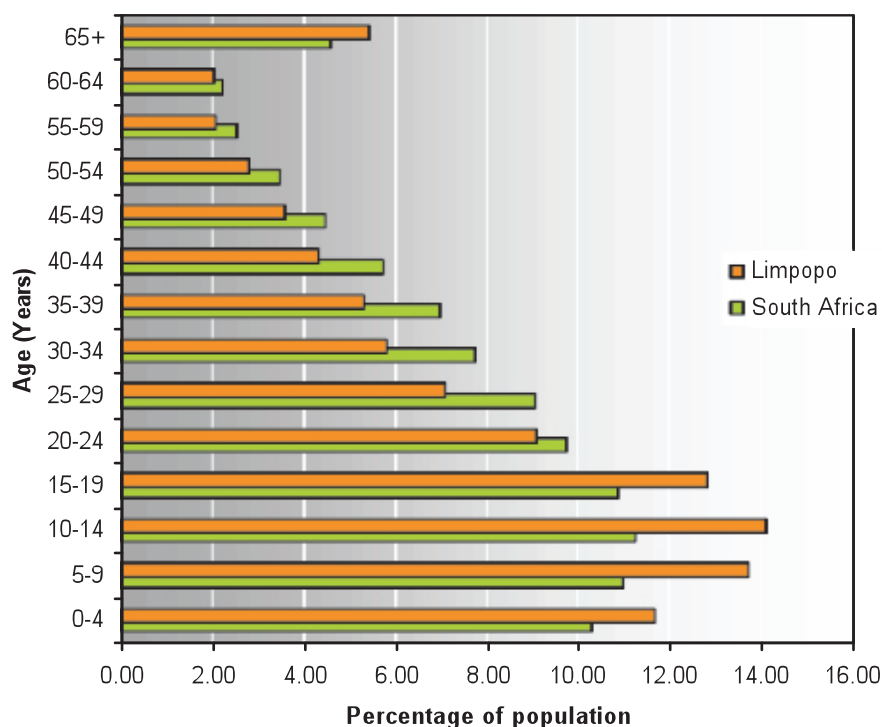
The Limpopo population profile is dominated by a large number of youth, with 52 per cent of the population under the age of 20. As shown in Figure 1.4, the age profile of the economically active population (EAP) in the Province lies below the national average, reflecting an age profile younger than that of South Africa. Whereas the EAP of South Africa lies at 63 per cent for 2007, only 55 per cent of the Limpopo population are of working age.

At the other end of the distribution, people aged 65 years and older account for 5.4 per cent of the total population of Limpopo, higher than the national average of 4.6 per cent.

Limpopo experienced a steeper drop in percentages in the age categories older than 15 years than South Africa as a whole between 1995 and 2007.

The broad base of Limpopo's age distribution pyramid describes a large proportion of younger individuals, which narrows with increasing ages. This is typical of a developing country.

Figure 1.4: Age Distribution of Population, 2007



Source: Afrinem and Quantec Research, 2008

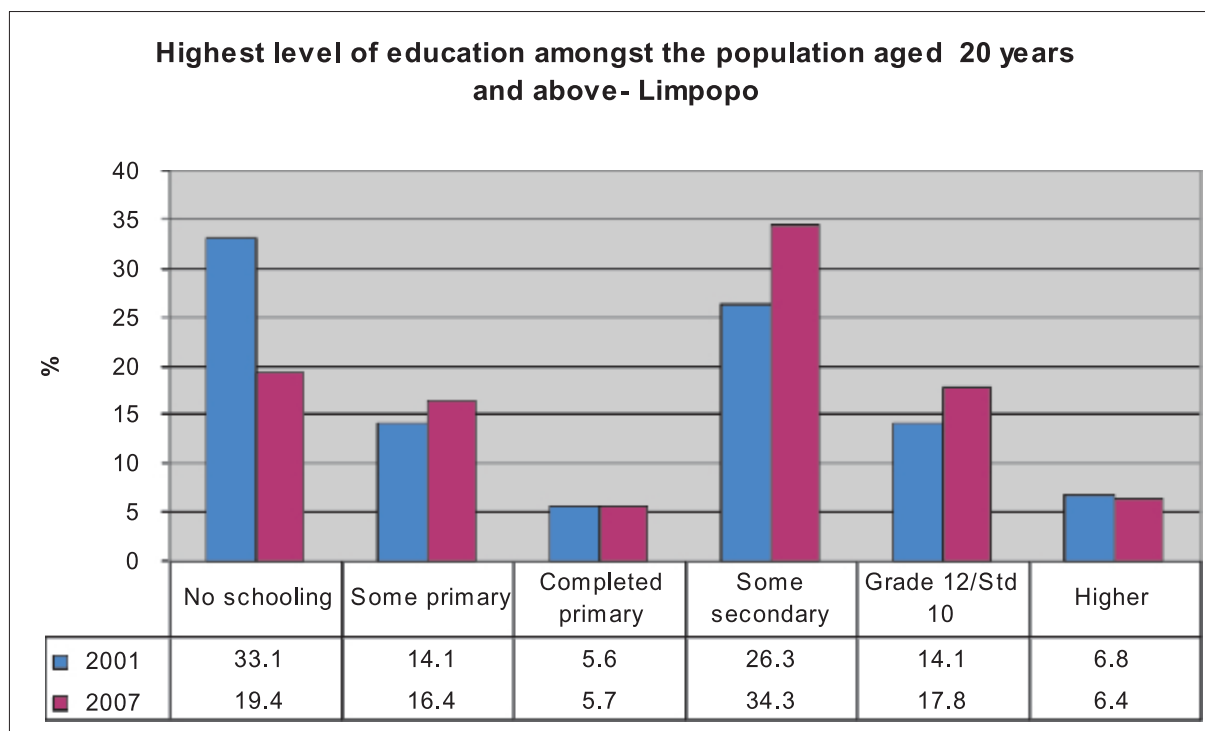
With the exception of the Waterberg district, over 50 per cent of the district populations fall within the 0 to 19 years age cohort, illustrated in Figure 1.6.

The age distribution has important implications for planning within the district municipalities as well as in the Province as a whole. Considerations include access to housing, health and welfare facilities, and the capacity of schools to cope with the large youth population, as well as the availability of sport and recreation facilities for this population.

3.1.1.4 Education

The education level in Limpopo has improved since 2001. Illiteracy levels amongst the population 20 years and older have dropped from 33.1 per cent in 2001 to 19 per cent in 2007. The highest level of education has improved from 2001 to 2007. The number of people obtaining some primary education that gives them basic reading and writing skills has increased, while the number of those who completed primary education has also improved. Great improvement was recorded amongst those who obtained some secondary education (from 26.3 per cent in 2001 to 34.3 per cent in 2007), while the number of those who obtained grade 12 has increased from 14.1 per cent to 17.8 per cent for the same period.

Figure 1.5: Education Levels

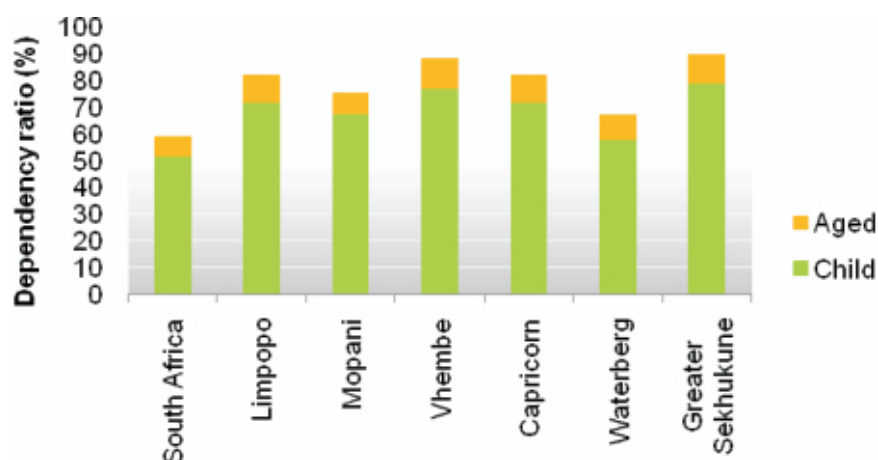


Source: Stats SA Community Survey 2007

3.1.1.5 Dependency ratios

The dependency ratio is indicative of the number of people dependent on those working, and can be divided into aged dependency and child dependency. The dependency ratio for Limpopo is sizeably higher than for South Africa. This means, generally, that working-age individuals in Limpopo carry a larger burden to support the economically inactive than the average South African.

Figure 1.6: Dependency Ratios, 2007



Source: Afrinem and Quantec Research, 2008

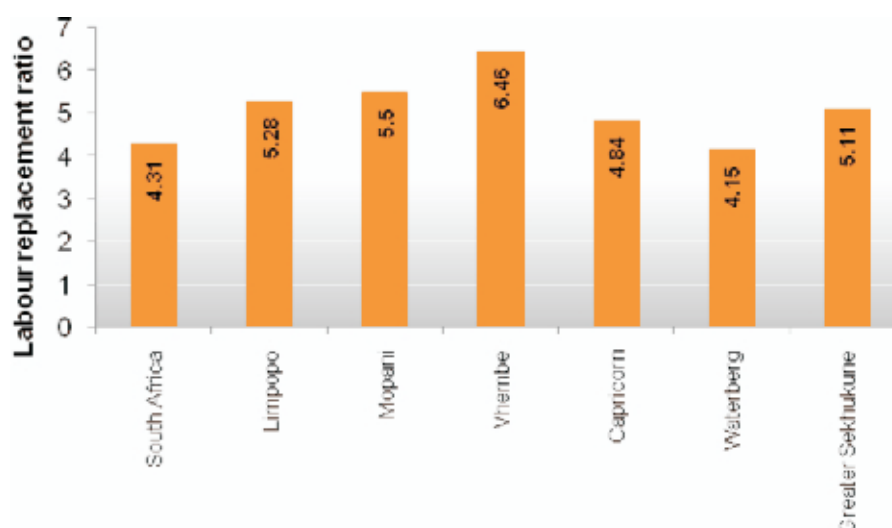
Table 1.2: Dependency Ratios, 2007

	South Africa	Limpopo	Mopani	Vhembe	Capricorn	Waterberg	Greater Sekhukune
Child Dependency	51.77	71.72	67.55	77.12	71.84	58.01	78.77
Aged Dependency	7.3	9.87	7.78	11.08	10.21	8.92	10.86
Total Dependency	59.07	81.59	75.33	88.2	82.05	66.93	89.63

Source: Afrinem and Quantec Research, 2008

As the population under the age of 15 enters the workforce, the dependency ratios are likely to fall. However, this in tandem with a significant increase in the demand for employment in future years highlights the importance of job creation within the Province. Additionally, as these individuals enter the sexually active period of their lives, the importance of family planning and effective HIV/Aids prevention and reduction strategies become a consideration. Furthermore, a growing elderly population will have direct financial implications in terms of social security and pensions.

The labour force replacement rate for Limpopo, defined as the population between the ages of 15 and 24 divided by the population in the 55-64 age cohort, was 5.28 for 2007, significantly higher than the South African average of 4.31 for the same period. This indicates that new entrants to the labour market exceed pre-retirees from the work force, implying that employers would not experience difficulty replacing workers.

Figure 1.7: Labour Replacement Ratios, 2007

Source: Afrinem and Quantec Research, 2008

Table 1.3: Labour Replacement Ratios, 2007

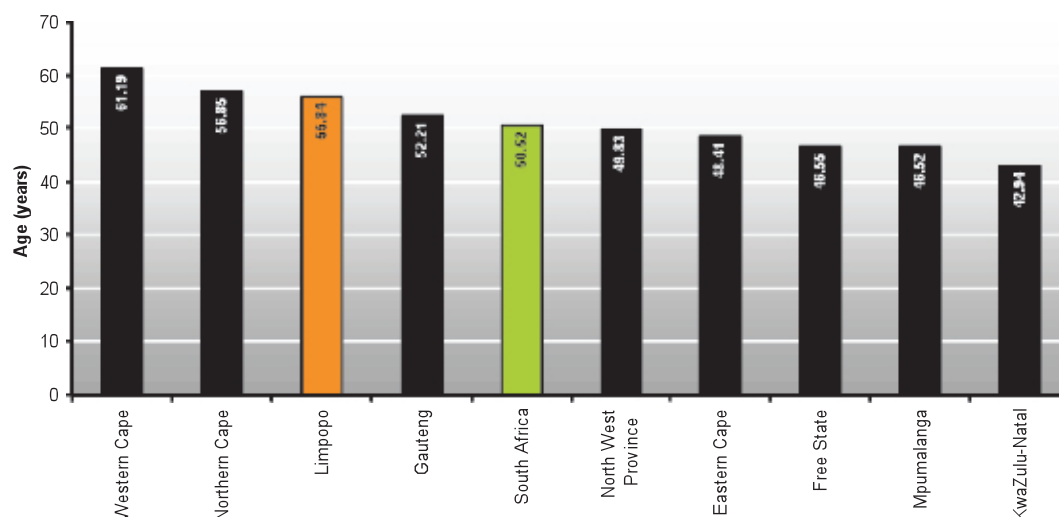
	South Africa	Limpopo	Mopani	Vhembe	Capricorn	Waterberg	Greater Sekhukune
Labour replacement ratio	4.31	5.28	5.5	6.46	4.84	4.15	5.11

Source: Afrinem and Quantec Research, 2008

3.1.1.6 Life expectancy and fertility

South Africans had a life expectancy of 50.52 years at birth in 2007, as illustrated in Figure 1.8. The life expectancy of Limpopo residents is longer, at 55.84 years at birth.

Figure 1.8: Life Expectancy by Province, 2007



Source: Afrinem and Quantec Research, 2008

Table 1.4: Life Expectancy, Long-Term Provincial and National Outlook

Year	1985	1990	1995	2000	2005	2007	2010	2015	2020	2025
Limpopo	65.9	65.3	64.5	60.6	56.4	55.8	55.6	55.7	56.3	56.7
South Africa	62.4	62.5	61.7	56.2	51.0	50.5	50.4	50.3	50.8	51.1

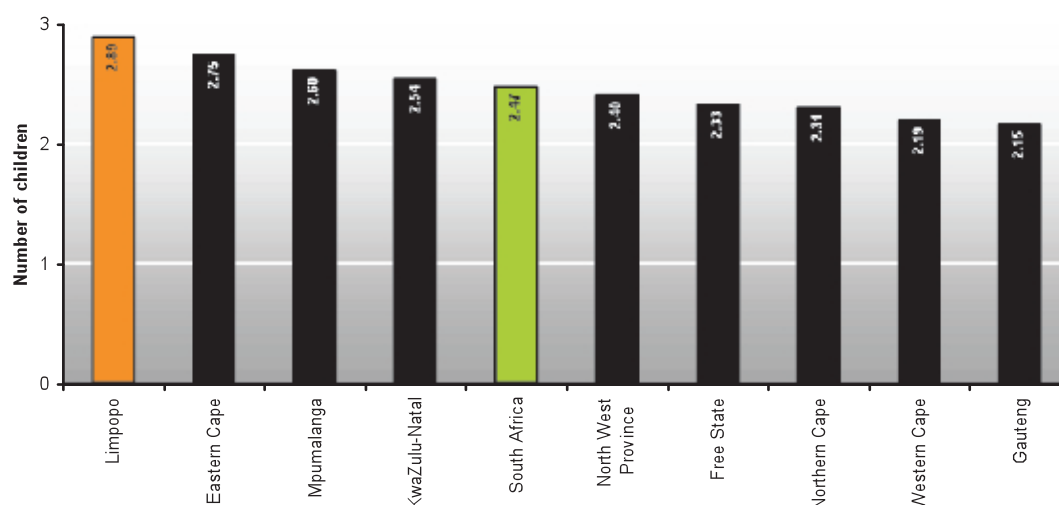
Source: Afrinem and Quantec Research, 2008

According to Quantec Research, the fertility rate for Limpopo, measured as the average number of children per woman of childbearing age, is currently the highest in South Africa, at 2.89, illustrated in Figure 1.9 and Table 1.5. This compares with a rate of 2.47 children per woman for South Africa.

The fertility rate has generally been following a decreasing trend, both nationally and in Limpopo, and this is foreseen to continue. Falling fertility rates are encouraging, and indicative of more effective family planning,

allowing households to allocate more resources to children, thereby increasing life expectancy.

Figure 1.9: Fertility by Province, 2007



Source: Afrinem and Quantec Research, 2008

Table 1.5: Fertility, Long-Term Provincial and National Outlook

Year	1985	1990	1995	2000	2005	2007	2010	2015	2020	2025
Limpopo	5.35	4.68	3.95	3.53	3.03	2.89	2.73	2.54	2.41	2.32
South Africa	4.19	3.76	3.26	2.82	2.55	2.47	2.37	2.25	2.17	2.11

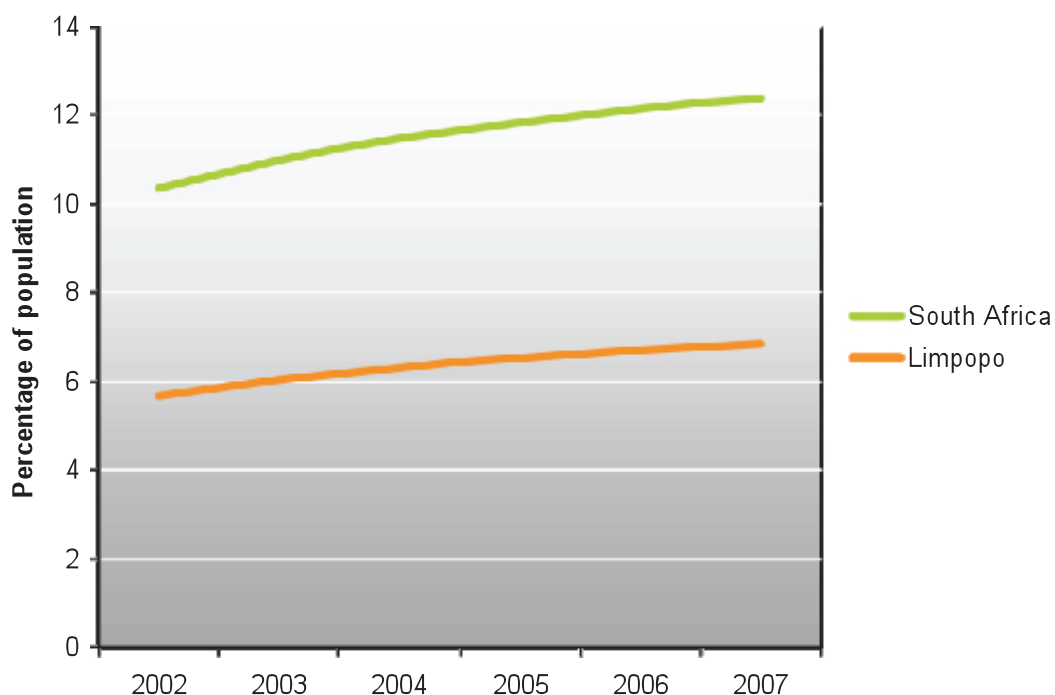
Source: Afrinem and Quantec Research, 2008

3.1.1.7 HIV/Aids

HIV prevalence in the national context

Figure 1.10 shows the HIV prevalence in Limpopo as well as in South Africa from 2002 to 2007. Though HIV infections have accelerated over the period for both South Africa and Limpopo, the figure indicates that growth in HIV-infected individuals is reaching a plateau. This suggests, to an extent, an adoption of safer sexual behaviour. HIV prevalence in South Africa amounted to 12.4 per cent of the 2007 population, and in Limpopo to 6.8 per cent of the 2007 population.

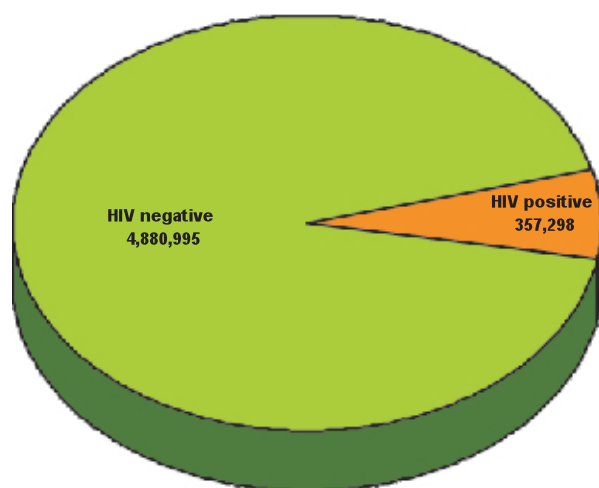
Figure 1.10: HIV Prevalence Comparison



Source: Afrinem and Quantec Research, 2008

Despite a lower HIV prevalence rate in Limpopo for 2007 compared to the national average, this figure still means that 357 298 individuals are reported to have the virus.

Figure 1.11: HIV-Positive Population, 2007



Source: Afrinem and Quantec Research, 2008

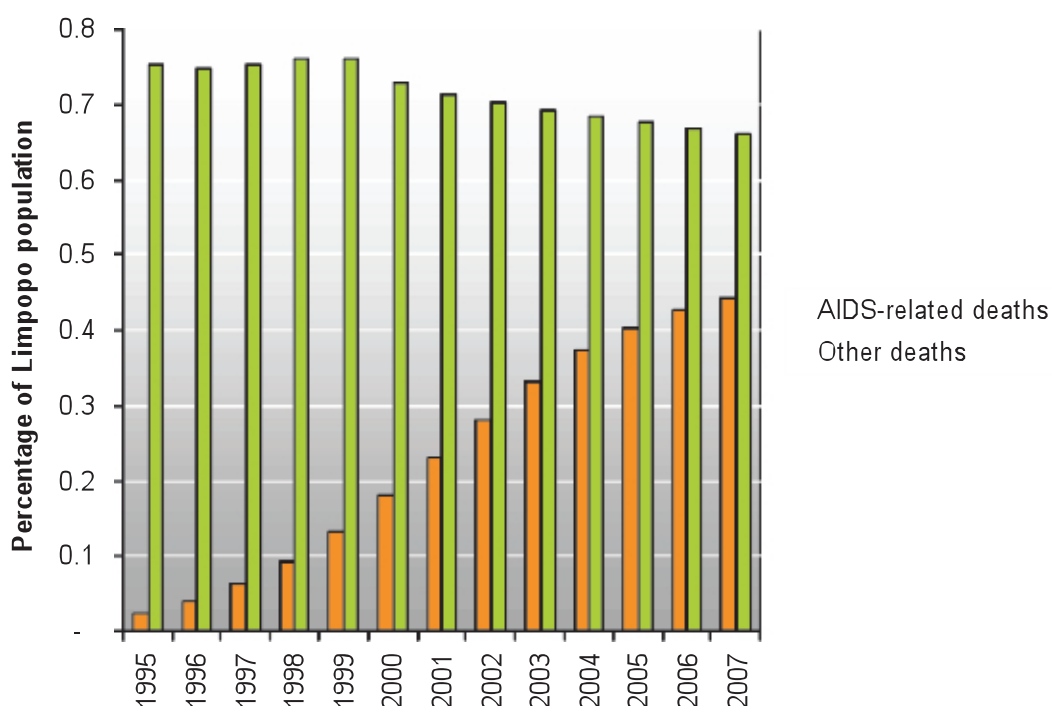
HIV/Aids-related mortality

Figure 1.12 shows the rapid acceleration of registered Aids-related deaths between 1995 and 2003, tapering off between 2004 and 2007. Notwithstanding the deceleration of Aids-related mortality, some 0.44 per cent (23 206 individuals) of the Limpopo population in 2007 died of Aids-related diseases. Further, due to delayed and under-reported Aids-related deaths, an accurate representation of Aids-related mortality is difficult to quantify.

By contrast, the percentage of the Limpopo population suffering non-Aids-related deaths has followed a decreasing trend since 1999. This may be attributed to an expansion of treatment methods and access to health facilities in the Province.

The levelling off of deaths due to Aids-related illnesses in Figure 1.12 and the stabilisation of the HIV-infected population suggest that prevention and treatment efforts in Limpopo are having an effect on the epidemic, resulting in longer survival times for infected individuals.

Figure 1.12: HIV/Aids Related Mortality, 1995 – 2007



Source: Afrinem and Quantec Research, 2008

However, HIV/Aids continues to affect the competitiveness of industry in Limpopo Province adversely in terms of labour supply, as deaths occur predominantly among productive workers, as well as raising costs of production. This has further knock-on effects, such as the hiring of less

experienced workers, which adds to reduced productivity, increased training costs and consequently decreased profitability.

The effect on households is, however, more profound. The prevalence of HIV affects expenditure patterns for households, diverting income earmarked for necessities towards medical expenses for the infected individuals or, in the case of death, funeral and burial costs. The inability to maintain work due to ill health has significant implications for the incomes of HIV-infected individuals and their dependants. Additionally, the occurrence of Aids-related deaths among working-age individuals further raises dependency levels, especially if the deceased has children who need to be taken care of.

The negative effect of HIV/Aids from both supply and demand perspectives threatens the inflow of investment, hindering the success of the local economy.

Efforts to mitigate the impact of HIV/Aids, from government, organised business and civil society alike, have included peer education programmes, condom distribution, voluntary counselling and testing (VCT) facilities, and treatment.

Policies that encourage investment in human capital in fields where skills are scarce also aid in mitigating the social and economic impact of the HIV/Aids epidemic by increasing, for example, the supply of doctors to treat patients, and educators.

3.1.2 Access to basic services and infrastructure

3.1.2.1 Housing

Housing is the most fundamental of human needs, and the composition of housing types gives an indication of the extent to which the different types are being provided.

Table 1.6 breaks down the types of dwelling in Limpopo in 2007. It shows that the majority of Limpopo households live in houses or brick structures, with 79.67 per cent of the population living in such dwellings in 2007. This is considerably larger than the South African average of 59.25 per cent. As Table 1.6 shows, the number of households residing in free-standing brick homes has risen by 27 per cent, from 762 928 households in 2001, to 968 696 in 2007.

Traditional homes, made from inexpensive, natural materials, comprise 8.96 per cent of the housing stock of Limpopo. The number of households living in traditional homes has more than halved since 2001, when 225 519 households were estimated to have inhabited such houses. In 2007, this figure came to 108 954 households. Informal settlements make up the third-most inhabited type of housing, at 3.63 per cent of households. Households living in informal settlements have also declined, from 57 631 in 2001 to 44 099 in 2007.

Table 1.6: Housing at National and Provincial Level, 2001 – 2007

	South Africa		Limpopo	
	2007	2001	2007	2001
Total	12,500,609	11,778,949	1,215,935	1,193,646
House or brick structure on a separate stand or yard	7,406,797	6,237,614	968,696	762,928
Traditional dwelling/hut/structure made of traditional material	1,459,377	1,654,707	108,954	225,519
Flat in block of flats	595,943	588,659	6,684	8,374
Town/cluster/semi-detached house (simplex, duplex, triplex)	337,375	320,060	5,345	7,164
House/flat/room in backyard	364,038	411,984	16,132	22,056
Informal dwelling/shack in backyard	590,194	460,035	23,592	21,185
Informal dwelling/shack NOT in backyard, e.g. in an informal/squatter settlement	1,214,236	1,376,557	44,099	57,631
Room/flatlet NOT in backyard but on a shared property	115,361	120,936	15,241	10,194
Caravan or tent	15,115	30,579	623	2,528
Private ship/boat	4,255	3,642	283	369

Source: Afrinem and Quantec Research, 2008

Brick structures in separate stands remain the dominant form of housing amongst all districts. The Vhembe district has the highest percentage of households living in traditional dwellings, followed by the Mopani and Greater Sekhukune districts, respectively. Capricorn has the smallest percentage of households living in traditional dwellings. The housing mix and housing profiles are similar across all districts.

3.1.2.2 Sanitation

Where sanitation facilities are concerned, in 2007 the majority of Limpopo households made use of pit toilets without ventilation. Compared to 21 per cent nationally, 54.4 per cent of Limpopo households used unventilated pit latrines, while pit toilets with ventilation accounted for 10.09 per cent of all toilet facilities in the Province.

Whereas 55 per cent of South African households made use of flush toilets connected to a sewerage system, the Limpopo average was significantly lower, at 17.83 per cent of households.

It is alarming that 12.37 per cent of Limpopo households have no access to sanitation facilities. The lack of sanitation facilities has important health and hygiene implications, such as the risk of contaminating drinking water and an increased risk of gastro-intestinal illnesses. The expansion of improved sanitation facilities, along with hygiene promotion initiatives, can mitigate these risks.

Pit latrines without ventilation are the dominant type of toilet facility in all districts except Waterberg, where flush toilets connected to a sewerage system are predominantly used.

In the Greater Sekhukune district, 70 per cent of households make use of pit latrines without ventilation, followed by 58 per cent in Vhembe and 56 per cent in Capricorn.

Flush toilets accounted for 42 per cent of total toilet facilities in the Waterberg district, compared to the Provincial average of 17.83 per cent, and the national average of 55 per cent. The Capricorn district has the next largest percentage of households using flush toilets connected to sewerage systems, at 19 per cent.

In Mopani, 23 per cent of households did not have a toilet facility, compared to 12.37 per cent for Limpopo as a whole, and 8 per cent in South Africa. This is followed by Vhembe, with 15 per cent of households lacking a toilet facility.

3.1.2.3 Refuse removal

Refuse removal in Limpopo and South Africa is illustrated in Table 1.7. In Limpopo, 65.94 per cent of households have their own refuse dump, compared to 29 per cent nationally. The number of households with their own refuse dump has increased by 37.5 per cent to 801 800 households in 2007, compared to 583 086 households in 1996, as shown in Table 1.7. Relative to the total number of households, the number of households using their own refuse dumps has dropped marginally, from 66 per cent of households in 1996 to 65.94 per cent in 2007.

The majority of South African households have their refuse removed by a local authority or private company at least once a week. As indicated above, in Limpopo, most households have their own refuse dump, and only 17.65 per cent of households had their refuse removed regularly by local authorities and private companies. However, the number of households with regular refuse removal by public or private entities has increased by 97 per cent from 1996 when 12.34 per cent of Limpopo households were serviced regularly by local authorities or private companies. This has since grown to 17.65 per cent of households in 2007.

In Limpopo, 13.77 per cent of households did not have refuse dumps in 2007. This, together with the lack of sanitation facilities in 12.37 per cent of households, has important implications for health and hygiene in the Province.

At a district level, the Mopani district has the largest percentage lack of refuse removal services, with 22 per cent of households without refuse dumps. This is followed by Vhembe district, where 15 per cent of households did not have refuse dumps. This is considerable relative to the national average of seven per cent.

Nearly four fifths of Greater Sekhukune households made use of their own refuse dumps, with 78 per cent of households removing refuse this way,