

Table 1.13: Share of National Imports Contributed by Limpopo, 1995 – 2007

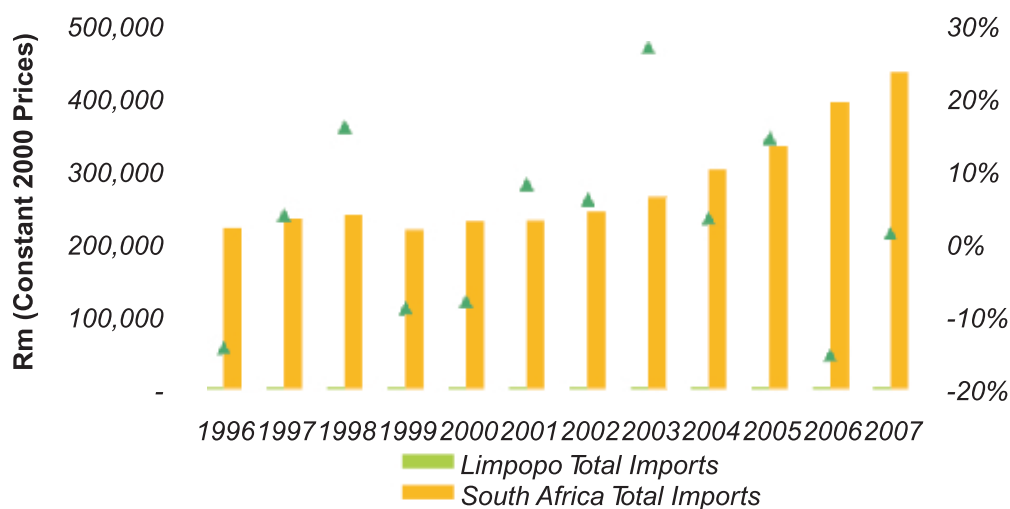
	Limpopo	South Africa
1995	0.9%	99.1%
1996	0.7%	99.3%
1997	0.7%	99.3%
1998	0.8%	99.2%
1999	0.8%	99.2%
2000	0.7%	99.3%
2001	0.8%	99.2%
2002	0.8%	99.2%
2003	0.9%	99.1%
2004	0.8%	99.2%
2005	0.8%	99.2%
2006	0.6%	99.4%
2007	0.5%	99.5%

Source: Afrinem and Quantec Research, 2008

Figure 1.28 shows total imports and growth in imports in both Limpopo and South Africa. In 1995, Limpopo imported goods to the value of R1.9 billion (constant 2000 prices); this has grown by 24 per cent to a total of about R2.4 billion in 2007. Between 2006 and 2007, imports into Limpopo from the rest of the world expanded by 1.4 per cent.

Growth in imports into Limpopo has fluctuated significantly since 1996. Growth in Provincial imports has been lower than the national average for most of the sample period, except for 1998, 2001, 2002, 2003 and 2005. Particularly steep growth of 27 per cent was experienced in 2003, outstripping the national rate of eight per cent. However, this growth has since diverged from the national trend – a contraction of 15.4 per cent in 2006 preceded a slow improvement of 1.4 per cent in 2007.

Figure 1.28: Total Imports and Growth in Imports, Limpopo and South Africa, 1996 – 2007

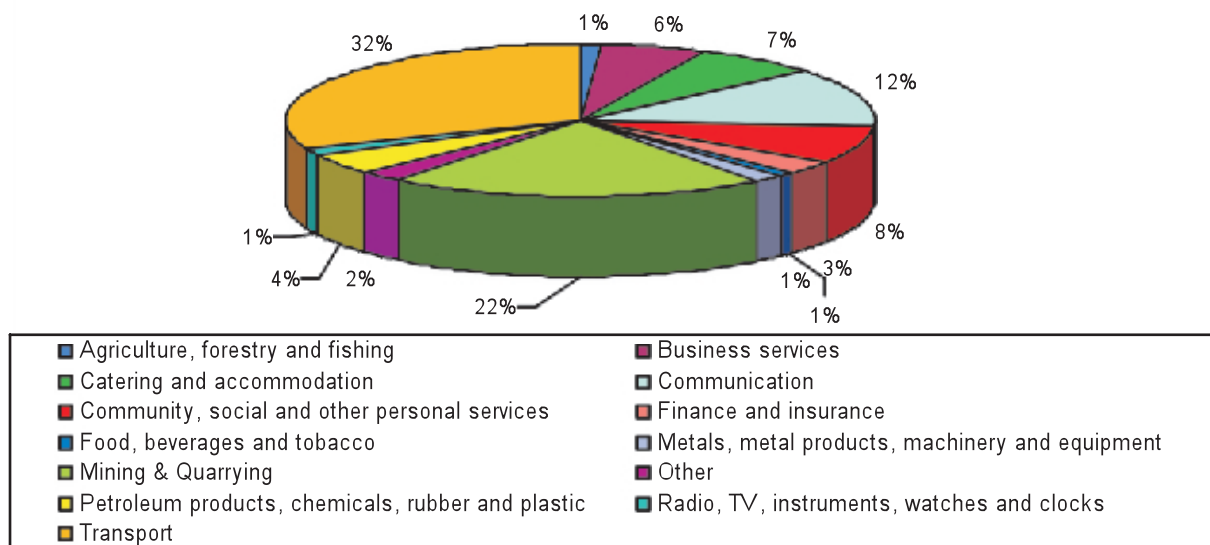


Source: Afrinem and Quantec Research, 2008

Figures 1.29 and 1.30 compare the predominant import categories in both Limpopo and South Africa in 2007. The transport industry, with a share of 32 per cent, accounts for the bulk of imports in Limpopo; this share has gone up from 26 per cent in 1995. Mining and quarrying also recorded a significant climb when compared to the 1995 figures, with a 22 per cent share of imports, up from 0.01 per cent in 1995. Other key sectors include communication (12 per cent), up from six per cent in 1995; community and other personal services (eight per cent), down from 16 per cent in 1995; catering and accommodation (seven per cent), down from 10 per cent in 1995; business services (six per cent) down from 12 per cent in 1995; finance and insurance (three per cent), down from seven per cent in 1995; and petroleum products, chemicals, rubbers and plastics (four per cent), up from 1.6 per cent in 1995.

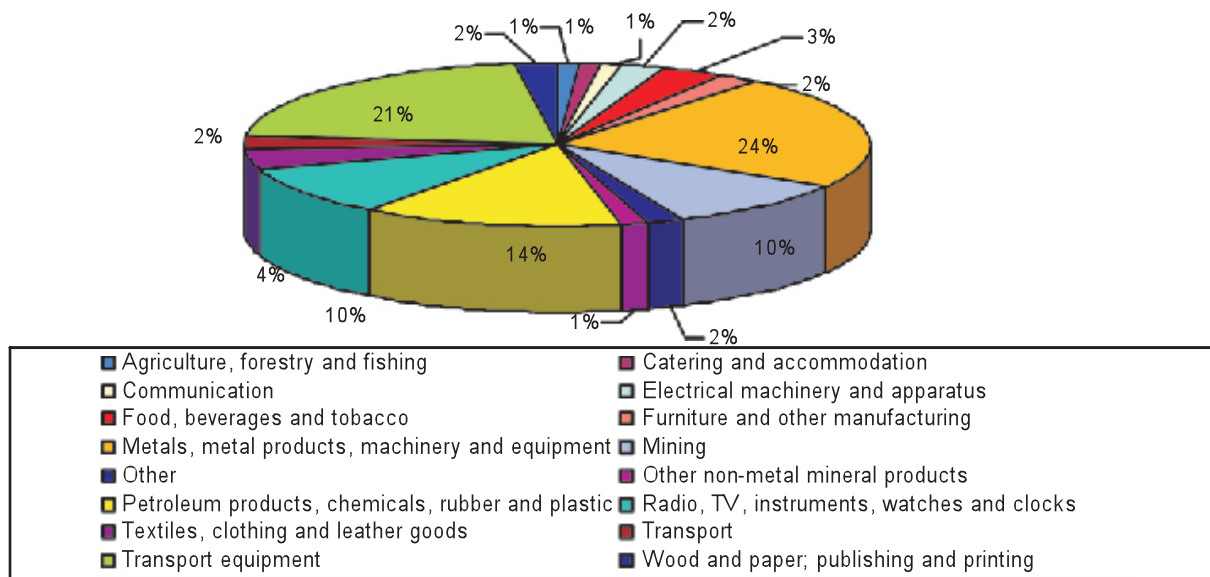
In contrast to Limpopo, the largest import category in South Africa is metal products and machinery, with 24 per cent of total imports, compared to Limpopo's 1.5 per cent. Transport equipment is the second largest import category in the country with 21 per cent (in Limpopo this category accounts for less than 0.5 per cent), followed by petroleum products, chemicals, rubbers and plastics (14 per cent).

Figure 1.29: Import Categories, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Figure 1.30: Import Categories, South Africa, 2007



Source: Afrinem and Quantec Research, 2008

Where growth in the various import categories in Limpopo since 2000 is concerned, the key growth areas include wood and paper, which grew by about 1 500 per cent in 2007, up from approximately 500 per cent in 2006; textiles, clothing and leather goods, which grew by over 1 400 per cent in 2007, up from a contraction of 91 per cent in 2006; metal products, which grew by 580 per cent in 2007, up from a contraction of 27 per cent in

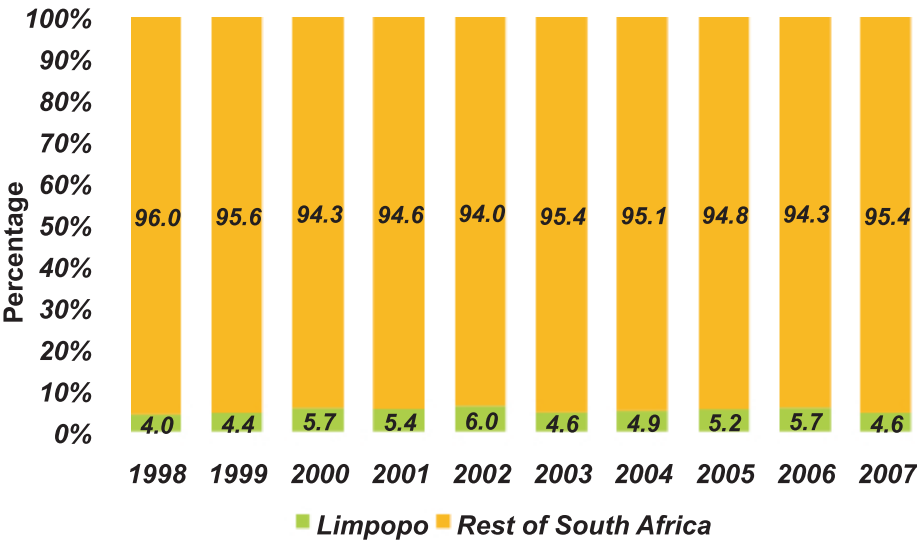
2006; and electrical machinery and apparatus, which grew by 173 per cent in 2007, up from a contraction of 37 per cent in 2006.

However, most of the Province’s import categories exhibit declining growth paths. These industries include food, beverages and tobacco, where growth fell from 190 per cent in 2006 to 82 per cent in 2007; petroleum products, chemicals, rubber and plastic, which contracted by 3.2 per cent in 2007, down from growth of eight per cent in 2006; and transport equipment, which contracted by 92.3 per cent in 2007, down from growth of 215 per cent in 2006.

Exports

Limpopo accounts for approximately five per cent of South Africa’s exports to the rest of the world. This contribution to national exports has risen marginally since 1998, although with a slight decline of about one per cent in 2007, as shown in Figure 1.31.

Figure 1.31: Contribution of Limpopo to National Exports, 1998 – 2007



Source: Afrinem and Quantec Research, 2008

Figure 1.32 shows total exports and growth in exports from Limpopo and South Africa. In 1995, Limpopo exported goods to the value of R6.9 billion (in constant 2000 prices); this has grown by 123 per cent to a total of R15.4 billion in 2007. In 2007, exports from Limpopo to the rest of the world expanded by six per cent.

Limpopo’s export growth has fluctuated significantly over the sample period, but it has outstripped national growth every year except in 1998, 2001, 2003 and 2007. In 2000, Limpopo exhibited record-high export growth of 39 per cent, far surpassing the national average of nine per cent. However, in 2003, Limpopo recorded a contraction in export

growth of 24 per cent, significantly more drastic than the South African contraction of two per cent.

Figure 1.32: Total Exports and Growth in Exports to the World, Limpopo and South Africa, 1996 – 2007

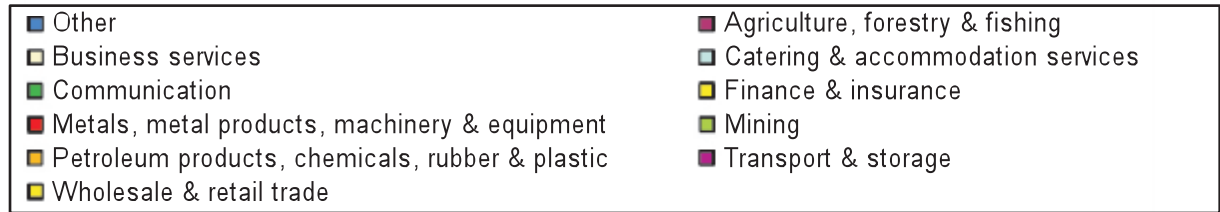
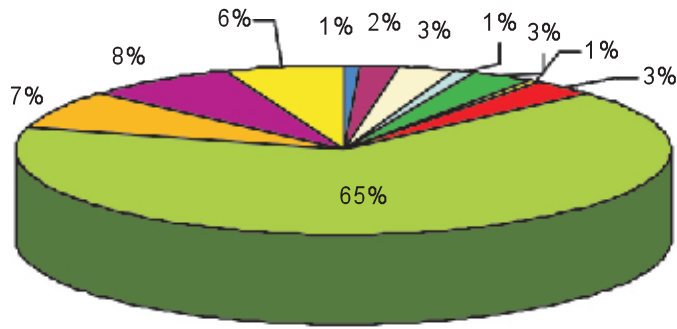


Source: Afrinem and Quantec Research, 2008

Figures 1.33 and 1.34 compare the major export categories of Limpopo and South Africa in 2007. The major export categories from Limpopo include mining and quarrying (65 per cent); transport and storage (eight per cent); petroleum products, chemicals, rubbers and plastics (seven per cent); and wholesale and retail trade (six per cent).

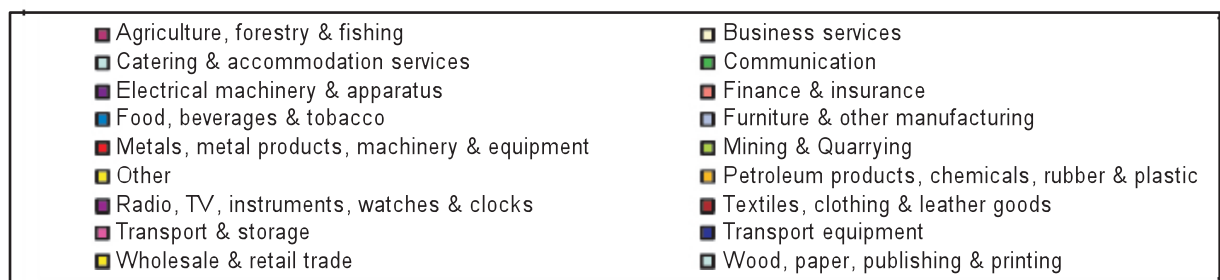
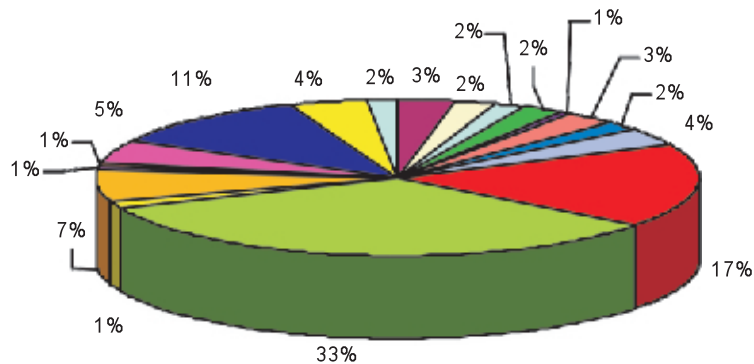
Not surprisingly, as with Limpopo, the largest export category in South Africa is mining and quarrying, accounting for a third of exports from the country. Metal products and machinery is the second largest export category in the country (17 per cent), followed by transport equipment (11 per cent).

Figure 1.33: Export Categories, Limpopo, 2007



Source: Afrinem and Quantec Research, 2008

Figure 1.34: Export Categories, South Africa, 2007



Source: Afrinem and Quantec Research, 2008

The key growth areas in the various export categories from Limpopo to the rest of the world since 2000 include furniture and other manufacturing, which expanded by 448 per cent in 2007, up from a contraction of 44 per cent in 2006; transport and storage, which grew by 16 per cent in 2007, up from three per cent in 2006; mining, which expanded by 13 per cent in 2007, (but less than the 21 per cent of 2006); and finance and insurance, which grew by 13 per cent in 2007 (also less than the 18 per cent of 2006).

Export categories showing negative growth trends include electrical machinery and apparatus, which contracted by 31 per cent in 2007, a significant drop from the 46 per cent growth in 2006; and agriculture, forestry and fishing, which contracted by 18 per cent, a worsening of the 2006 contraction of two per cent.

3.2.2 Provincial economic outlook for Limpopo, 2008 – 2011

3.2.2.1 Sectoral composition of output

In line with historical trends, the Limpopo Province's contribution to national output is expected to remain constant at around six per cent, although with an expected marginal decline, from a contribution of 6.3 per cent in 2007 to a contribution of 6.2 per cent in 2011. The reason for this decline is the fact that Limpopo's economic growth rates remain slightly below the national average.

The regional economy displays a number of unique trends, giving rise to dynamic processes and posing its own strengths and challenges to policy-makers. The sectoral composition in terms of contribution to total real output for the Province (as measured by gross value-added at basic prices) is depicted in Table 1.14.

Table 1.14: Limpopo Sectoral Composition, 2005 – 2011

Sectors (%)	2005	2006	2007	2008	2009	2010	2011
Primary Sector							
Agriculture, forestry and fishing	2.72	2.41	2.27	2.14	2.05	2.02	2.00
Mining	24.13	23.04	22.22	22.03	21.88	21.92	21.95
	26.84	25.46	24.49	24.17	23.93	23.94	23.94
Secondary Sector							
Food, beverages and tobacco	1.22	1.24	1.22	1.19	1.16	1.13	1.09
Textiles, clothing and leather goods	0.08	0.08	0.08	0.08	0.08	0.07	0.07
Wood and paper; publishing and printing	0.23	0.23	0.22	0.21	0.21	0.20	0.19
Petroleum products, chemicals, rubber and plastic	0.63	0.62	0.62	0.60	0.58	0.56	0.53
Other non-metal mineral products	0.21	0.20	0.21	0.22	0.22	0.22	0.21
Metals, metal products, machinery and equipment	0.68	0.70	0.73	0.71	0.69	0.67	0.65
Electrical machinery and apparatus	0.07	0.07	0.06	0.06	0.06	0.06	0.06
Radio, TV, instruments, watches and clocks	0.06	0.06	0.06	0.06	0.06	0.06	0.06
Transport equipment	0.24	0.24	0.24	0.24	0.25	0.25	0.25
Furniture and other manufacturing	0.40	0.40	0.41	0.41	0.41	0.40	0.39
Electricity	2.59	2.60	2.69	2.76	2.82	2.91	3.00
Water	0.50	0.46	0.46	0.45	0.44	0.42	0.41
Construction	2.02	2.15	2.30	2.37	2.42	2.45	2.47
	8.93	9.06	9.31	9.36	9.41	9.39	9.38
Tertiary Sector							
Wholesale & retail trade	13.38	13.78	13.99	14.62	15.05	15.23	15.47
Catering and accommodation	0.65	0.63	0.61	0.60	0.59	0.57	0.55
Transport	6.63	6.78	6.95	7.12	7.26	7.50	7.75
Communication	4.13	4.15	4.46	4.61	4.74	4.88	5.02
Finance and insurance	7.29	8.35	8.35	8.05	7.73	7.58	7.48
Business services	9.00	8.77	8.51	8.29	8.13	7.91	7.66
Community, social and other personal services	4.97	5.03	5.03	4.97	4.92	4.91	4.88
General government services	18.18	18.01	18.29	18.21	18.23	18.09	17.86
	64.23	65.49	66.20	66.47	66.66	66.66	66.68
Total gross value added (basic prices)	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Afrinem and Quantec Research, 2008

Limpopo is represented in the production output of all sectors, with the primary sector – and particularly the mining sector – contributing significantly to Provincial output. The mining sector is, in fact, the sector with the highest individual contribution to output, both historically as well as over the forecasting horizon. Limpopo is, however, expected to see a contraction in mining output, in line with the national situation, with an expected average contribution of around 22 per cent, down from a share of 26 per cent in 1995 and an historic average of 24 per cent. The agricultural sector is expected to contribute two per cent of the total Provincial output, marginally down from an historic average contribution of 2.6 per cent.

The secondary sector contributes the least to gross Provincial output at less than 10 per cent on average. This contribution, according to the sectoral forecast, is expected to remain around 9.4 per cent for 2008 to 2011. The contribution is much lower than the expected national average contribution of 24 per cent. When considering individual

economic sectors within the secondary sector, it is evident that most of these sectors are fairly underdeveloped, with contributions to output not exceeding two per cent. The only two sectors with contributions higher than two per cent (average contribution of between two and three per cent) are electricity and construction.

The tertiary sector is the largest contributor to Provincial output, with an expected average contribution of 67 per cent. This is in line with the expected national figure of 68 per cent and marginally higher than the historic average contribution of 64 per cent for the Province. The two largest role-players within the tertiary sector are general government services and wholesale and retail trade, with expected average contributions of 18 per cent and 15 per cent, respectively. The increase in the contribution of wholesale and retail trade from levels of 13 per cent may possibly be attributed to the cross-border spending power of foreign nationals. Other significant contributions within the tertiary sector are expected to come from business services, finance and insurance, and the transport sectors.

A comparison of national and Provincial sectoral contributions to output is depicted in Figure 1.35.

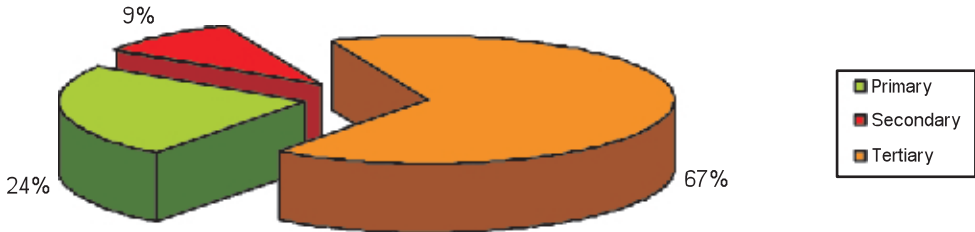
Expected disaggregated shares within the primary, secondary and tertiary sectors are portrayed in Figure 1.36. Within the primary sector, the contribution of agriculture is overshadowed by that of mining, with a distribution of nine per cent to 91 per cent.

Within the secondary sector, all manufacturing sectors collectively are responsible for an expected contribution of 40 per cent of output. This is less favourable when compared to the expected national average of 71 per cent and that of Gauteng of 73 per cent, for example. In addition, the electricity, gas and water sectors are expected to be responsible for 35 per cent of the total output, while construction will contribute 25 per cent.

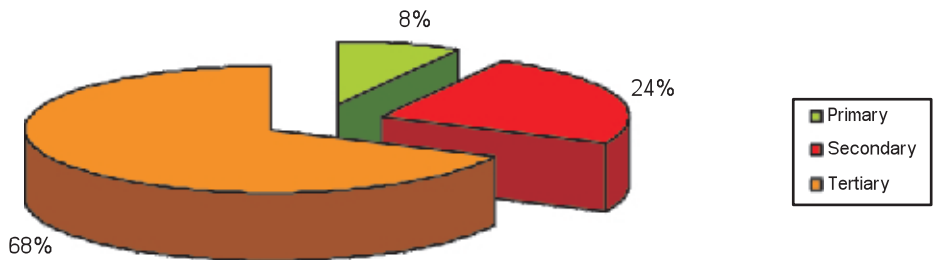
When disaggregating the tertiary sector, general government services contribute most significantly to tertiary sector output, with an expected average figure of 28 per cent. This is followed by business, finance and insurance services with 24 per cent and wholesale, retail, catering and accommodation services with 23 per cent. Transport and communication services will contribute an expected 18 per cent, while community, social and other personal services will contribute only seven per cent.

Figure 1.35: National and Provincial Sectoral Contributions to Output

LIMPOPO: Average contribution to value added at basic prices (constant 2000 prices), 2008-2011



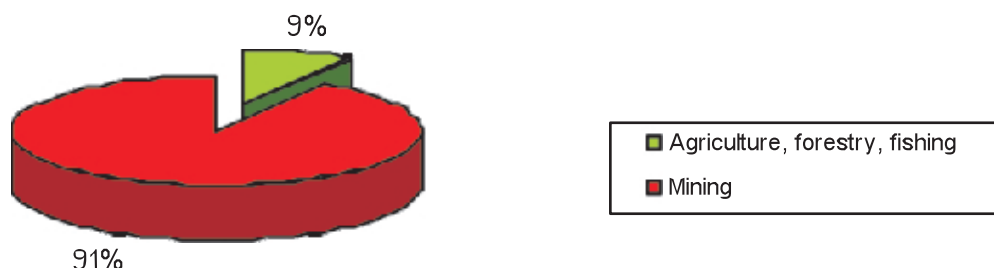
RSA: Average contribution to value added at basic prices (constant 2000 prices), 2008-2011



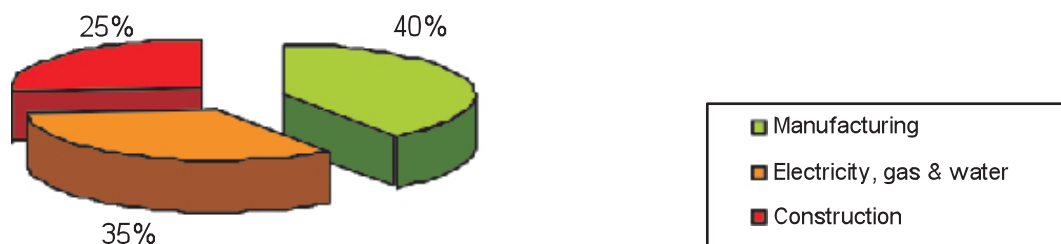
Source: Afrinem and Quantec Research, 2008

Figure 1.36: Disaggregation of Provincial Sectoral Contributions

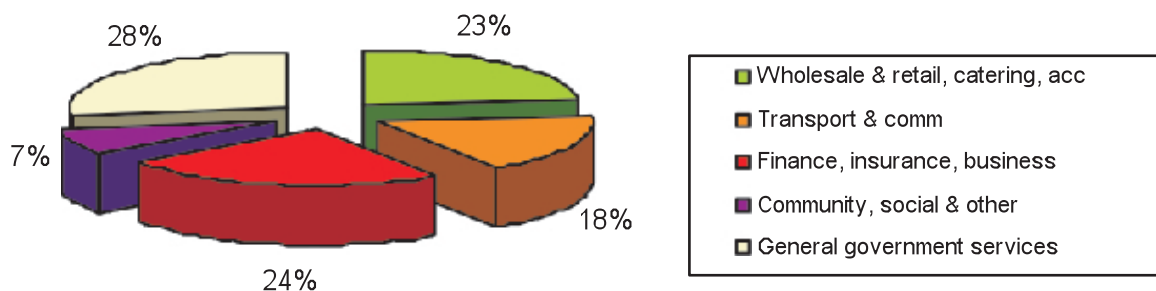
LIMPOPO PRIMARY SECTOR: Average contribution to value added at basic prices (constant 2000 prices), 2008-2011



LIMPOPO SECONDARY SECTOR: Average contribution to value added at basic prices (constant 2000 prices), 2008-2011



LIMPOPO TERTIARY SECTOR: Average contribution to value added at basic prices (constant 2000 prices), 2008-2011



4 PROVINCIAL RECEIPTS

4.1 Overall position

The Limpopo Provincial Government is mainly funded from the Equitable Share, Conditional Grants and Provincial Own Receipts. Revenue is generated from five Provincial own revenue streams – Tax Receipts (which comprise, amongst others, motor vehicle licence fees), Non-Tax Receipts (comprising the sale of goods and services other than capital assets), Transfers Received, Sale of Capital Assets and Financial Transactions (which comprise Stale Cheques and the 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 Tax Receipts (particularly motor vehicle licences), sales of goods and services other than capital (particularly patient fees and interest). Dividends and rent on land are jointly responsible for about a 90.4 per cent share of the generated Provincial own revenue.

For the period between 2008/2009 projected outcomes and 2009/2010 financial year, Provincial own revenue increased by 3.7 per cent in nominal terms and recorded a negative growth rate of 1.3 per cent in real terms. All Provincial own revenue items are estimated to register a 3.4 per cent growth rate in nominal terms over the 2009/2010 MTEF. This limited revenue basis signals the Provincial Government to explore other constitutional and legal ways of identifying new sources of revenue. Moreover, proper costing of estimated revenue collection will contribute to the improvement of revenue collection strategies and a reduction in under-collection by the responsible departments.

4.1.1 Motor vehicle licence fees

Motor vehicle has shown a constant increase in revenue collection over the past years, and is considered as the largest contributor to the Provincial own revenue. In the financial year 2008/09, motor vehicle licence fees accounted for about 30 per cent and for 30.3 per cent for the 2009/10 financial year. This Provincial revenue item has grown by about 5.6 per cent on a year-on-year basis. For the 2009/2010 MTEF, the revenue generated from charging motor licences is estimated to grow by about 3.1 per cent on a year-on-year basis.

4.1.2 Sale of goods and services other than capital assets

Capital assets can be defined as all the tangible property that cannot easily be converted into cash and which are utilised over an extended period, for example, equipment. The largest contributor to the sale of goods and services is administration fees, which account for about 90 per cent of the Provincial sale of goods and services

other than capital assets. The sale of goods and services other than capital assets contributed 31 per cent to the total Provincial own revenue during the financial period 2008/09 and 32.4 per cent during the 2009/10 financial period. During the period between 2008/2009 revised estimates and 2009/2010 fiscal year, Provincial sale of goods and services other than capital assets recorded a growth rate of about 8.1 per cent on a year-on-year basis. This significant growth rate expected over the period is mainly due to an anticipated sale of scrap by the Departments of Agriculture and Roads and Transport. For the 2008/2010 MTEF, the sale of goods and services other than capital assets is estimated to grow by approximately 2 per cent on a year-on-year basis. This low growth rate is mainly due to a drop in the sale of tender documents and house rentals by the Department of Public Works.

4.1.3 Interests, dividends and rent on land

Interest, dividends and rent on land account for about 23 per cent of the total Provincial own revenue for the 2008/09 and 2009/2010 financial years. The largest contributor to the interest, dividends and rent on land revenue stream is interest received, which accounts for about 98 per cent of the total revenue generated by interest, dividends and rent on land. For the period between the 2008/2009 revised estimates and 2009/2010 fiscal period, interest, dividends and rent on land recorded a growth rate of about 2.1 per cent on a year-on-year basis. This low growth rate estimated to be achieved by the Province in the collection of such revenue is mainly due to the anticipated transfer of some portion of farm rentals to the national Department of Land Affairs. Over the 2009/2010 MTEF, the interest, dividends and rent on land revenue stream is anticipated to show a growth rate of 4.6 per cent, which is mainly due to inflationary adjustments.

4.2 Equitable share

Table 1.15. Summary of Provincial Receipts

<i>R thousand</i>	<i>Outcome</i>			<i>Main appropriation</i>	<i>Adjusted appropriation</i>	<i>Revised estimate</i>	<i>Medium term estimates</i>		
	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>				<i>2009/10</i>	<i>2010/11</i>	<i>2011/12</i>
	<i>2005/06</i>	<i>2006/07</i>	<i>2007/08</i>	<i>2008/09</i>					
<i>Provincial receipts</i>									
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	40,730,714
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	34,806,605
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
<i>Total provincial receipts</i>	20,663,882	23,001,348	24,637,951	29,632,888	30,451,870	31,418,962	34,540,445	38,239,408	41,348,670
<i>Provincial payments</i>									
Current payments	17,424,407	18,921,184	19,892,257	23,422,020	24,268,648	24,901,332	27,247,685	29,723,196	31,798,384
Transfers and subsidies	2,235,703	3,072,930	3,445,059	4,047,232	4,156,667	4,169,974	4,798,280	5,275,254	5,800,536
Payments for capital assets	1,245,793	1,860,812	1,397,999	2,163,636	2,137,085	2,288,757	2,429,785	3,112,431	3,558,252
Contingency reserve (OSD - Health)							64,695	128,527	191,498
<i>Total provincial payments</i>	20,905,903	23,854,926	24,735,315	29,632,888	30,562,400	31,360,063	34,540,445	38,239,408	41,348,670
Financing (surrenders)	655,502	700,707	97,364		196,606	-			
<i>Surplus/(deficit) after financing</i>	413,481	(152,871)	-	-	86,076	58,899	-	-	-

Equitable share is an unconditional transfer to the provincial governments to fund the gap that provinces encounter 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 used prioritises 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 for Limpopo Province grew by about 27 per cent on a year-on-year basis for the financial period between 2007/2008 and the 2008/2009 revised estimate. This significant increase was partly due to policy adjustments and realignment, the highly unequal distribution of income and the poverty gap, and the high unemployment rate prevailing in the Province. For the 2008/2009 MTEF, the Provincial equitable share increases by about 6.8 per cent. It should be noted that the Provincial equitable share grows at an average rate of 6.2 per cent for the 2009/2010 MTEF, which is lower than the 6.8 per cent recorded in the 2008/2009 MTEF, indicating a 0.6 per cent decrease in the Provincial equitable share.