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LIST OF ABBREVIATIONS

ART	: Anti-Retroviral Therapy
ASGISA	: Accelerated Shared Growth Initiative of South Africa
BCI	: Bridge Condition Index
CPI	: Consumer Price Index
CRU	: Community Residential Units
DHSD	: Department of Health and Social Development
DoRT	: Department of Roads and Transport
ECD	: Early Childhood Development
EMS	: Emergency Medical Services
EPWP	: Expanded Public Works Programme
GDE	: Gross Domestic Expenditure
GDP	: Gross Domestic Product
GVA	: Gross Value Added
IDIP	: Infrastructure Delivery Improvement Programme
IDP	: Integrated Development Plans IDP
IMF	: International Monitory Fund
LDRT	: Limpopo Department of Roads and Transport
LEGDP	: Limpopo Economic Growth and Develoment Plan
MDG	: Millennium Development Goals
MDR	: Milti Drug Resistance
MEC	: Member of Executive
MTBPS	: Medium-Term B
MTEF	: Medium-Term Expenditure Framework
MTSF	: Medium Term Strategic Framewor
NEIMS	: National Education Infrastructure Management System
NERSA	: National Energy regulator of South Africa
NGO	: None Governmental Organisation
NGP	: New Growth Path
NSDP	: National Spatial Development Perspective
PCR	: Polimerase Chain Reaction
PFMA	: Public Finance Management Act
PHC	: Primary Health Care
PMTC	: Prevention of Mother to Child Transmision
PPP	: Public Private Partnership
RAL	: Road Agency Limpopo
STP	: Service Transformation Plan

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Executive Summary

The Medium term Budget Policy Statement (MTBPS) gives the Legislature and civil society insight into the resources that are budgeted for implementation public policies and strategic objective during the Medium Term Expenditure Framework period. It outlines the plan that government has to improve the challenges that still exist.

The MTBPS is tabled each year together with the Adjusted Estimates of Provincial Expenditure .Allocation of resources is also influenced by the socio –economic status at that time .The outline the perspective of economic outlook for the coming three years. Provision of how budget will be allocated during MTEF period and priorities that are identified for the same period and how planned expenditure will be financed .The pre-budget statement is aimed at meeting the Public Finance management Act (PFMA) requirement that of compel the Minister and the Member of Executive to provide for annual tabling of multiyear .These projections must include:

- The estimate of revenue that is to be raised during each year of the multiyear period
- Estimated expenditure to be incurred over the MTEF per vote during MTEF period

The MTBPS take into consideration key macro-economic projections for three years. Macro-economic changes may necessitate the review of other policy initiatives as it influences availability of funds to be used for implementation of some of policy initiatives .A well planned MTEF will ensure fiscal sustainability as it aligns long term financial implications of various policy options with available resources.

Chapter 1. Economic Overview

South Africa's was affected by global financial crisis, the country could not escape the negative effects of the economic downturn that ensued as a result. Limpopo was not immune to these effects and also suffered from negative growth and rising unemployment. Currently global recovery is underway and global prospects in the coming decade have been met with cautious optimism. This chapter will analyses the economic and labour profile of the Limpopo and South African economies, and provides a forecast and outlook based on verifiable data of these economies to 2012.

Chapter 2 .Budget Policy Priorities

This chapter will examine the progress made in the implementation of National and Provincial Priorities, as well as plans that are in place for the Medium Term Expenditure Framework (MTEF) to close the gaps that still exist.

The provincial Budget spending priorities for 2011are:

- Ensuring more inclusive economic growth, decent work and sustainable livelihoods
- Introduce a programme to build economic and social infrastructure;
- Develop a comprehensive rural development strategy linked to land and agrarian reform and food security;
- Strengthen the skills and human resource base;
- improve the health profile of all Limpopo citizens'; and
- Build a development state including improvement of public services and strengthening democratic institutions

Chapter 3. Provincial Infrastructure development and delivery

Infrastructure provision and maintenance remain a high priority for government. Infrastructure investment is important to the Province as it provides a better life to all people and it reduces poverty by enabling faster economic growth and the creation of job opportunities. The Limpopo Employment, Growth and Development Plan (LEGDP) highlight the key strategic challenges and interventions for public infrastructure investment programme in the Province.

The total infrastructure allocation for the 2010/11 financial year amounts to R5, 7 billion. The budget is projected to increase in 2011/12 and 2012/13 to R6, 7 billion and R7 billion, respectively.

The infrastructure projects that will be discussed in this chapter are preventative and maintenance of road infrastructure, education related infrastructure and health related infrastructure. Three-hundred and sixty three million (R363m) has been allocated in the 2010/11 financial year towards the preservation of the surfaced network on an annual basis. Some of the priorities are planned as follows:

- 29% (R245m) of the budget has been allocated to new schools, replacement schools, and new district and circuit offices.
- 41% (R354m) of the budget has been allocated to rehabilitation and refurbishment, involving major repair and recapitalization of existing facilities at storm damaged schools.
- 23% (R200m) of the budget has been allocated to upgrading and additions. These projects include the addition of water, sanitation, classrooms, administration blocks and mobile classrooms at existing schools.
- 6% (R55m) of the budget has been allocated to routine and preventative maintenance
- Revitalization of health infrastructure
- Integrated Sustainable Human Settlement for upgrading of settlements (Urban & Rural), unblocking blocked housing projects including rectification & installation of services

Chapter 4: Provincial Fiscal Envelope

This chapter will discuss all sources of revenue for the province.Equitable share and conditional grants from national government comprise the largest portion of provincial receipts, supplemented by provincial own revenue. However, Limpopo provincial equitable share decreases compared to other provinces. Despite the decline a positive annual average growth rate of 3.14 is projected over the 2011 MTEF.

Chapter 5: Provincial Budget and expenditure patterns

Funds from the provincial budget have been allocated primarily to the social sector and the remainder part has been appropriated for the Economic, Governance and Administration sectors.

A larger contributor to the overall over expenditure that is projected for 2011/2012 financial is compensation of employees.

Chapter 1.

Economic overview

While South Africa's financial sector was shielded from the global financial crisis, the country could not escape the negative effects of the economic downturn that ensued as a result. Most of the real effects were transmitted through trade and investment channels, but these had significant knock-on effects on employment and output. Limpopo was not immune to these effects and also suffered from negative growth and rising unemployment.

Throughout the period, the country had been preparing for the FIFA World Cup. These preparations, as well as the event itself, helped to mitigate some of the adverse effects.

A subdued global recovery is currently underway and global prospects in the coming decade have been met with cautious optimism. Looking forward, it is imperative to take stock of the economic and labour profiles of the province in order to understand the potential opportunities, challenges and hazards that lie ahead.

This section analyses the economic and labour profile of the Limpopo and South African economies, and provides a forecast and outlook based on verifiable data of these economies to 2012.

1.1 World Economic Outlook

1.1.1 World GDP

During the first half of 2010, the global economy continued to emerge from the effects of the global financial crisis. However, troubles in sovereign debt markets impeded this progress to some extent.

The IMF reports world economic growth at about 5.25 per cent during the first half of the year. World industrial production expanded by approximately 15 per cent and global trade increased by more than 40 per cent, attributed mostly to rising fixed investment and manufacturing confidence.

Notwithstanding, the recovery experiences of many economies has been varied: growth in the United States and Japan continued to be sluggish, while many European economies recovered well. Most emerging market economies have continued to enjoy strong growth, driven to a large extent by household spending. Household expenditure in advanced economies, however, continued to be weighed down by low consumer confidence and persistent unemployment.

The October 2010 update of the World Economic Outlook expects world output to grow by 4.8 per cent in 2010, easing to 4.2 per cent in the following year (see Table 1.1). Output in advanced economies is projected to grow 2.7 per cent this year, while emerging and developing countries are forecasted to reach growth rates of 7.1 per cent on average in 2010, moderating to 6.4 per cent in 2011.

1.2. South African macroeconomic trends and outlook

1.2.1 Production

During the second quarter of 2010, real GDP growth in South Africa moderated to 3.21 per cent quarter-on-quarter on a seasonally adjusted and annualised basis[1] from 4.59 per cent in the preceding quarter and 3.15 per cent in the fourth quarter of 2009. The main contributors to this growth were the manufacturing sector, which contributed 1.06 percentage points to the overall number in the second quarter, and 1.3 percentage points in the first. A spending injection during the 2010 FIFA World Cup was largely responsible for the increase in the wholesale, retail, motor trade and accommodation sector, which contributed 0.66 percentage points to overall quarterly GDP growth in the second quarter. The mining, manufacturing, and electricity and water sectors, all experienced negative quarterly growth during the second quarter after reporting strong positive growth in the preceding two quarters.

Industrial action in the mining industry and weak demand associated with the strong Rand instigated a knock in mining sector output, which fell by 20.85 per cent in the second quarter of 2010. A substantial increase in maize yield provided considerable thrust to the 11.59 per cent quarterly growth in the agricultural sector, which was also supported by higher output in livestock farming.

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[1]Unless otherwise indicated, all growth rates are reported on a quarter-on-quarter seasonally adjusted and annualised basis.

Manufacturing production grew 6.92 per cent in the second quarter, predominantly driven by the stocking up of inventories rather than higher demand. A fragile global economic recovery and the persistent strength of the Rand continued to restrain growth in the sector. Electricity and water output fell 0.23 per cent during the quarter, reflective of continued stress in electricity production. Growth in construction output decelerated to 2.1 per cent and 1.49 per cent in the first two quarters of 2010. This is indicative of fewer private capital projects and government infrastructure spending during the recession, and the completion of construction projects relating to the 2010 FIFA World Cup.

A large portion of tertiary sector growth in the second quarter of 2010 was encouraged by a spending injection relating to the 2010 FIFA World Cup. Growth in the wholesale, retail, motor trade and accommodation industry constituted the bulk of this growth – the industry experienced 5.75 percent growth in the quarter. This was supported by 2.96 per cent quarterly growth in finance, real estate and business services. The transport and communication sector grew by 4.49 per cent over the quarter despite industrial action by workers of Transnet. Personal services rose by 4.57 per cent. Intensified government service delivery during the tournament led general government to grow by 3.64 per cent.

Changes in inventories remained negative during the first and second quarters of 2010, at R8.75 billion and R7.15 billion. Diminishing inventories have been prominent in the manufacturing sector, and increases in the first quarter were due to stockpiling of coal ahead of higher anticipated electricity usage during the World Cup.

1.2.2 Prices and interest rates

A disinflationary trend in consumer inflation has occurred since February 2009, with marked moderations in 2010 to levels last seen in 2006. Since February 2010, CPI inflation has remained within the policy target of a 3-6 per cent year-on-year increase (see Figure 1.3). While much of the downward pressure has come from lower food prices, some upward force has been exerted by increases in electricity tariffs and other administered prices. Food price pressures have eased in line with trends in international agricultural prices, which generally lead local price movements.

Domestically, strong maize yields and livestock output have helped lower food inflation.

Administered price increases, particularly in electricity and petrol costs, have been the largest upside risk to consumer inflation. The stability of the exchange rate is another important risk factor for consumer inflation. The continued strength of the Rand has come under scrutiny, with calls to weaken the currency to improve export competitiveness. This is likely to have a considerable impact on fuel inflation, which constitutes almost four per cent of the CPI basket.

Opportunistic price increases emanating from the 2010 FIFA World Cup were short lived and largely concentrated to restaurants and hotels. In June 2010, the month-on-month increase in restaurant and hotel prices was 4.3 per cent. In the subsequent month, this fell by 3.9 per cent.

The South African Reserve Bank has reduced its repurchase rate twice in 2010, in March and September. As observed in Figure 1.5, this brings the cumulative decline to 600 basis points from the 12 per cent rate in June 2008. Its inflation outlook remains temperate, with year-on-year CPI inflation expected to remain within the 3-6 per cent target range for the forecast period, which ends in 2012. While muted, risks to the inflation and growth outlooks are likely to emanate from administered prices, wage levels, continued weak domestic demand, exchange rate volatility and foreign factors. These foreign factors include the repercussions of fiscal difficulties in some countries of southern Europe, which could affect financial markets, and a suppressed global recovery, which could subdue domestic growth. A stifled economic recovery domestically, alongside lower inflation rates and a strong rand, prompted the interest rate cut in September.

1.2.3 Employment and wages

According to Statistics South Africa's Quarterly Labour Force Surveys, South Africa's labour market indicators continued to worsen in 2010. These are presented in Table 1.4. During the first quarter of the year, net employment showed a decline of 171 000 jobs, after creating 89 000 mostly seasonal jobs during the fourth quarter of 2009. The majority of job losses were incurred by the finance industry, where employment fell by 126 000 over the quarter. The construction, trade and manufacturing sectors accounted some 148 000 job losses cumulatively, while the increases in employment by the agricultural sector, private households, social services and transport industry helped offset this, contributing 126 000 cumulatively.

In the subsequent quarter, net employment declined by another 61 000 jobs, with 53 000 of job losses coming from the manufacturing sector. Temporary jobs created by the FIFA World Cup have provided some relief in this quarter, but will contribute to job losses in the third quarter of the year.

Job cuts in the manufacturing sector, which had accumulated to 86 000 for the first half of 2010, continue to indicate that the manufacturing sector is still under strain from depressed demand conditions arising from a slow domestic and global recovery, and weaker export competitiveness. Employment in the construction sector, which had been greatly boosted by the infrastructure requirements of the FIFA World Cup, has fallen by 79 000 in the first half of 2010. This is attributed not only to the conclusion of World Cup-related projects, but also to weak growth in private sector investment spending and a decline in residential building plans passed.

Over the two quarters, the official unemployment rate had declined marginally, from 25.2 per cent in the first quarter of 2010, to 25.3 per cent in the second.

The number of discouraged work-seekers has also increased during the first half of 2010. As these numbers are not included in the official definition of employment, this tends to mask a truer reflection of the unemployment profile in South Africa.

According to Statistics South Africa's Quarterly Employment Statistics, real average monthly earnings grew by 10.2 per cent year-on-year in the first quarter of 2010. This was affected by higher-than-inflation increases in wage settlements.

1.2.4 Policy and international assumptions underlying the national forecast

2009 and 2010 saw South Africa's newly elected president, Jacob Zuma, and his cabinet quietly overhaul South African macroeconomic policy. The ASGISA policy of past years has been redeveloped and redesigned into a New Growth Path (NGP). Although not yet finalised, the NGP targets the creation of 5 million new jobs by 2020, reducing unemployment to 15%. This follows an earlier statement by Pravin Gordhan that growth needs to reach a sustained rate of 7 per cent over 20 years to deal with South Africa's crippling unemployment problems.

Domestic challenges continue to be reinforced by structural incapacity in the form of water, electricity and skilled labour shortages.

In order to mitigate the effects of the economic recession, government increased expenditure in 2009 already. This fiscal stimulation is however anticipated to slow over the next three years. The 2010/2011 Budget maintained mildly expansionary policies, funded by fiscal prudence and surpluses from prior years. Key spending areas include: enhancing the quality of basic education; improving the nation's health; increasing community safety; fostering rural development; creating jobs; and investing in local government and human settlements.

The global economy experienced surplus capacity in early 2010. This contributed towards maintaining inflation at low levels, despite higher commodity prices, with global inflation expected to increase marginally to 3.7 per cent in 2010, followed by slower growth of 3.1 per cent in 2011.In most countries, interest rates were thus kept at low levels in an attempt to expand economies (the US Federal Reserve's discount rate has remained unchanged at 0.25 per cent, the Bank of England rate has remained unchanged at 0.5 per cent, and the ECB rate remained unchanged at 1 per cent). Noticeably, the Japanese central bank lowered interest rates to 0 per cent on 5 October 2010 in an attempt to grow the economy out of its deflationary dilemma; whilst Chinese authorities took steps to curb credit extension growth by increasing reserve requirements.

Oil prices are expected to stabilise at US$80 in 2010, subsequent to a marginal increase in 2011 to US$84 on average. The gold price is anticipated to level out at US$1400 per fine ounce in 2011, stabilising to US$1200 in 2012.

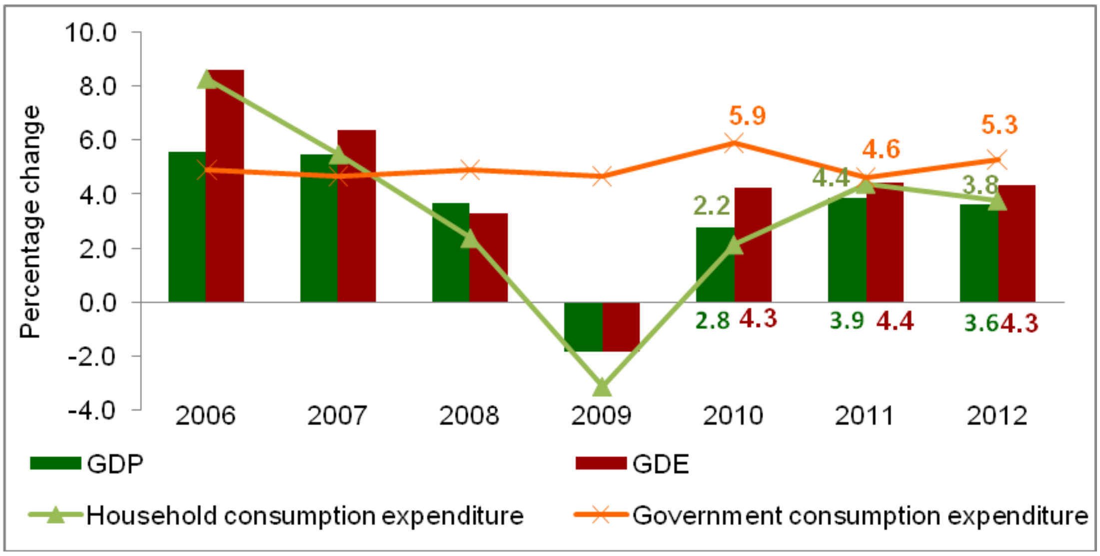
World growth contracted by 0.6 per cent in 2009, but is however expected to return to positive growth of 4.8 and 4.2 per cent in 2010 and 2011 respectively, broadly due to large-scale stimulus packages. The US economy is expected to recover to a 2.3 per cent growth rate in 2011.

1.2.5 Outlook for the National economy, 2010-2012

Trends and forecasts of key output and spending indicators for the national economy are illustrated in Figure 1.6. Domestic expenditure is expected to display an increase from an average contraction of 1.8 in 2009 to a buoyant 4.3 per cent in 2010. The imports of goods and services are consequently expected to increase from an average rate of -17.4 per cent for 2009 to 8.7 per cent in 2010, while the growth in the exports of goods and services, hampered by supply constraints and slowly returning global demand, is expected to improve from a contraction of 19.5 in 2009 to 2.9 per cent in 2010.

Economic growth is also expected to show a recovery over the forecast period. After contracting at a rate of -1.8 per cent in 2009, real GDP growth is expected to recover to an average rate of 2.8 per cent for 2010. Robust investment and consumption expenditure stemming from the 2010 FIFA World Cup will counteract some of the global and domestic downward pressures and provide a moderate, yet increasing impetus for output growth over the latter part of the forecasting period.

Figure 1.1: Growth in selected demand data, 2010-2012

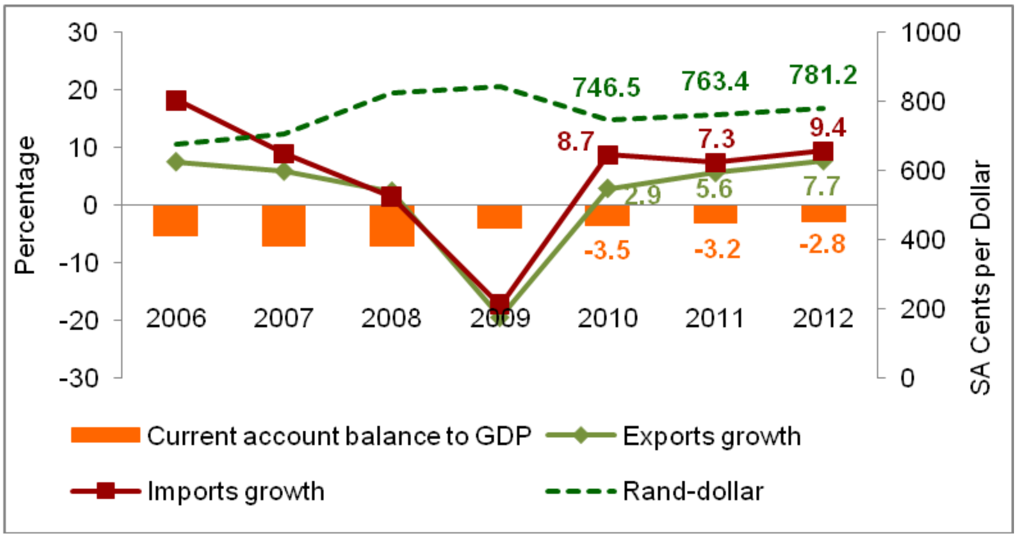


Source: Plus Economics

Real government consumption expenditure, which grew by 4.7 per cent in 2009, will continue to provide mild stimulus to the economy at a projected growth rate of 5.9 per cent in 2010. Government expenditure remains mildly expansionary against the backdrop of growing concerns over an increasing budget deficit mainly due to the continued fiscal stimulation that would gradually be withdrawn over the ensuing three years. The sluggish growth in government expenditure displays their commitment towards fiscal discipline in the present economic environment. Government consumption is thereafter expected to grow at levels around 5 per cent over the forecasting period, reflecting a moderately expansionary fiscal policy.

The government will continue to increase spending on law and order, infrastructure, education, the HIV/Aids programmes and other social sectors, but will also continue with plans to increase the efficiency and accountability of fiscal expenditure. Private household consumption expenditure is forecast to improve from -3.1 per cent in 2009 to 2.2 per cent in 2010, whereafter it is forecast to recover slightly to 4.4 per cent over the forecast period.

Figure 1.2: Growth in selected trade data, 2010-2012



Source: Plus Economics

The lower current account deficit of 4 per cent of GDP in 2009 resulted mainly from an increase in international trade volumes and an associated rise in the value of merchandise goods exported from South Africa. This trend is expected to remain largely unchanged, with the current account deficit forecast at 3.5 per cent of GDP in 2010.

Due to the increase in global activity following the recession period, although counteracted by the domestic production constraints brought about by skilled labour supply shortages, exports are expected to grow at a rate of 2.9 per cent in 2010 and pick up slight momentum to grow at rates around 7 per cent over the forecast horizon.

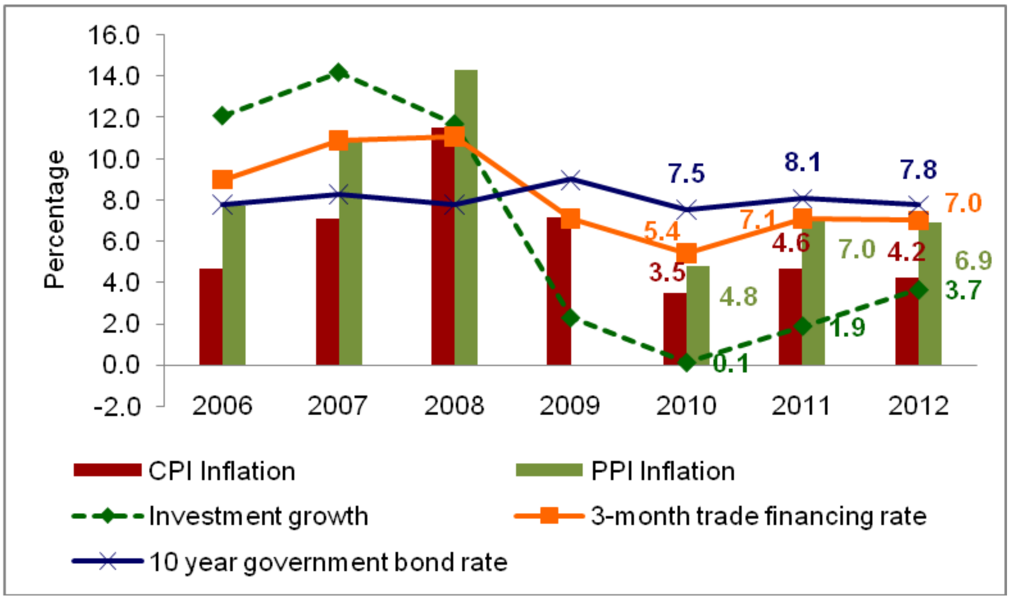
Export growth will be fuelled by a recovery in world demand and stronger commodity prices. Import growth, spurred by a demand for energy-saving technologies and an anticipated improvement in domestic demand, is expected to maintain steady growth averaging between 7 and 9.4 per cent over the forecast horizon.

On average, the rand is expected to appreciate against the dollar by 11.5 per cent in 2010, following a depreciation of 2.2 per cent in 2009. This is however expected to moderate to a depreciation of 2.3 per cent in 2012. A relatively uncertain international macroeconomic background and global risk aversion are still expected to propel the rand towards volatility.

However, the analysis supporting the results in this report suggest that the rand is not severely overvalued, and that, based on fundamentals, there is minimal upward pressure on the currency in the near term, which is expected to moderately depreciate. The rand is expected to weaken slightly against the US dollar in 2012, averaging R7.81/US$ for the year.

The growth in domestic demand will primarily be fuelled by continued strong increases in gross fixed capital formation, although during 2009 only public corporations continued stepping up purchases of capital goods, with both government and the private sector reducing their capital expenditure. Growth in gross fixed capital formation is expected to decrease to 0.1 per cent in 2010, but thereafter will recover to levels close to 4 per cent over the forecast period.

Figure 1.3: Growth in selected price, interest rate and investment data, 2010-2012



Source: Plus Economics

Consumer price inflation rose rapidly since mid-2007 and continued to increase by 7.1 per cent in 2009 as production volumes remained substantially below capacity. With the introduction of restrictive monetary policy measures, inflation started to subside and is expected to remain within the target range of 3 to 6 per cent over the forecast period, displaying an average rate of 3.5 per cent in 2010. Producer prices are expected to grow by 4.8 per cent in 2010, reaching 6.9 per cent inflation in 2012.

Even though the economy is expected to recover to growth rates nearing 4 per cent, the alarming characteristic of this growth is its inability to resolve the severe unemployment problem in South Africa. Due to capacity constraints in the South African economy, primarily as a consequence of structural constraints associated with the labour market, South Africa experiences a divergence of economic growth and employment creation.

Employment rate growth (based on total employment including both the formal and informal sectors) will hardly, if at all, be supported by the demand-driven output growth. It is evident that the unemployment problem, although partly cyclical in nature, is primarily hampered by structural impediments retarding the ability of the wage-price mechanism to resolve the problem.

Furthermore, although we have seen income shifts between population groups over the past decade, the generally skew distribution of wealth and income in South Africa is unlikely to change substantially in the near future, especially when viewed against the backdrop of continuing high levels of unemployment.

Entering an era of hope based on a stable and buoyant first economy, the major challenge for government is the successful implementation of macroeconomic policy towards generating sustainable growth and significant poverty reduction.

1.3 Limpopo macroeconomic trends and outlook

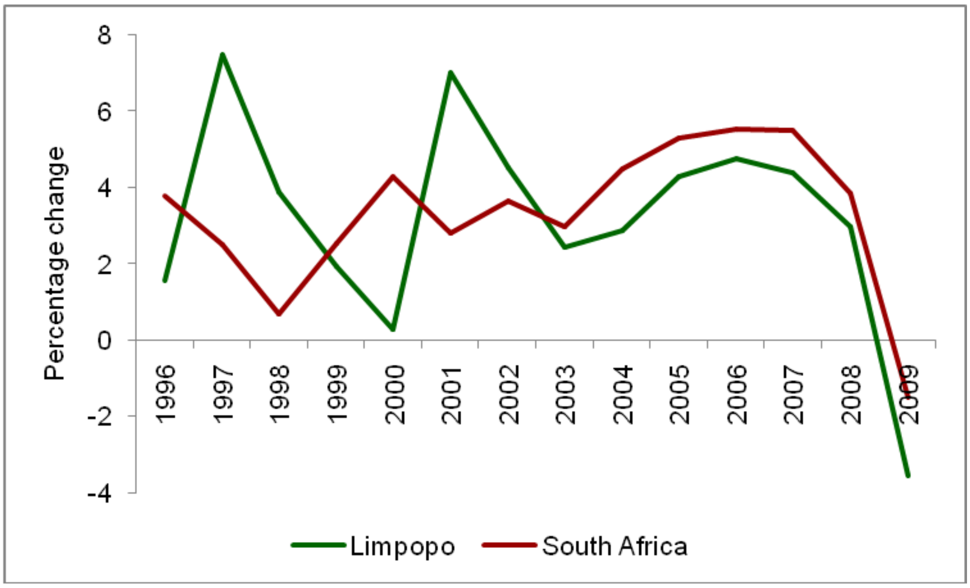
1.3.1 Production

Economic growth

In 2009, gross value added in Limpopo contracted by 3.6 per cent (see Table 1.5). To the extent that mining and quarrying activity makes up 17 per cent of provincial output (see Table 1.6), Limpopo growth was significantly affected by the 18.6 per cent annual decline in value added in that sector. This is also in line with the national trend, which showed slowing growth in 2008 that became negative in the following year.

Compared to the national growth trend illustrated in Figure 1.9, Limpopo has seen slower growth rates than the national average since 2003, and a stronger decline in 2009. While all provinces suffered declines in 2009, the contraction in economic activity in Limpopo was only exceeded by Mpumalanga, which experienced a 4.4 per cent contraction in value-added in 2009.

Figure 1.4: Growth in gross value-added, Limpopo and South Africa, 1996-2009



Source: Quantec Research

Provincial production structure

In Limpopo, negative growth in 2009 was largely isolated to the primary and secondary sectors. Agricultural value-added declined by 6 per cent, and manufacturing by 9.7 per cent. Trade and accommodation value-added fell by 2.6 per cent over the year. These are associated with the weaker production and trade trends that were experienced nationwide over the period. Production in the construction, transport and communication, and finance and business services sectors stalled in 2009, recording marginal movements in value-added. The only upward forces to value-added in Limpopo came from a 4.1 per cent increase in construction activity, a 2.7 per cent increase in community, social and personal services, and a 5.6 per cent increase in government activity.

Table 1.1: Sectoral distribution of output and employment in Limpopo, 2009

	Output (R millions)	Percentage of total provincial output	Employees	Percentage of total provincial employment
Primary	41 725	20%	136 718	17%
Agriculture, forestry and fishing	7 153	3%	52 756	6%
Mining and quarrying	34 573	17%	83 963	10%
Secondary	30 398	15%	109 627	13%
Manufacturing	14 397	7%	50 892	6%
Electricity, gas and water	6 777	3%	4 265	1%
Construction	9 224	5%	54 470	7%
Tertiary	132 582	65%	574 323	70%
Wholesale and retail trade, catering and accommodation	24 703	12%	205 300	25%
Transport, storage and communication	22 659	11%	27 963	3%
Finance, insurance, real estate and business services	38 623	19%	63 281	8%
Community, social and personal services	12 701	6%	131 057	16%
General government	33 896	17%	146 723	18%
Total	204 705	100%	820 668	100%

Source: Quantec Research

As noted above, the tertiary sector is an important contributor to provincial growth and employment. It is therefore not surprising that its output contribution has been growing. In 1999, tertiary sector activity made up 56.4 per cent of provincial output. In ten years, this rose to 64.8 per cent. For each industry, these trends are shown in Table 1.1. The higher output role of tertiary sector industries has eroded the output share of the mining and quarrying sector by almost nine per cent over the decade, and points toward a higher diversity of production in the province.

The contribution of the finance, insurance and business services industry has grown by 3.4 percentage points, from 15.4 per cent in 1999 to 18.9 per cent in 2009. It has since replaced the mining and quarrying industry as the largest contributor to Limpopo output, but accounts for a lower share of provincial employment.

The transport and communication industry has also seen an increase in its output share, growing from 7.8 per cent in 1999 to 11.1 per cent in 2009, following rapid growth between 1999 and 2002. In fact, the output growth rate of the transport, storage and communication industry had exceeded six per cent each year between 1995 and 2002.

Table 1.2: Trends in sectoral shares to provincial output

	1999	2004	2009
Agriculture, forestry and fishing	3.07%	2.96%	3.49%
Mining and quarrying	25.86%	25.00%	16.89%
Manufacturing	7.27%	7.52%	7.03%
Electricity, gas and water	3.43%	3.65%	3.31%
Construction	4.02%	3.30%	4.51%
Wholesale and retail trade, catering and accommodation	11.80%	11.69%	12.07%
Transport, storage and communication	7.79%	10.69%	11.07%
Finance, insurance, real estate and business services	15.42%	14.96%	18.87%
Community, social and personal services	4.86%	5.33%	6.20%
General government	16.47%	14.90%	16.56%

Source: Quantec Research

Output is driven by intermediate consumption and value-added. Broadly, the former refers to raw materials or finished products used to produce new goods and services. Value-added refers to the capital and labour used to transform these raw materials into the new goods and services. The value-added intensity, as presented in Table 1.2, therefore represents the share of provincial capital and labour used in production. If the value-added share of output is larger than 50 per cent, this means that the processing added to intermediate goods is more than the worth of those intermediate goods. General government has a relatively strong intensity of value-added, at 60.6 per cent of total production in 2009 – a large portion of this originates from employees, marking this as a labour-intensive sector. Fifty-five per cent of input into the mining and quarrying industry is composed of value added. In contrast to general government services, the mining sector is found to be more capital intensive. The trade, catering and accommodation industry, and the finance, insurance and business services industry, are both relatively value-added intensive.

Location quotients, used to measure the relative significance of a sector, are also presented in. In general, a location quotient exceeding 1 indicates that the industry is more concentrated in Limpopo than it is nationally. This concentration suggests that the industry has capacity to export its products, and that Limpopo offers competitive advantages to the industry over other provinces throughout the country. As seen in Mining and quarrying has a location quotient of 3.66. Therefore, despite its declining share of output and the negative growth rates experienced in 2008 and 2009, mining and quarrying activity remains a strategically important sector in the province. This is not surprising given that the sector contributed 20.4 per cent to national mining output in 2009, and employs 17.3 per cent of all employees in the national mining sector. Mining and quarrying also commands a considerable share of new investment into the province, which is likely to underline its strategic value to the Limpopo economy.

The electricity, gas and water industry in Limpopo contributed 9.2 per cent to national output in that industry in 2009. It has a location quotient of 1.65, which is expected to increase further after the completion of key power and water infrastructure projects currently underway in the province.

Table 1.3: Value-added intensity and location quotients, Limpopo, 2009

	Value-added intensity	Location quotient
Agriculture, forestry and fishing	39.0%	1.30
Mining and quarrying	55.0%	3.66
Manufacturing	26.3%	0.25
Electricity, gas and water	44.4%	1.65
Construction	26.9%	0.78
Wholesale and retail trade, catering and accommodation	52.1%	1.09
Transport, storage and communication	45.6%	1.13
Finance, insurance, real estate and business services	52.2%	0.97
Community, social and personal services	46.8%	1.07
General government	60.6%	1.52

Source: Quantec Research

District contributions to provincial value-added

The district contributions to provincial value-added in 2009 are outlined in Table 1.4. The spread is moderately even across the province's constituent district municipalities. Capricorn accounts for the largest share of provincial value-added, at 23.8 per cent, followed by Vhembe and Waterberg, at 20.8 and 20.6 per cent respectively. However, as Waterberg has approximately half of the population of other districts in the province, it shows a higher gross value-added per capita amount of R33 237 for 2009.

Table 1.4: Real gross value-added by district, 2009

	Gross Value Added (R millions)	Percentage of total provincial GVA	Gross value added per capita (Rands)
Mopani	18 897	18.7%	17 007
Vhembe	21 040	20.8%	16 489
Capricorn	24 046	23.8%	19 038
Waterberg	20 773	20.6%	33 237
Greater Sekhukhune	16 170	16.0%	14 652

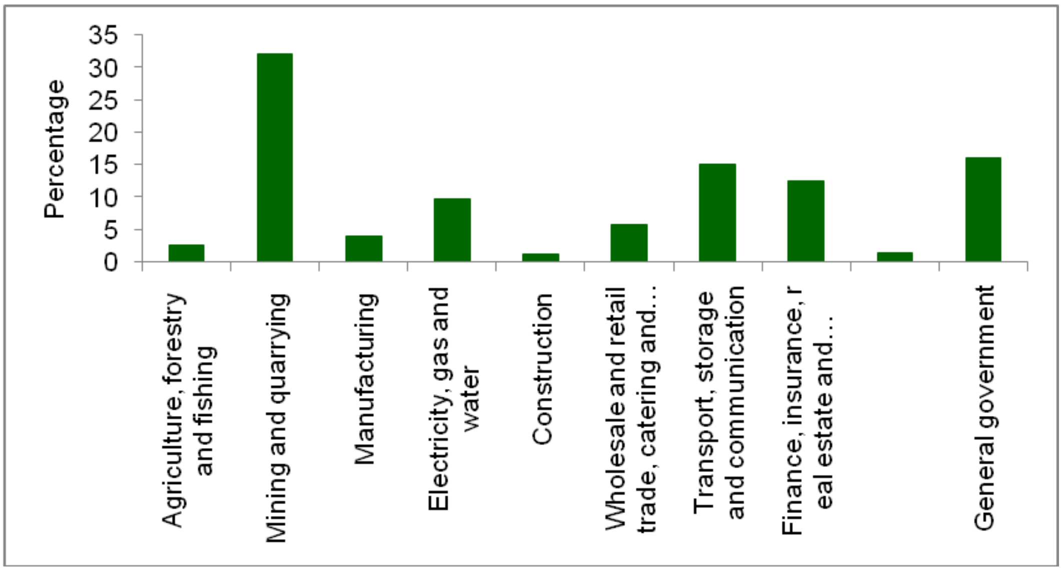
Source: Quantec Research

1.3.3 Investment

Total investment into Limpopo in 2008 was estimated at over R28.6 billion. Mining and quarrying investment accounted for 32.1 per cent of capital formation in the province, in line with mining and exploration activity in the province, particularly in coal.

The increasing output shares of the transport and communication sector and the finance, insurance and business services sector. In 2008, investment into those sectors cumulatively formed 27 per cent of provincial investment, laying ground for an increased output share in the future.

Figure 1.5: Investment contribution of sectors, 2008



Source: Quantec Research

1.3.4 Prices

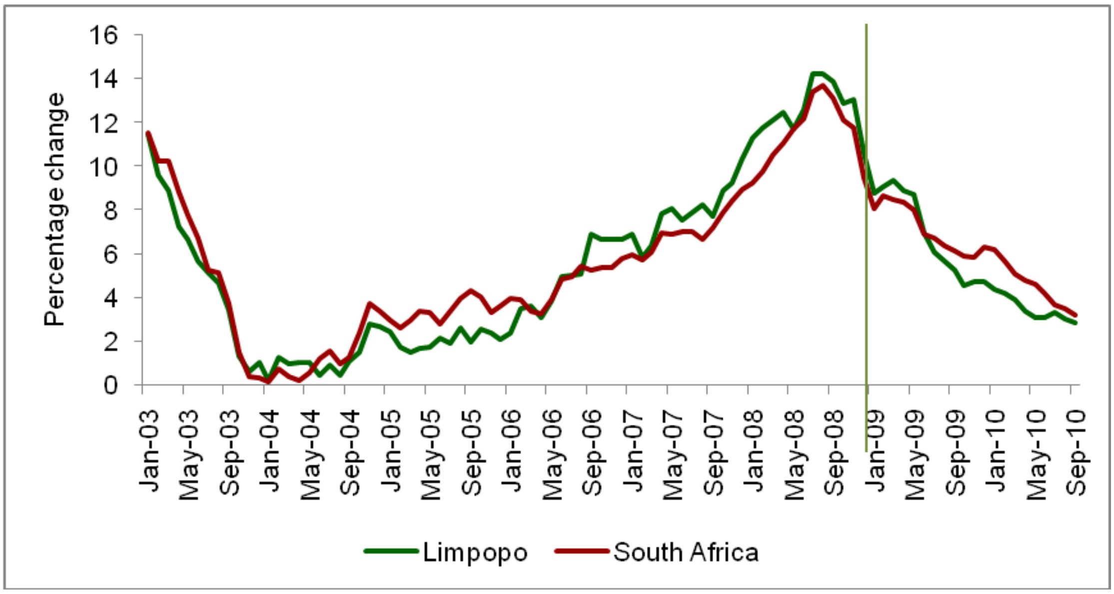
As can be observed in Figure 1.6, consumer inflation in Limpopo has closely tracked the related measure for the country. A sharp decline from 11.5 per cent to 1.1 per cent between January and December 2003 was followed by persistent low inflation in the following year.

Economic growth in Limpopo, and indeed the country, started to accelerate in 2004 and 2005. Concurrently, consumer inflation rates started to rise as well. A trend of increasing inflation took hold between late 2004 and mid-2008. By that time, the South African Reserve Bank had raised its repurchase rate to 12 per cent in an attempt to cool the pace of inflation.

Also, the real and financial effects of the global financial crisis were becoming felt in South Africa, and these started to weigh down on consumer demand. Consequently, inflation started to slow in Limpopo and South Africa.

By September 2010, consumer inflation in Limpopo slowed to 2.9 per cent year-on-year, lower than official CPI inflation of 3.2 per cent for the country. In fact, inflation in Limpopo has been lower than the national figure since July 2009 by as much as 1.8 percentage points.

Figure 1.6: Consumer inflation in Limpopo and South Africa



Vertical line denotes the adoption of a rebased and reweighted CPI basket in January 2009
Source: Quantec Research

1.3.5 International trade

The province's share of the national trade account has historically been very small. In 2009, exports contributed towards 2.1 per cent of South Africa's export total, while imports accounted for 0.3 per cent of total imports to the country. As a result, Limpopo has recorded consistent trade surpluses, a trend that contrasts the national trade position, in which imports often exceed exports.

Chemical and mineral products comprise the bulk of Limpopo exports. In particular, exports of phosphoric acids made up 23.9 per cent of provincial exports in 2009, followed by iron ores (16.8 per cent). It is noteworthy that the exports of phosphoric acids to India in particular, amounted to R2.2 billion in 2009, or 21.3 per cent of total Limpopo exports. Also, China is the major destination of Limpopo's iron ore exports, which were valued at R1.7 billion in 2009, or 16.5 per cent of provincial exports.

Other major chemical and mineral export products include nickel (10.3 per cent of 2009 exports), chromium (7.5 per cent), silicon (5.6 per cent) and copper (5.5 per cent). Oranges are the largest agricultural export of Limpopo, contributing 3.4 per cent to the provincial export total in 2009. China was the main destination of chromium exports, while the bulk of silicon exports were designated to the United States.

China and India are Limpopo's most important export destinations, with 27.2 per cent and 21.2 per cent of 2009 export receipts accounting to those countries, respectively. In particular, South Africa is China's main African source of iron-ore and chrome, for which Limpopo produces approximately 16 per cent of the national total. These trends highlight the importance of the Sekhukhune and Phalaborwa mining belts in the province.

Other noteworthy export destinations in 2009 were Norway (10.1 per cent of exports), the United States (7.1 per cent), the Netherlands (5.9 per cent), Japan (4.5 per cent) and Zimbabwe (4.1 per cent).

Copper is the main import product in Limpopo – in 2009, copper cathodes accounted for 18 per cent of Limpopo imports, and copper ores accounted for 4.9 per cent. Anhydrous ammonia, a type of fertiliser, comprised 12.9 per cent of Limpopo imports. Other noteworthy imported goods in 2009 were diesel powered buses (12.5 per cent), sulphur (11.7 per cent), calcium phosphates (5.4 per cent), hide powder (3.6 per cent) and parts for mineral sorting and screening machines (3.1 per cent).

The bulk of Limpopo imports originate from Zambia – Africa's largest producer of copper. Imports from Zambia, largely concentrated to copper ores and cathodes highlighted above, constituted 22.3 per cent of the provincial total in 2009.

Apart from the contribution of Zambia, the following countries are the origin for a significant portion of provincial imports (where imports are highly concentrated to a particular good, these are noted alongside):

- Japan (17.2 per cent) – mostly attributed to bus imports;
- Canada (8.3 per cent) – mostly attributed to sulphur imports;
- China (8.1 per cent);
- Qatar (7.5 per cent) – mostly attributed to imports of anhydrous ammonia;
- Togo (5.5 per cent) – mostly attributed to imports of chalk (calcium phosphates);
- Zimbabwe (4.4 per cent);
- Chile (3.2 per cent) – mostly attributed to imports of parts for mineral sorting/screening machines;
- France (3.1 per cent).

1.3.6 Labour market

The recession deteriorated labour market activity in South Africa and its provinces, as a result of widespread job losses and individuals discouraged to seek employment.

In Limpopo, of a working age population of 3.3 million, only 1.2 million per cent were economically active in the third quarter of 2010. This is also expressed in terms of the labour force participation ratio which, at 36.7 per cent for the third quarter of 2010, is down from 38.9 per cent a year earlier. Further, 303 000 labour market participants were unemployed, indicating an unemployment rate (officially defined) of 25.1 per cent for the quarter.

According to the Quarterly Labour Force Survey, the official unemployment rate in Limpopo fell by 0.4 percentage points between the third quarter of 2009 and the third quarter of 2010. Over the same period, employment in the province fell by 3.3 per cent, indicating that the fall in unemployment was not a result of recovering employment, but rather from a decline in labour participation owing to recessionary effects.

Taking the 39 per cent year-on-year increase in discouraged work seekers into account, the expanded unemployment rate in Limpopo grew from 43.1 per cent in the third quarter of 2009 to 45.3 per cent in the corresponding period a year later.

Table 1.5: Key provincial labour market indicators, 2010Q3

	Thousands
Employed [A]	905
Unemployed [B]	303
Labour force [C]	1 208
Discouraged work seekers [D]	321
Other economically inactive	1 767
Not economically active	2 088
Working age population [E]	3 296
	Percentage
Labour force participation rate C/E	36.7
Labour absorption rate A/E	27.5
Unemployment rate (official) B/C	25.1
Unemployment rate (expanded) (B+D)/(C+D)	45.3

Source: Statistics South Africa

Formal employment constitutes some 71.1 per cent of total employment in Limpopo. The majority of this employment is ascribed to semi- and unskilled workers. Highly skilled workers make up 8.7 per cent of total provincial employment in 2009, which is relatively unchanged from 1999. Developing and attracting high skills in Limpopo provides many opportunities for innovation and growth in provincial industries, especially given the emergence of service industries such as finance, insurance and business services.

Informal sector employment in Limpopo was 28.9 per cent of total employment in the province in 2009. This has grown from 26.2 per cent a decade earlier. While the size of employment in the informal sector has fallen, is has declined slower than employment in the formal sector, resulting in the larger share of total employment.

Table 1.6: Skills distribution in Limpopo employment

	1999	2009
Formal employment: Highly skilled	8.8%	8.7%
Formal employment: Skilled	27.3%	28.6%
Formal employment: Semi- and unskilled	37.7%	33.8%
Informal employment	26.2%	28.9%

Source: Quantec Research

The distribution of employment in the province into formal and informal sectors is listed in Table 1.6. General government continues to be the largest formal employer in the province, responsible for more than a quarter of formal jobs. This is followed by the community, social and personal services industry, upon which 16.9 per cent of formal employees depend. The mining and quarrying sector makes up 14.4 per cent of formal employment and trade, catering and accommodation constitutes 14.3 per cent.

More than half of informal employment is attributed to the trade, catering and accommodation industry. As a result, this sector employs the most individuals in the province, a fact noted in Table 1.6.

Informal employment in the construction and transport and communication industries in Limpopo exceeds that of formal employment, indicating the extent of informal activity in those sectors.

Table 1.7: Distribution of formal and informal employment in Limpopo

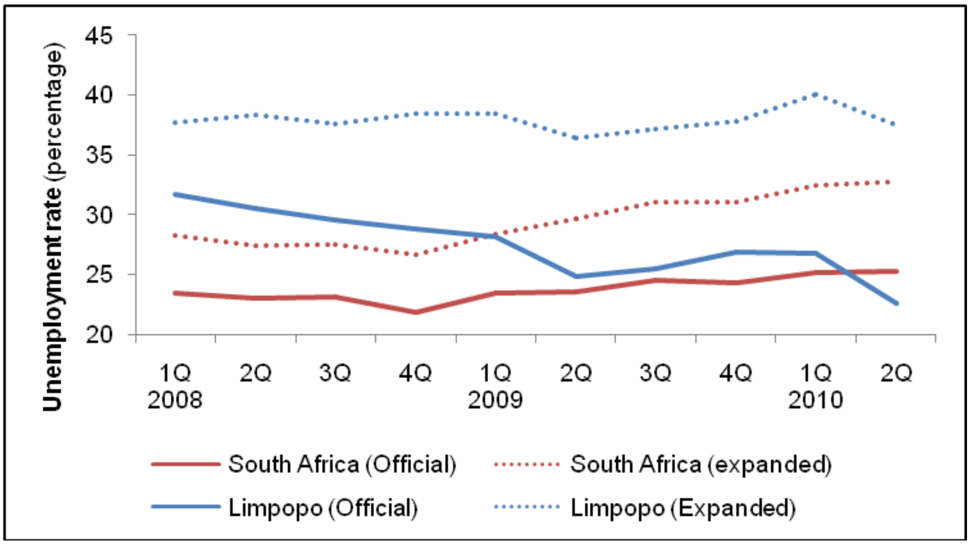
	Formal employment		Informal employment	
	1999	**2009**	**1999**	**2009**
Agriculture, forestry and fishing	18.9%	7.0%	15.2%	5.0%
Mining and quarrying	6.1%	14.4%	0.0%	0.0%
Manufacturing	6.2%	6.3%	4.7%	5.9%
Electricity, gas and water	0.8%	0.6%	0.2%	0.2%
Construction	4.9%	3.6%	11.9%	14.2%
Wholesale and retail trade, catering and accommodation	16.6%	14.3%	56.6%	51.4%
Transport, storage and communication	2.3%	2.1%	3.0%	6.7%
Finance, insurance, real estate and business services	5.4%	9.6%	0.7%	3.0%
Community, social and personal services	17.4%	16.9%	7.7%	13.8%
General government	21.2%	25.1%	0.0%	0.0%

Source: Quantec Research

The narrowly-defined unemployment rate in Limpopo fell below the official national unemployment rate in the second quarter of 2010. This comes after a steady slowdown in unemployment in the province since 2008. However, this does not necessarily indicate an increase in job opportunities. Instead, the number of discouraged workers has increased; a trend that has occurred throughout the country as a result of the difficult economic climate at the time. Taking this into account (through the expanded definition of unemployment), unemployment would have been approximately 37.5 per cent in the second quarter of 2010.

However, unemployment increased significantly in the third quarter of 2010 as compared to the preceding quarter. This is a result of temporary jobs created by the World Cup in the second quarter.

Figure 1.7: Unemployment in Limpopo and South Africa



Source; Statistics South Africa

District unemployment and labour participation rates are presented in Table 1.8. The highest unemployment is noted for Greater Sekhukhune, at 36.9 per cent in 2009. This is exacerbated by a relatively low labour force participation rate of 31.8 per cent, which suggests that only one in five individuals of working age is employed in the district.

Employment figures in Waterberg indicate an unemployment rate of 19.6 per cent, the lowest among the province's district municipalities.

Table 1.8: District labour indicators, 2009

	Unemployment rate	Labour force participation rate
Mopani	30.8%	35.0%
Vhembe	29.6%	36.2%
Capricorn	29.8%	35.6%
Waterberg	19.6%	46.8%
Greater Sekhukhune	36.9%	31.8%

Source: Quantec Research

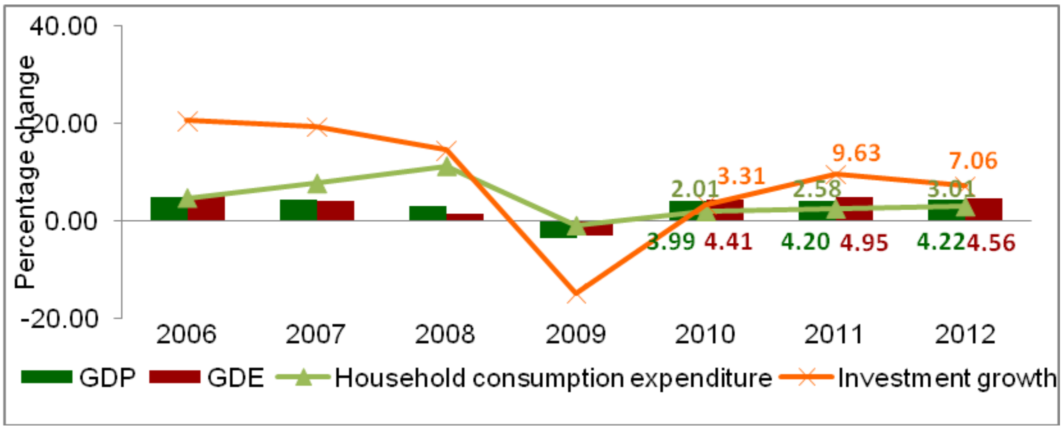
1.3.7 Outlook for the provincial economy, 2010-2012

This section focuses on providing a "realistic" baseline concerning the provincial outlook for the Limpopo economy for the forecasting horizon 2010 to 2012. Formulating a realistic forward-looking outlook requires insight into the key drivers of economic performance and how these factors are likely to change. The forecast results are therefore informed by a set of policy assumptions on a provincial level, along with forecasts of national macroeconomic variables from the South African national macro-econometric model.

Domestic expenditure is expected to display an increase from an average contraction of 2.97 in 2009 to a buoyant 4.4 per cent in 2010. The imports of goods and services are consequently expected to increase from an average rate of 0.19 per cent for 2009 to 4.03 per cent in 2012, while the growth in the exports of goods and services, affected by supply constraints and a slow recovery in global demand, is expected to improve from a contraction of 17.3in 2009 to 1.13 per cent in 2010.

Economic growth is also expected to show an improvement over the forecast period. After contracting at a rate of -3.5 per cent in 2009, real GDP growth is expected to recover to an average rate of 4.0 per cent for 2010.

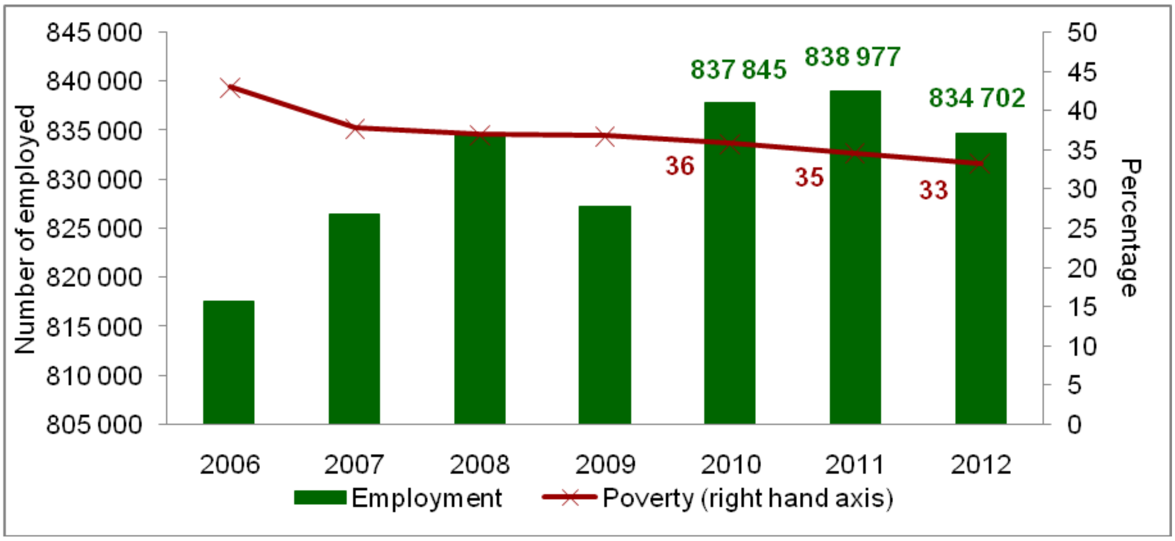
Figure 1.8 Forecast Trends: Growth in Selected Demand Data, 2010 – 2012



Source: Plus Economics

Growth in private household consumption expenditure is forecasted to improve from -0.9 per cent in 2009 to 2.0 per cent in 2010, whereafter it is forecasted to recover slightly to 3.0 per cent over the forecast period. Growth in gross fixed capital formation is expected to increase to 3.3 per cent in 2010, subsequent to a recovery to levels close to 7 per cent in 2012.

Figure 1.9 Forecast Trends: Employment and Poverty Rate, 2010 – 2012



Source: Plus Economics

Employment in the province is expected to increase over the forecast horizon, however at rates significantly lower than the expected economic growth over the same period. Employment growth (including both the formal and informal sectors) is expected to increase by 1.3 per cent in 2010, whereafter it is expected to drop by half a per cent in 2012. It is evident that the unemployment problem in Limpopo, although partly cyclical in nature, is primarily hampered by structural impediments retarding the ability of the wage-price mechanism to resolve the problem.

The poverty rate in the province is expected to decline moderately over the forecast horizon, but it will remain at high levels exceeding 30 per cent.

Chapter 2: Budget Policy Priorities

2.1 Introduction

At the beginning of any electoral cycle, policy priorities are set, and thereafter plans are made with the purpose of achieving these priorities. Priorities are set based on achievements that have already been made, together with gaps that still exist. Provincial priorities are set in line with National Priorities. This chapter will examine the progress made in the implementation of National and Provincial Priorities, as well as plans that are in place for the Medium Term Expenditure Framework (MTEF) to close the gaps that still exist.

The provincial policy priorities are derived from the provincial strategic priorities emanating from the Medium Term Strategic Framework, which takes into consideration the targets and priorities of the Millennium Development Goals (MDG). Furthermore, provincial priorities as set out in the Limpopo Economic Growth and Develoment Plan (LEGDP) also have to be considered. An estimated allocation for each policy priority over the 2011 MTEF and 2011/12 financial year will be highlighted. Moreover progress made on the provincial priorities or LEGDP objectives over the previous year will be highlighted where necessary.

2.2. Overview

In 2009, national government reviewed the Medium Term Strategic Framework (MTSF) that guides planning and resource allocation across all spheres of government. Subsequently, national and provincial departments had to develop five-year strategic plans and budgetary requirements taking into account medium-term imperatives. Similarly, it is imperative that the review of municipal Integrated Development Plans (IDP) takes MTSF priorities and 2006 mandates into account.

Furthermore, South Africa has a responsibility to contribute towards the achievement of the United Nations’ MDG by 2014; objectives which are targeted by the MTSF.

The South African government has identified five key strategic policy objectives to be achieved by 2013/2014:

- Halve poverty and unemployment;
- Ensure a more equitable distribution of the benefits of economic growth and reduce inequality;
- Improve the nation's health profile and skills base and ensure universal access to basic services;
- Improve the safety of citizens by reducing incidents of crime and corruption; and
- Build a nation free of all forms of racism, sexism, tribalism and xenophobia.

Priority areas to give effect to the above strategic objectives are:

a) More inclusive economic growth, decent work and sustainable livelihoods;
b) Improved economic and social infrastructure;
c) Rural development, food security and land reform;
d) Access to quality education;
e) Improved health care;
f) The fight against crime and corruption;
g) Cohesive and sustainable communities;
h) Creation of a better Africa and a better world;
i) Sustainable resource management; and
j) The construction of a developmental state including the improvement of public services.

The achievement of twelve key outcomes is envisaged, including:

a) Quality basic education;
b) A long and healthy life for all South Africans;
c) All people in South Africa be safe;
d) Decent employment through inclusive economic growth;
e) An efficient, competitive and responsive economic infrastructure;
f) Skilled and capable workforce to support an inclusive growth path;
g) Vibrant, equitable, sustainable rural communities contributing towards food security for all;

h) Sustainable human settlements and improved quality of household life;
i) A responsive, accountable, effective and efficient local government system;
j) Protect and enhance our environmental assets and natural resources;
k) Create a better South Africa, a better Africa and a better world; and
l) An efficient, effective and development oriented public service and an empowered, fair and inclusive citizenship.

2.3. Overarching provincial strategic priorities and Limpopo provincial priorities

As mentioned above, this section will discuss overarching strategic priorities emanating from the MTSF, and align them with Limpopo provincial priorities. Furthermore, progress that has been recorded by the province in attempting to achieve the long-standing priorities will be highlighted. Lastly, provincial budget dynamics brought by the funding of new and existing provincial priorities over the 2011 MTEF will also be highlighted. The provincial spending priorities for the 2011 MTEF are discussed below and are as follows:

2.3.1. Ensuring more inclusive economic growth, decent work and sustainable livelihoods

Limpopo has experienced steady increases in the level of real gross domestic product (GDP) over the past 13 years, with annual average growth rates of 3.7 per cent during this period. However, deteriorating global growth prospects beginning in 2008 weakened the South African and Limpopo economies. Furthermore, economic growth in Limpopo was not accompanied by higher employment – the phenomenon of jobless growth. The promotion of livelihoods is essential to encourage equal opportunity, economic growth, and social and political stability. Poor people have very limited opportunities available to them. Ensuring that a poor household has a stable livelihood will substantially increase its income, prosperity, and over a period of time, asset ownership, self-esteem and social participation. Livelihoods cannot be disconnected from the issues and problems of access and changing political, economic and socio-cultural circumstances. This priority is therefore meant to ensure that the lives of the people of Limpopo improve as the economy grows.

2. 3.2. Economic and Social Infrastructure

The increased and improved provision of economic infrastructure can expand the productive capacity of the economy. Investment in infrastructure is vital, and a lack thereof could create bottlenecks, and opportunities for promoting economic growth could be missed. Investment in economic infrastructure affects Gross Value Added (GVA) directly and indirectly via private investment, as well as through feedback effects amongst these variables. Economic infrastructure investment responds to growth, and social infrastructure investment is found to have a direct positive impact on GVA.

Over the 2010 MTEF the South African and Limpopo governments have set aside R 205 million and R19 million respectively for infrastructure development . Health, education and efficient water and sanitation services help to lay the groundwork for a more productive and healthy population, capable of contributing to sustained economic growth. Likewise, transport infrastructure improves access to services and markets in rural areas.

Provincial government has set policy priorities that support programmes to build economic and social infrastructure, which include a provincial infrastructure grant aimed at improving physical infrastructure in education, roads, health and agriculture.

For education-related social infrastructure, Limpopo Provincial Government has set aside an amount of R5 billion over the 2011 MTEF. From this amount provincial government is planning to spend R1.3 billion in 2011/12, R1.5 billion in 2012/13 and R2.2 billion in 2013/14.

The education-related social and economic infrastructure budget in the 2011/12 financial year will fund the following projects aimed at the transformation of educational institutions into accessible, functional and quality centres:

- Completion of 151 classrooms at 39 schools, 1325 toilets at 48 schools and 11 offices;
- Completion of 944 classrooms and 806 toilets at 196 schools;
- Purchasing of 60 000 units of single and double combination furniture units for primary and secondary schools during the 2011 financial year; and

- 1000 schools will prepare maintenance plans using the standard templates and start implementation.

Health-related social infrastructure includes laundry services, staff accommodation, mortuaries and the purchase of 235 vehicles that will be used for public health coordination and other health services. The province has set aside R1.6 billion during the 2011 MTEF for health-related socio-economic infrastructure. Additional funds will be received from National Government.

Agriculture-related socio-economic infrastructure includes the assistance of farmers with agricultural infrastructure, revitalization of smallholder irrigation schemes, and the implementation of agricultural hubs. Limpopo government has set aside an amount of R423.9 million during the 2011 MTEF for these projects.

Roads and transport-related socio-economic infrastructure includes the upgrading of roads, construction of six bridges, preventative maintenance projects, construction of the Thohoyandou, Burgersfort and Giyani Intermodal Facilities, implementation of Phase 1 of the Sekhukhune Integrated Public Transport Network system, improvement of services at Polokwane International Airport, construction of four traffic stations and the provision of non-motorized transport in five districts. Limpopo government has set aside an amount of R3.9 billion during the 2011 MTEF for roads-related socio-economic infrastructure.

2.3.3. Rural development, food security and land reform

The majority of people in Limpopo province live in rural areas, categorising Limpopo as a rural province. Since the rural areas are diverse and varied in terms of basic resources and development patterns, the Limpopo provincial government deemed it fit to have policy actions that are responsive and conducive to the requirements of the different context prevailing in each territory, such as the primary levels of economic potential and poverty location. A strong rural economy, built on improved agricultural productivity and accompanied by the right policy settings, will boost provincial economic growth and reduce poverty.

Economic growth improves livelihoods, creates job opportunities and raises household and government incomes. Higher household incomes directly reduce poverty and help people afford basic necessities.

Growth also increases government revenues that can be invested in schools, roads and hospitals, all critical investments for growth and development. A healthy and well educated workforce is a more productive workforce. A prosperous society is more peaceful and stable. Growth and human development are therefore mutually reinforcing and one cannot be sustained without the other.

Food prices have risen by 45 per cent since the end of 2006, mirroring earlier price run-ups in other commodities .The Consumer Price Index (CPI) for August 2010 shows that food prices have increased by 1.7 per cent between August 2009 and August 2010. Major contributors to the increase are the price of vegetables at 8.4 per cent, fruits at 2.9 per cent and other foods at 4.7 per cent.

The government has set down an environmental and natural resource development programme with the aim of improving the natural agricultural resource base and the protection and enhancement of environmental assets and natural resources. An amount of R27.4 million is budgeted for the 2011 MTEF for achievement of this priority.

South Africa is facing food security challenges. Many South Africans both in rural and urban areas do not have enough food, due to insufficient incomes. One of the strategic priorities of government is the eradication of extreme hunger and poverty through an agriculture and rural development programme. An amount of R61.7 million has been budgeted for the 2011 MTEF for achievement of this priority.

One of government's priorities is land reform that is aimed at creating sustainable rural communities, achieved through access to production inputs by farmers. An amount of R188.1 million is budgeted for the 2011/12 financial year, R197.5 million in 2012/13 and R 208.4 million in 2013/14.

Rural development is another of government's priorities, with an amount of R33.9 million budgeted for the 2011/12 financial year, R35.9 million in 2012/13 and R37.9 million in 2013/14.

2.3.4. Speeding up growth and transforming the economy to create decent work and sustainable livelihoods.

The above is one of the long-standing strategic objectives of the South African and Limpopo governments. The fact that South Africa, and hence Limpopo, has two distinct economies; one which is modern and integrated with the global economy and possesses much of the country's wealth, whilst the second economy is underdeveloped, isolated from the first and global economies and contributes little to the country's wealth; has been an issue facing the South African government. The problem is that the majority of poor South Africans are concentrated in the second economy, with approximately 30 per cent of the unemployed national labour force accounted for in this informal sector.

In Limpopo province, informal sector employment was estimated at about 21 per cent in 2007. This figure is spread fairly equally among Limpopo's constituent districts. Mopani has the highest rate of informal sector employment, at 24 per cent, whilst Greater Sekhukhune has the lowest rate of informal sector employment, at 19 per cent.

It is against this background that the previous government attempted to integrate these two economies by formulating growth and development strategies for the second economy. These strategies include rural development and urban renewal, the development of small and medium enterprises and cooperatives, black economic empowerment, the expansion of micro credit and Expanded Public Works Programmes, learnerships and internships for the unemployed, the improvement of education systems to provide useful skills, and the training and development of community development workers.

In an endeavour to close this gap, the government has as its priority transformation of the economy, speeding up economic growth and the creation of decent and sustainable livelihoods. This will be done through the creation of sustainable human settlements and the improvement of the quality of life for Limpopo households. An amount of R1.4 billion is budgeted for the 2011/12 financial year to build 15470 housing units, R1.6 billion in 2012/13 and another R1.6 billion in 2013/14 for this priority.

Regional economic development and integration is also prioritised by government. The implementation of this goal will result in a responsive, accountable, effective and efficient local government system. For this purpose an amount of R65.6 million is appropriated during the 2011 MTEF to review spatial development frameworks for 30 municipalities and R6.3 million for the review of local economic development strategies for 30 municipalities.

Improved access to basic services by communities (water, sanitation and electricity) will improve the livelihood of the citizens of Limpopo. Limpopo government will provide support to extend water supply to 1 183 782 households, achieve 1 115 238 electricity connections and sanitation to 872 794 households. Amounts of R14 million, R14.7 million and R15.4 million have been appropriated for 2011/12 2012/13, and 2013/14 respectively.

This strategic priority places emphasis on the implementation of Phase II of the EPWP, including fast-tracking the implementation of the community work programme as a fundamental component of this phase.

2.3.5. Strengthen the skills and human resource base

Education is one of the most rewarding development investments. It is transformational for individuals, families and societies. Education is critical to the achievement of most MDGs and other development outcomes.

Education enables people to participate actively in their societies, increases access to employment and other sources of income and opens up opportunities. Education levels in Limpopo have improved since 2002. The proportion of people aged 20 years and older who are without formal education has declined from 20.4 per cent in 2002 to 3.9 per cent in 2009. Great improvement was recorded amongst those who obtained secondary education from 26.3 per cent in 2001 to 34.3 per cent in 2007, while the percentage of those completing Grade 12 has increased from 14.1 per cent to 17.8 per cent over the same period.

Despite these improvements, there is still a need to consider skills development in order to strengthen provincial human capital. Recognising the importance of skills and education contributes to enabling every member of society to realise his/her potential and participate in social and economic life. The ultimate goal of this is the alleviation of poverty and reduction of provincial inequality, therefore creating a better life for all citizens.

Policy priorities aimed at achieving this strategic priority will focus on skills and improved education within the following systems:

- Increased access to improved Early Childhood Development (ECD) and,
- Expansion of access to Grade R so as to double the number of 0-4 year old learners by 2014.

Other priorities such as scholar transport and school nutrition have been put in place for the purpose of achieving this priority. Limpopo province has budgeted an amount of R318.6 million during the MTEF for this purpose. For the 2011 fiscal year R101.8 million has been allocated, the following two years R105.5 million and R111.2 million respectively. The funds will be used to close the gap identified by Statistics South Africa's community survey.

It is vital for the government to support teacher development for the purpose of improving the quality of teaching and hence, learning. For this purpose the government will build the capacity of educators through educator capacity building programmes, with an emphasis on personal growth and continuous learning.

It is essential for the education system to respond to the requirements of the economy, rural development challenges and social integration. Further Education and Training colleges will be improved for this purpose. An amount of R1.4 billion has been set aside during the MTEF to achieve this priority. The increased number of personnel created though this priority will also assist efforts at poverty alleviation and creation of employment opportunities.

2.3.6. Improve the health profile of all citizens

Improving health care services in the public health system has become one of government's focal points over the MTEF and beyond. In order to achieve this objective, the government has sought to improve access to health services and provide better clinical and patient outcomes.

More focus is placed on the transformation of the public health system to reduce inequalities, improve the quality of care and public facilities, boost human resources and step up the fight against HIV and Aids, tuberculosis and other communicable diseases and other causes of ill-health and mortality. Policy priorities:

- Strengthening the health care system's effectiveness through the primary health care and district hospital delivery system. An amount of R 14 billion will be appropriated during the MTEF for this.

- Modernisation of tertiary hospital services that will be achieved through the improvement of the bed utilisation rate from 73 per cent to 74 per cent in 2011/12 and 75 per cent in 2012/13 and 2013/14. Amounts of R990.7 million in 2011/12, R1.015 billion 2012/13 and R 1.066 billion in 2013/14 have been earmarked.

- Implementation of a comprehensive plan for the treatment, management and care of HIV and Aids. Goals for 2011 include: 100 per cent of institutions implementingPrevention of Mother To Child Transmision (PMTC) dual therapy; less than 5 per cent of babies testing positive for HIV; 95 per cent of HIV-exposed infants who are Polimerase Chain Reaction (PCR) positive initiated on anti-retroviral therapy (ART); 95 per cent of pregnant women tested for HIV; and 90 per cent of pregnant women on ARV prophylaxis. An amount of R1.5 billion is budgeted for this priority during the MTEF period.

It is important to note that Limpopo's HIV prevalence rate of 20.7 per cent is South Africa's third lowest, and is lower than the national rate of 29.3 per cent. (National Department of Health, 2009:11).

- Reducing infant and child mortality. The priority will be approached by increasing immunisation coverage to 90 per cent for children younger than one year: 90 per cent measles first dose coverage; 90 per cent pneumococcal first dose coverage; and 90 per cent Rota virus first dose coverage. An amount of R321.9 million is set aside for the 2011/12 financial year for the purpose of achieving this priority.

- Hospital revitalisation will include the pre-planning of two hospitals and completion of six hospitals that are under construction. An amount of R375.6 million, R396.5 million and R396.5 million is budgeted for the 2011/12, 2012/13 and 2013/14 financial years respectively.

2.3.7. Building a developmental state including the improvement of public services and strengthening democratic institutions.

The long term objective of the current government is to build an effective and accountable state as well as to foster active citizenship. Primary goals are to: further strengthen the capacity of the state to enable it to improve the delivery and quality of public services; to promote a culture of transparent, honest and compassionate public services; to build partnerships with society for equitable development; and to strengthen democratic institutions.

3. Conclusion

The provincial budget that will be tabled in 2011 will take into consideration the provincial and national priorities outlined in this chapter, and will be in line with the MTSF.

Chapter 3:

Provincial Infrastructure Development and Delivery

3.1 Introduction

Infrastructure provision and maintenance remain a high priority for government. This is important for Limpopo as it provides a better life for all people and it reduces poverty by enabling faster economic growth and the creation of job opportunities. The Limpopo Employment, Growth and Development Plan (LEGDP) highlights the key strategic challenges and interventions for public infrastructure investment in the province.

The Departments of Health, Education, Public Works, Agriculture and Roads and Transport submit infrastructure plans which describe how they plan to deliver on their infrastructure mandate over the MTEF period. These show what infrastructure is needed, where it is needed and how it can be constructed over time. The plans also show how departments plan to address infrastructure and maintenance backlogs utilising the limited financial resources.

The province is in the process of implementing an infrastructure delivery improvement programme(IDIP), which is a capacity-building programme designed to address problems relating to the planning and management of public sector infrastructure delivery. The goal of the programme is to contribute towards the Accelerated Shared Growth Initiative of South Africa (ASGISA) by improving the efficiency and effectiveness of the delivery of public sector infrastructure through developing and institutionalising best practice systems and tools, and building capacity. The provincial departments that have benefited from this programme include the Departments of Health, Education and Public Works. The Provincial Treasury is working towards rolling out infrastructure delivery improvement programmes to all departments that are implementing infrastructure budgets. This chapter focuses on infrastructural development and delivery in the province, looking at projects that have been completed, at those currently under construction and at those being planned.

3.2 National and Provincial Government Policy on Infrastructure Development

3.2.1. National Spatial Development Perspective (NSDP)

In order to contribute to the broader growth and development policy objectives of government, the NSDP puts forward a set of five normative principles:

- Rapid economic growth, that is sustained and inclusive , is a prerequisite for the achievement of other policy objectives, key amongst which would be poverty alleviation;
- Government has a constitutional obligation to provide basic services such as water, electricity, health and education to all citizens wherever they reside;
- Beyond the constitutional obligation, government spending on fixed investment should be focused on localities of economic growth and/or economic potential in order to gear up private sector investment to stimulate sustainable economic activities and to create long-term employment opportunities;
- Efforts to address past and current social inequalities should focus on people not places. In localities where there are both high levels of poverty and demonstrated economic potential, this could include fixed capital investment beyond basic services to exploit the potential of those localities. In localities with low demonstrated economic potential, government should go beyond the provision of basic services and concentrate primarily on human capital development by education and training, social transfers such as grants, and poverty relief programmes. It should also reduce migration costs by providing labour market intelligence to give people better information, opportunities and capabilities to enable them to gravitate, should they choose to, to localities that are more likely to provide more sustainable employment and economic opportunities;
- In order to overcome the spatial distortions of apartheid, future settlement and economic development opportunities should be channelled into activity corridors and nodes that are adjacent, or linked to, the main growth centres. Infrastructure investment should primarily support localities that will become major growth nodes in South Africa and SADC border to provide regional gateways to the global economy.

3.2.2. The Limpopo Employment, Growth and Development Plan (LEGDP), 2009-2014

Strategic Vision

The Limpopo Employment, Growth and Development Plan (LEGDP) has specific programmes that are designed to achieve structural change in critical areas of the provincial economy. Accordingly, it is designed to pull together in an accessible manner the great variety of actions that constitute a successful delivery. For this reason, LEGDP is a provincial plan spanning the three tiers of government, traditional leaders, women, youth, and people living with disabilities, the private sector, labour federations, NGOs, and other stakeholders.

In essence it assists the province in making strategic choices in terms of prioritising catalytic and high impact initiatives as a way of responding to the MTSF strategic thrusts.

3.2.3. Public Infrastructure Investment Programme

The government has a pressing need to accelerate sustainable socio-economic development by, amongst other things, rolling out physical, social and economic infrastructure on a mass scale.

The core aspects of the socio-economic infrastructure are:

- Bulk infrastructure (sewerage, water and sanitation, electricity and communication);
- Social infrastructure such as housing, schools and hospitals
- Economic infrastructure such as freight and logistics

3.2.4. Transport Infrastructure

The core issues surrounding transport infrastructure are:

- Lack of good roads with only 7 345 km tarred of the 21 971 km of road networks. Rural transport remains inadequate, especially in the former homeland areas. Many local roads in the former homeland areas remain unpaved, and many required maintenance;
- Under-utilization of airport infrastructure;

- Un-sustainability of the market share split for goods transported by road and rail which is 87percent and 13percent respectively;
- Lack of extensive rail infrastructure , which limits the exploitation of untapped mineral reserves;
- Poor maintenance of rail and road infrastructure;
- Lack of public transport facilities; and
- Lack of mobility limits access to services and activities, e.g medical, welfare, schools, etc.

3.2 5. Transport and Logistics

Road infrastructure is important for the accessibility and mobility of goods and people. Road construction and maintenance can also create large numbers of local jobs. Roads should be constructed not only for the private car use but also as economic corridors and for public transport.

3.2.6. Social Infrastructure

Housing, electrification and water utilities take priority due to immense mining and energy investments that have been made in the province. This results in pressing demand for infrastructure development, especially in areas where these developments are taking place. It is also crucial to note that shortages of water and electricity in some rural pockets of the province have reached alarming levels. Health and education facilities are also critical for the human development of the people of Limpopo enabling them to make a meaningful contribution to the province’s economy.

3.3 Limpopo Provincial Government Expenditure Plans

Table 3.1: Departmental infrastructure budget allocations for the MTEF period

Department (R thousand)	2010/11 Budget	2011/12 Projection	2012/13 Projection
Vote 03: Education	1,022,500	1,372,967	1,540,920
Vote 04: Agriculture	256,636	272,035	288,355
Vote 06: Economic Development, Environmental Affairs and Tourism	3,403	3,607	3,824
Vote 07: Health	894,799	1,021,034	948,815
Vote 08: Roads and Transport	1,998,663	2,472,630	2,446,176
Vote 09: Public Works	57,500	62,048	61,817
Vote 11: Local Government and Housing	1,234,750	1,415,163	1,648,567
Vote 12: Social Development	75,424	80,423	81,207
Vote 13: Sport, Arts and Culture	23,000	27,382	2,863
TOTAL	**5,566,675**	**6,727,289**	**7,022,544**

Source: Budget Statement Book 2010/11

Table 3.1 depicts the total infrastructure budget over the MTEF period. The total infrastructure allocation for the 2010/11 financial year amounts to R5.7 billion. The budget is projected to increase in 2011/12 and 2012/13 to R6.7 billion and R7 billion, respectively.

It is also noted from the table that in 2010/11 financial year the Department of Roads and Transport received the highest budget of R1.9 billion or 36 per cent, followed by the Department of Local Government and Housing with R1.2 billion or 22 per cent of the total infrastructure spending. The trend continues over the MTEF period. Both departments are under the Economic Sector. The Department of Education, under the Social Sector is allocated R1billion or 18 per cent of the total infrastructure budget in 2010/11. The department's budget is projected to increase in 2011/12 and 2012/13 to R1.373 billion and R1.541 billion, respectively. The Department of Economic Development, Environmental Affairs and Tourism received the lowest allocation of R3.403 million of the total infrastructure allocation in 2010/11 financial year and the department's budget is projected to increase marginally over the MTEF period.

3.4 Overview of Infrastructure Sectors

3.4.1 Roads and Transport

The Limpopo Department of Roads and Transport (LDRT) recognises road infrastructure as an important socio-economic driver. The Department, through its implementing agent, Roads Agency Limpopo (RAL), manages 22 298.93km of provincial road network. Road transport has arguably proved to be the economic and social fabric that gives the province a significant competitive advantage. For LDRT to prosper, a strong focal point to promote a systematic and reliable road network needs to be established. Roads contribute to poverty alleviation by providing access to our rural populations, markets and social facilities. Infrastructure development can help to improve access to community facilities such as schools, hospitals, roads, water, housing, etc. To emphasise, infrastructure delivery underpins the very strength of a country's competitive performance and contributes to welfare, whilst striving for continuous improvement in the quality of life of people by providing social support structures.

In order to address the main road transport infrastructure challenges that the province faces, for example redressing the imbalances that exist between upgrading (gravel to tar) and preserving the existing surfaced network, the LDRT has introduced various programmes for roads infrastructure provisioning:

3.4.2. Provincial Roads Master Plan

The key sectors of Limpopo's Employment Growth and Development Plan are the employment, mining, agriculture and tourism sector. For the province to exploit its natural riches successfully, the road network has to be capable of providing access to these areas. Workers have to be able to commute to work at a reasonable transport cost and distance.

The LDRT is developing a Provincial Roads Master Plan to focus on linking the province's districts and connecting previously excluded communities to be a mainstream part of the provincial road network. As part of the Roads Master Plan, over 5000km of strategic roads in support of provincial, district and municipal growth points were identified and prioritised for implementation. This exercise forms part of our integrated planning within municipalities.

3.4.3. Preventative Maintenance Programme

In general provincial road network is in a fair condition. Approximately 30 percent of the road network is rated as fair and 36percent is rated as poor.

The strategy for the department is to ensure that the road network is improved and becomes reasonably good. This will in the long run preserve the network and will lower total transportation costs to road users. R363million has been allocated in the 2010/11 financial year towards the preservation of the surfaced network on an annual basis

3.4.4. Bridge Management System

The latest Bridge Condition Index (BCI) conducted on 757 bridges of the Limpopo Bridge Inventory revealed an overall satisfactory rating and a good rating for most bridges. However, there are a limited percentage of bridges which are in a critical to marginal category. These bridges require specific, urgent maintenance or reconstruction. The strategy for the department is to maintain the drainage structures in the poor to marginal to good categories. More than 15 bridges have already been identified in this respect. There will be a continuous assessment of bridges and more than R100million has been set aside for maintenance and construction of new and collapsed bridges for the 2010/11 financial year. A minimum of R20 million will be set aside for the maintenance of bridges on an annual basis.

3.4.5. Routine Maintenance Programme

The Expanded Public Works Programme (EPWP) is one of government’s priority programmes aimed at alleviating poverty and reducing unemployment. In order for the department to achieve this, it has to provide for work opportunities and training needs through the introduction of labour intensive construction methods. R294million has been allocated in the 2010/11 financial year towards the EPWP.

The LDRT has reoriented its routine maintenance function to involve the use of an appropriate mix of community-based labour over machinery. This includes the involvement of economically disadvantaged women, especially, those heading households. The initiative is aimed at creating 15 000 job opportunities.

The following are EPWP categories in the Limpopo Province, followed by tables for category:

- Construction of sidewalks
- Access roads
- Routine maintenance using households

3.4.6. Upgrading of gravel roads

The upgrading of roads from gravel to tar is mainly guided by the Limpopo Employment, Growth and Development Plan (LEGDP) which seeks to provide accessibility to the mining, agriculture ,tourism, health and education sectors whilst meeting Strategic Objectives of the Department. The LEGDP describes spatial development initiatives that will impact on the provision of road infrastructure. There are four identified development corridors:

- Maputo via Phalaborwa to Beitbridge;
- Trans Limpopo Corridor (along N1 National Route);
- Dilokong Corridor (Polokwane through Sekhukhune District); and
- East-West Corridor (Polokwane via Lephalale to Botswana)

Road infrastructure development planning is aligned to link the identified development corridors. Mining, tourism and agriculture are three pillars of the LEGDP used as criteria to determine which roads should be prioritised for upgrading. Amongst other things that are considered before the prioritisation of roads, is the accessibility and mobility of communities to these important areas.

Roads are planned to form a grid (east-west and north-south) where communities are not to travelling a distance of more than five to ten kilometres before connecting to a surfaced road. The upgrading of roads from gravel to tar involves the widening and strengthening of roads to cater for higher/increased traffic volumes, including heavy loading vehicles.

The upgrading is divided into high volume and low volume roads. The upgrading of high volume roads targets very important provincial roads and is done at a very high standard to maintain the life-cycle of the road for many years.

For the optimisation of upgrading projects, the Department of Roads and Transport (DoRT) has developed the Roads Master Plan which is used to prioritise the various upgrading requirements. The Roads Master Plan guides the allocation of resources to the road network. The optimisation process result in a list of prioritised projects which will be undertaken in a particular financial year based on the available budget. However budgets are not always sufficient, which results in some identified roads not being upgraded, maintained or rehabilitated.

RAL focuses on the upgrading of gravel to surfaced roads, as well as the construction of bridges. This financial year's work will concentrate on completing multi-year projects started in 2008/09 and 2010/11 aimed at upgrading 200 km gravel roads to surfaced roads at a cost of about R717 million ,including eight (8) bridges constructed. The tables below show projects which were completed during the 2010/11 financial year, current projects and those planned for upgrading in future.

RAL also embarked on the reconstruction of roads. An example of these roads is the R33 from Marble Hall to Lephalale in the Waterberg district.

Accessibility is a concern in the province. RAL is in the process of profiling all communities to identify areas which are not accessible. The first community which RAL has identified is Mankele village in the Sekhukhune district. The village is not accessible due to flowing waters of the Olifants River. There is a need to construct a bridge and the road to enable them easy access to social facilities. RAL will be consulting with the Departments of Education and Health to determine which schools, hospitals and clinics are inaccessible with a view to look at possible solutions. Though funding remains a challenge, RAL is committed to go the extra mile in exploring alternative funding mechanisms to assist in the process.

RAL has engaged a service provider to develop a business case for the funding facility to accelerate the implementation of road infrastructure in the province, with the aim of addressing the road infrastructure backlog.

3.4.7. Public Transport Infrastructure

The Department is responsible for the provision of integrated, accessible and affordable public transport services. An Integrated Public Transport Network will be rolled out in Sekhukhune district in 2011/12. The Infrastructure Plan for Intermodal Public Transport facilities is available for implementation. Designs for Thohoyandou, Burgersfort, Giyani, Jane Furse, Northam and Makhado have been completed. The Shova Kalula programme and Rural Transport strategy are being implemented to improve transport in rural areas. The province is also improving infrastructure at International Gateways. However subsidies do not cover all the areas within the province, therefore the department is transforming the public transport industry to address the current inequalities. The department has allocated R90 million for the current financial year, R180 million for 2011/12, R190 million for 2012/13 and R200 million for 2013/14.

3.4.8. Extension of Road Traffic Services

The province is experience challenges with access to basic traffic services such as the registration and renewal of motor vehicle licences and the deregistration of vehicles. There are large backlogs in learner and driver licences at various testing centres. In order to improve service, the department is in the process of constructing additional multipurpose traffic control centres and expanding motor vehicles licensing services with SAPO and Thusong centres.

Five projects amounting to R13 .9 million are currently on tender will commence in December 2010. Thirteen projects amounting to R21 .9 million are under construction, of which four of them will be completed in the next financial year. The department is finalising planning for 13 projects amounting to R81. 7 million to be implemented in 2011/12 financial year and R110. 8 million has been allocated for 2012/13 financial year.

3.4.9. Education Sector

The provincial Education Department is responsible for the planning, acquisition, maintenance, use and disposal of facilities to meet its operational needs. The infrastructure section works closely with other directorates including governance, curriculum, budget, finance and supply chain management. The department is in the process of constructing and rehabilitating decapitated facilities

In terms of the comprehensive analysis done on the official infrastructure data base of the department, National education Infrastructure management System (NEIMS), there are significant challenges experienced at Limpopo education facilities in terms of space, condition of buildings, building standards and maintenance. These are as follows:

- Overcrowding at schools: 812 schools with more than 45 learners per classroom;
- Dilapidated and inappropriate buildings at schools: 681 schools with buildings in very poor condition and 700 schools with inappropriate structures;
- Inadequate maintenance at all facilities;
- Unacceptable public health at schools due to insufficient sanitation facilities: 694 schools with more than 50 learners per toilet seat;
- Shortage of Grade R facilities, inclusive education and maths and science centres, which have been identified as education sector priorities;
- Overcrowded and dilapidated offices and warehouses at provincial, district and circuit levels; and
- Inadequate funding of education infrastructure to address the backlog in space, condition, standards and maintenance of buildings.

Table 3.2: Number of schools with buildings that are in a very poor condition

Condition	Number of schools
Schools with at least one building in a very bad condition	491
Of these: at least one inappropriate structure in a very bad condition	126
Schools with at least one ablution block in very bad condition	360
Of these: at least one inappropriate ablution block in very bad condition	167

A multi-year program is planned to address this situation. The programme aims to prevent further deterioration through:

- Improved school based maintenance,
- Faster response to emergencies,
- Prioritising roof repairs and maintenance,
- Improved quality and design of new roofs.

Relevant programmes include:

- Condemned and congested schools (Inappropriate structures)
- Condemned and congested schools (Overcrowded schools)
- Condemned and congested schools (Dilapidated schools)
- Refurbishment to Moutse (SDM Cross Boundary) Schools 2009/2010
- Refurbishment: Full Service Schools 2009/2010
- Refurbishment to Education Multi Purpose Centres 2009-2012
- Dinaledi Schools – Upgrade and Revitalise Infrastructure 2009/2010
- School sanitation (Severe overcrowding) 2009/2010
- School sanitation (Dilapidated ablutions) 2009/2010
- Water for schools 2009/2010

3.4.10. Overview of the 2010/11 infrastructure

- 29 percent (R245m) of the budget has been allocated to new schools, replacement schools, and new district and circuit offices. The allocation to new facilities declines over the seven years to 12 percent of the total budget. Construction of a new large primary school costs about R35m, and serves up to 960 learners. However seven schools can be rehabilitated using the same budget, which will benefit up to 7000 learners. Thus, in general, rehabilitation has more impact on learning outcomes than construction of new schools.
- 41 percent (R354m) of the budget has been allocated to rehabilitation and refurbishment, involving major repair and recapitalisation of existing facilities at storm damaged schools. The scope of work at these dilapidated and storm -damaged schools includes demolition and replacement, additional buildings and rehabilitation of dilapidated buildings.

- 23 percent (R200m) of the budget has been allocated to upgrading and additions. These projects include the addition of water, sanitation, classrooms, administration blocks and mobile classrooms at existing schools.
- 6 percent (R55m) of the budget has been allocated to routine and preventative maintenance. This is current expenditure as it does not add materially to the asset value. According to the Treasury guidelines, major maintenance is classified as "Rehabilitation and refurbishment".

Each school is responsible for routine and preventative maintenance using the norms and standards allocation under the SA Schools Act. The allocation in 2009/10 was R650m. At least 10 percent of a school's funds should be spent on maintenance each year. This contributes an additional R65m to routine and preventative maintenance. Expenditure on maintenance is reported in the audited financial statements of each school.

The MTEF budget describes the proposed action plan to address the challenges outlined above. The scope of work is limited by the budget available.

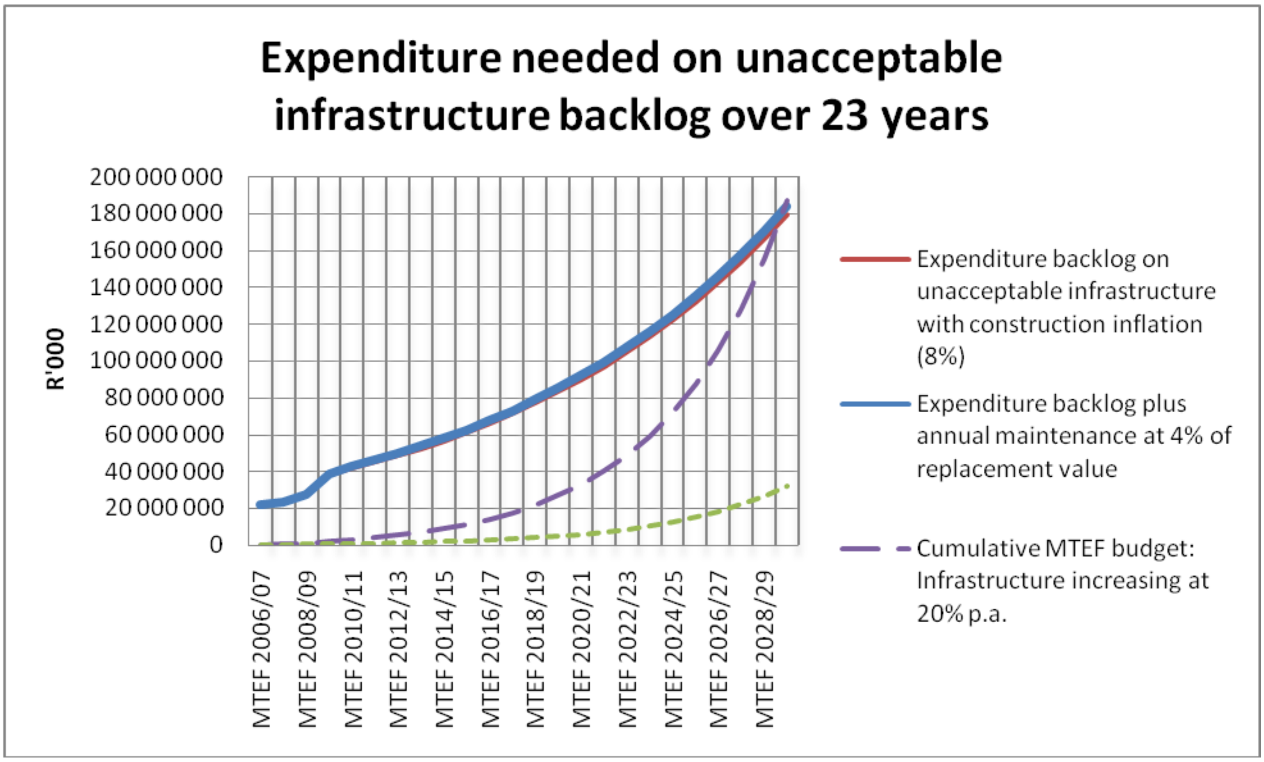
3.4.11. Infrastructure backlog

A plan to address the very large backlog for all 4015 public schools in Limpopo over 20 years has been developed. Improvements in project management and implementation over the past two years increased capacity to deliver schools infrastructure in Limpopo. Further improvements including an effective Public Private Partnership (PPP) initiative are being considered.

The total value of this combined backlog in 2007 Rands is calculated to R 20, 75 billion. The current budgetary allocations in no way address the actual needs in terms of education infrastructure to address the backlogs and demand for infrastructure.

It will take an estimated 23 years to address the backlog and provide sufficient classrooms of acceptable condition.

Figure 3.1: Expenditure Needs of Education 2006-2029



The chart is based on the following assumptions:

Table 3.3 Financial Projections 2006/2013	R Thousands (R 000)						
	MTEF 2006/07	MTEF 2007/08	MTEF 2008/09	MTEF 2009/10	MTEF 2010/11	MTEF 2011/12	MTEF 2012/13
Expenditure backlog on unacceptable infrastructure with construction inflation (8%)	21 437 481	22 509 355	27 011 226	37 815 717	41 597 288	44 925 071	48 519 077
Expenditure backlog plus annual maintenance at 4% of replacement value	21 957 963	23 055 861	27 667 033	38 733 847	42 607 231	46 015 810	49 697 075
MTEF budget: Infrastructure increasing at 20% p.a.	154 000	380 000	609 213	852 873	1 027 500	1 125 352	1 355 769
Cumulative MTEF budget: Infrastructure increasing at 20% p.a.	154 000	534 000	1 143 213	1 996 086	3 023 586	4 148 938	5 504 707
Annual increase in infrastructure budget		147%	60%	40%	20%	20%	20%
Annual Inflation (CPIX)	4.6%	6.5%	8.1%	8.0%	8.0%	8.0%	8.0%
Construction industry inflation	5.0%	20.0%	40.0%	10.0%	8.0%	8.0%	8.0%
Annual deterioration of infrastructure without adequate maintenance	4%	4%	4%	4%	4%	4%	4%

The financial projections for the next five years are shown in table 3.3 above. The projections indicate:

- Cash flow forecasts by year;
- Breakdown of expenditure by service groups;
- Breakdown of expenditure into routine maintenance, renewal and new works expenditure ; and
- Trends from the previous two to three years

3.4.12. Projected expenditure

Project planning and procurement was delayed in 2009/10 due to the high staff turnover at management and leadership levels, along with changes in the implementation strategy. As a result the projected expenditure for this financial year (2010/11) is now estimated at 83 percent of the available budget. However, as the balance will be spent in the first quarter of 2011/12, a rollover budget will be requested from Limpopo Treasury. The projected expenditure in 2011/12 is 15 percent over the available budget.

Progress Report as at end of September 2010

The following highlights the progress in addressing the aforementioned issues:

- Number of public ordinary schools with an average of more than 40 learners per classrooms: new classrooms have been completed in 40 schools this financial year
- Number of public ordinary schools without electricity: all existing projects are at procurement stage
- Number of public ordinary schools without sanitation facilities: additional 352 toilets have been completed at 28 schools, with other projects at procurement stage and on track for completion in 2011
- Number of public ordinary schools without water supply: projects are at procurement stage and. All geo-hydrologists have been appointed.
- Number of Classrooms in the public ordinary schools: 339 classrooms completed at 40 schools

3.4.13 Health Infrastructure

Revitalization of infrastructure is priority number six of the National Health System's priorities for 2009-2014 (Ten Point Plan). To realise government's vision of "A long and healthy life for all South Africans" four strategic outputs which the health sector must achieve, have been identified:

Output 1: Increasing life expectancy

Output 2: Decreasing Maternal and Child mortality

Output 3: Combating HIV and AIDS and decreasing the burden of disease from tuberculosis

Output 4: Strengthening Health System Effectiveness – with a focus on:

- Revitalisation of Primary Health care
- Health Care financing and Management
- Human Resources for Health
- Quality of Health and the Accreditation of Health Establishments
- Health Infrastructure
- Information, Communication and Technology and Health Information Systems

The Department of Health and Social Development (DHSD) is in the process of reviewing service needs and compiling the 2020 Service Transformation Plan (STP) to ensure that the strategic outputs and envisaged health outcomes are addressed. The service delivery plan is based on the Primary Health Care (PHC) approach delivered through the District Health Approach, which outlines the type of services to be provided, from Primary level care to Secondary and Tertiary Services; service packages of care to be delivered at each level of care, as well as community based services and strategies for improving access to services, amongst others.

The service delivery platform entails health facilities available and those required to deliver the services outlined; strategies for expanding (or rationalising) the service delivery platform; and envisaged partnerships with the private sector. Accessible, appropriate, fit for purpose and well maintained infrastructure becomes critical to support healthcare services.

Against this background there is a need to:

- increase PHC facilities (clinics) to cover communities within reasonable walking distances;
- Upgrade the current PHC facilities (clinics) to be able to offer the full PHC package ;
- Increase the number of PHC facilities (health centres);
- Revitalize hospitals
- Ensure that hospitals are accessible to all communities as per norm;
- Develop an academic hospital;
- Develop EMS stations and Malaria facilities;
- Upgrade MDR-XDR;
- Provide staff accommodation to critical health professionals ; and
- Implement preventative maintenance to all facilities;
- Due to limited funding, private sector funding will be , engaged for laundry services, Academic Hospital, pharmaceutical depot and nursing college and nursing schools.

3.4.14 Local Government and Housing

The Limpopo Department of Housing is embarking on meeting strategic objectives by managing Integrated Sustainable Human Settlements by upgrading of settlements (Urban and Rural) and unblocking blocked housing projects including rectification & installation of services.

Phase 1: Integrated Residential Programme (Urban/Informal Settlement Upgrading & Installation of Services)

The relationship between the Department and relevant stakeholders such as service providers i.e, both contractors and / or consulting engineers should be aimed at improving the lives of individual beneficiaries around the province. Installation of services for 3000 sites as follows , first quarter 11percent , second quarter 22 percent , third quarter to 44 percent and fourth quarter 23 percent amounting to R75million.

Phase 2: Top-Structure – Integrated Residential Programme (Urban/Informal Settlement Upgrading)

Based on the availability of bulk infrastructure services as indicated in phase 1 for urban projects above, construction of 1 000 units for the current financial year will stimulate local economies and create sustainable jobs. Currently the department is building 45 square meter houses in local communities, addressing the EPWP programme, and poverty alleviation. The cost of top structures will then rise to R65 million.

Phase 1: Rural Housing Programme (Including geotechnical investigation)

Depending on the qualification system or criteria, beneficiaries are entitled to qualify for houses in where consulting engineers are appointed to assist with soil investigations. The Department has conducted geotechnical investigations through consulting engineers for 14 000 units with the cost of R 7. 4 million.

Phase 2: Top-Structure Project Linked: Rural Housing Programme

The Limpopo Department of housing has not only focused on urban renewal but also took a mandate from the President to give more attention to rural areas. The Department has registered 13 650 units to be constructed at a cost of R 887. 2 million for rural development.

3.4.15. Unblocking of Blocked Housing Projects

A major challenge in addressing housing backlog is to unblock all blocked housing projects before 2014, 500 units are planned to be constructed during the current financial year. The budget available this priority for the current financial year is R 32.5 million.

3.4.16 Community Based Housing

Phase 1: Farm Worker Residential Programme

The Department will conduct a feasibility study on farmers who are willing to donate land to employees for development. Depending on the availability of land, the Department will appoint consulting engineers to assist with soil investigations for preparation of the next financial year Phase 2 (Top structure): 70 units. The budget allocated for the phase is R 37 100.

Phase 2: EPHP Programme (Including geotechnical investigation)

The Department will provide hundred EPHP units to beneficiaries during this financial year. All 100 units will be constructed in rural areas and full participation of qualifying beneficiaries will be taken into consideration. Allocation has been given to Greater Giyani Municipality: Ward 18 (Gawula village).

Actual construction commenced during the second quarter, and to date eleven foundations and seventy three wall plates have been constructed.
About 30 beneficiaries are receiving skills development training through the EPWP. The budget allocated for this programme is R 7million.

3.4.17. Providing 50 emergency housing units

The Department carried over emergency housing units from the 2009/10 financial year and the planned 50 units were completed during the first and second quarter. All units are constructed in rural areas (Greater Giyani, Greater Tzaneen, Molemole, Lepelle-Nkumpie, Elias Motsoaledi, and Ephraim Mogale Municipalities)

3.4.18. Expanded Public Works Programme

Work opportunities will be created in this programme.

Institutional Housing programme

- Community Residential Units (CRU) Programme: The CRU is the replacement of the former hostel redevelopment programme. There are two projects that will form part of this programme in this financial year.

- Construction of hundred CRU units at former Seshego hostel, Polokwane: The completion of all the phase 1 work in the previous financial year and the installation of bulk services allows for the continuation of the project in the completion of hundred CRU units this financial year. The budget allocated to this project is R20 million
- Phase 1 development of Lephalale CRU, Lephalale. Within this financial year the completion of this phase will deliver the urban design framework, feasibility report, site layout plans, and architectural and engineering services designs. The project is plans for the development of five hundred CRU units and construction will commence in the next financial year. The budget allocated for this project is R2. 7 million.

Social housing programme

- Phase 1 development of Ivydale X35, Polokwane. Within this financial year the completion of this phase will deliver the urban design framework, feasibility report, site layout plans, and architectural and engineering services designs. The project aims for the development of five hundred social housing rental units and construction of services will commence in the next financial year. The budget allocated for this progamme is R2.5 million

4. Conclusion

All infrastructure departments should ensure that their infrastructure development plans support the PGDS (LEGDP). The Public Infrastructure Investment Programme as highlighted in the LEGDP acknowledges the need to accelerate socio-economic development through roll out of mass scale physical, social and economic infrastructure.

Infrastructure provision and asset management make huge demands on the provincial budget and therefore difficult choices have to be made when allocating resources amongst the different infrastructure sectors and projects. Furthermore, the backlog in infrastructure provision, combined with an ever increasing maintenance demand, poses a problem on how and where to allocate resources in order to have the largest impact. The challenge is to ensure that planning, budgeting and implementation processes are synergised to meet the need of infrastructure delivery as envisaged in the LEGDP.

Chapter 4.

4. Provincial Fiscal Envelope

4.1 Introduction

This chapter will briefly discuss the proposed budget for Limpopo. The service delivery and spending priorities discussed in the previous chapter will be financed from two main revenue sources: Transfers from national government (including equitable share and conditional grants), accounting for 98.2 per cent of the budget; and provincial own revenue, 1.7 per cent .The Fiscal envelope is drawn from many sources, equitable share, conditional grant and own revenue .This chapter will therefore focus on revenue that the province is expected to raise each year of the MTEF period, expected expenditure to be incurred each year and the review of conditional grant over the 2011 MTEF. The budget will be used to finance spending priorities discussed in chapter two and three.

Table 4.1 Actual and budgeted receipts for 2011 MTEF

	2007/2008	2008/2009	2009/2010	2010/2011	Adjusted Appro	Revised Estimates	2011/2012	2012/2013	2013/2014
R'000	Audited		Preliminary Outcome						
Receipts									
Transfer receipts from National	24,527,155	29,912,067	35,551,932	39,099,253	582,217	39,681,470	36,412,069	38,104,170	39,848,733
Equitable Share	21,949,321	26,545,173	31,318,359	33,237,814	574,944	33,812,758	36,412,069	38,104,170	39,848,733
Conditional Grants	2,577,834	3,366,894	4,233,573	5,861,439	7,273	5,868,712	6,803,315	7,280,993	7,280,933
Provincial Own Receipts	444,122	539,803	554,438	553,438	16,894	570,332	587,914	620,499	648,144
Total Provincial Receipts	24,971,277	30,451,870	36,106,370	39,652,691	599,111	40,251,802	43,803,298	46,005,662	47,777,810

Table 4.1 above shows the preliminary allocations for 2011.The table shows that the budget for Limpopo will grow by an annual average of 3.14 over the MTEF. The conditional grants are projections as the allocation is not yet completed.

4.2 Transfers from National Government

4.2.1 Provincial Equitable Share unconditional

The equitable share is the method of determining intergovernmental transfers at the multilevel fiscal system. The provincial equitable share is an transfer of national resources to the provincial governments to fund the gap between their limited fiscal capacity and the huge expenditure responsibilities assigned to them.

The design and implementation of the equitable share formula is determined through a consultative process, which places priority on the provision of social services consisting of six different components. The formula is reviewed and updated regularly to take into account the recommendations of the Financial and Fiscal Commission (FFC). Most recent updates have adopted a phase-in approach that increases the equitable shares to provinces that are experiencing sizable inward migration, namely Gauteng, Kwazulu-Natal and the Western Cape.

Table 4.2: Equitable share weights

Implementation of equitable share weights 2010/11-2013/14				
PROVINCES	Weighted shares 2010/11	2011 MTEF Weighted shares		
		2011/12	2012/13	2013/14
Eastern Cape	15.2%	15.2%	15.2%	15.1%
Free State	6.0%	6.0%	6.0%	6.0%
Gauteng	17.4%	17.3%	17.5%	17.8%
Kw aZulu-Natal	22.1%	22.0%	22.0%	21.9%
Limpopo	**12.7%**	**12.5%**	**12.4%**	**12.3%**
Mpumalanga	8.1%	8.1%	8.0%	8.0%
Northern Cape	2.7%	2.7%	2.7%	2.7%
North West	6.7%	7.0%	6.9%	6.8%
Western Cape	9.2%	9.3%	9.3%	9.4%
TOTAL	**100.1%**	**100.0%**	**100.0%**	**100.0%**

Table 4.2 above shows equitable share weights allocated to provinces over the MTEF period .The equitable share is allocated horizontally amongst the nine provinces according to a redistributive formula currently comprising six policy components, i.e. education (51 per cent), health (26 per cent), basic (14 per cent), poverty (3 per cent), economic activity (1 per cent), and institutional (5 per cent).

Limpopo is budgeted to receive 13.9 per cent of the education equitable share; 10.6 per cent of health; 10.9 per cent of basic; 14.3 per cent of poverty; 7.2 per cent of economic activity; and 11.1 per cent of institutional. In total, the province will be allocated 12.3 per cent of the provincial equitable share.

Table 4.3 .Equitable share per Province 2011/12

Distribution of equitable share by Province							
PROVINCES	Education	Health	Basic	Poverty	Economic Activity	Institutional	Weighted Average
	48%	27%	16%	3%	1%	5%	100%
Eastern Cape	16.7%	14.1%	13.5%	16.7%	7.5%	11.1%	15.1%
Free State	5.6%	5.9%	5.7%	5.9%	5.2%	11.1%	6.0%
Gauteng	15.4%	20.2%	22.4%	15.7%	33.1%	11.1%	17.8%
KwaZulu-Natal	23.1%	22.4%	21.3%	22.9%	16.4%	11.1%	21.9%
Limpopo	**13.9%**	**10.6%**	**10.9%**	**14.3%**	**7.2%**	**11.1%**	**12.3%**
Mpumalanga	8.4%	7.0%	7.2%	8.6%	7.6%	11.1%	8.0%
Northern Cape	2.2%	2.3%	2.2%	2.5%	2.3%	11.1%	2.7%
North West	6.4%	7.0%	6.4%	7.5%	6.5%	11.1%	6.8%
Western Cape	8.3%	10.5%	10.4%	6.0%	14.3%	11.1%	9.4%
TOTAL	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Table 4.3 above shows the equitable shares to each of the nine provinces in a series of key policy areas. The table shows that the share of health in Limpopo is declining to that of 10.6 percent in 2011/12 .In 2010/11 it was 11.3 percent. This will affect health related gaps that were identified in chapter 2.

Table 4.4 .equitable share weights 2010/11 to 2013/14

Implementation of equitable share weights 2010/11-2013/14				
PROVINCES	Weighted shares 2010/11	2011 MTEF Weighted shares		
		2011/12	2012/13	2013/14
Eastern Cape	15.2%	15.2%	15.2%	15.1%
Free State	6.0%	6.0%	6.0%	6.0%
Gauteng	17.4%	17.3%	17.5%	17.8%
Kw aZulu-Natal	22.1%	22.0%	22.0%	21.9%
Limpopo	**12.7%**	**12.5%**	**12.4%**	**12.3%**
Mpumalanga	8.1%	8.1%	8.0%	8.0%
Northern Cape	2.7%	2.7%	2.7%	2.7%
North West	6.7%	7.0%	6.9%	6.8%
Western Cape	9.2%	9.3%	9.3%	9.4%
TOTAL	**100.1%**	**100.0%**	**100.0%**	**100.0%**

Table 4.4 above shows the proportion equitable shares per province .The proportion of equitable share allocations to Limpopo are in fact budgeted to decline marginally for the next three fiscal years, to 12.7 per cent in 2010/11 (R39.6billion), to 12.5 percent in 2011/12 (R35.3 billion), 12.4 per cent in 2012/13 (R36.8 billion), 12.3 percent in 2013/14 (R38.5 billion). However, although the province's share of national allocations will decline slightly, its equitable share will indeed grow by an annual average of 3.14 per cent over the 2011 MTEF.

4.2.2 Conditional Grants

Conditional grants are additional transfers from the national government aimed at a specific purpose or with certain conditions attached to them. Their uses include, *inter alia*, the fulfilment of national policy objectives; the addressing of backlogs; and the support of capacity building and structural adjustment.

The province must submit business plan before any conditional grant can allocated to any programme.Any must that is not spent at the end of the financial year must be submitted to National Treasury .Any request for roll over to the next financial year must be done with substantive motivation.

Table 4.5 below presents the conditional grants structure of Limpopo for the 2010 MTEF. Evident from this Table is the continuity of the government in its expansionary policy through infrastructure investment and the provision of social security net.

Table 4.5: Conditional Grants Framework for the 2010

Department/Grant	2009/10 Amount Received	2009/10 Provincial Roll overs	2009/10 Total Available	2009/10 Estimated Actual Payments	2010/11	2011/12	2012/13
					Medium Term Expenditure Estimates		
Agriculture	**79,653**	**-**	**79,653**	**-**	**121,196**	**138,947**	**156,790**
Agricultural Disaster Management Grant			-		5,000		
Comprehensive Agricultural Support Programme Grant	72,993		72,993		108,483	130,771	148,123
Land Care Programme Grant: Poverty Relief & Infrastructure Development	6,660		6,660		7,713	8,176	8,667
Education	**313,570**	**-**	**313,570**	**-**	**445,067**	**686,687**	**858,770**
Early Childhood Development Grant			-		-	-	-
Financial Management and Quality Enhancement Grant			-		-	-	-
Further Education and Training College Sector Recapitalisation Grant	111,646		111,646		-	-	-
HIV and Aids (Life Skills Education) Grant	12,248		12,248		25,882	27,454	29,101
National School Nutrition Programme Grant	189,676		189,676		419,185	659,233	829,669
Health	**432,707**	**-**	**432,707**	**-**	**799,268**	**1,118,017**	**1,222,673**
Comprehensive HIV and Aids Grant	117,204		117,204		291,474	403,280	432,554
Forensic Pathology Services Grant	22,768		22,768		35,233	39,913	42,308
Health Professions Training and Development Grant	46,572		46,572		88,759	94,085	99,730
Hospital Construction Grant			-		-	-	-
Hospital Revitalisation Grant	158,565		158,565		206,931	323,425	375,672
Malaria and Cholera Prevention Grant			-		-	-	-
National Tertiary Services Grant	87,598		87,598		176,871	257,314	272,409
Housing	**507,333**	**-**	507,333	**-**	**996,667**	**1,234,750**	**1,415,163**
Integrated Housing and Human Settlement Development Grant	507,333		507,333		996,667	1,234,750	1,415,163
Land Affairs	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Land Distribution: Alexandra Urban Renewal Project Grant			-				
National Treasury	**538,149**	**-**	538,149	**-**	**1,407,445**	**1,753,105**	**2,099,813**
Provincial Infrastructure Grant	538,149		**538,149**		1,407,445	1,753,105	2,099,813
Provincial Infrastructure Grant: Flood Rehabilitation Grant			-				
Provincial and Local Government	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Disaster Relief Grant			-				
Local Government Capacity Building Grant and CMIP			-				
Social Development	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Financial Management and Social Security System			-				
Sport and Recreation South Africa	**19,512**	**-**	19,512	**-**	**45,023**	**45,604**	**48,340**
Mass Sport and Recreation Participation Programme Grant	19,512		19,512		45,023	45,604	48,340
Trade and Industry	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Industrial Development Zones			-				
Transport	**-**	**-**	-	**-**	**-**	**-**	**-**
Gautrain Rapid Rail Link			-				
Other (not included above)	**38,432**	**-**	**38,432**	**-**	**304,774**	**97,887**	**122,560**
Hospital Management and Quality Improvement			-				
Integrated Nutrition Programme			**-**				
Human Settlement			-				
HIV and Aids (Social Development)			**-**				
Integrated Social Development Services			-				
Liabrary Services	38,432		38,432		55,956	62,733	66,497
Disaster of Property Rate Fund Grant			-		13,776	15,154	16,063
Overload Control Grant			-		5,035		
Ilima/ Letsema Projects Grant			-		5,000	20,000	40,000
Health Disaster Response (Cholera) Grant			-		50,000		
Public Transport Operation			-		174,507		
Expanded Public Work Programme			-		500		
Total conditional grants	**1,929,356**	**-**	**1,929,356**	**-**	**4,119,440**	**5,074,997**	**5,924,109**

4.3 Provincial Own Source Revenue

Apart from the provincial share allocations, provinces also generate their own source revenues. There are different own revenue sources in each province, examples of such are vehicle licenses, betting and gambling taxes and hospital fees. The provinces are expected to identify their own revenue sources and review them from time to time for the purpose of giving room for new sources .There are different macro-econometric model that can assist the province in determining the impact of existing sources and those that are to be introduced

Provincial own revenue forms only a small percentage of total provincial revenue. The magnitude of provincial own revenue notwithstanding, helps to augment the fiscal resources of the provinces, so that whatever is collected is at least sufficient to cater for the annual budgets of two or three provincial departments.

Table 4.6: Contributions of Departments to Provincial Own Revenue, 2010/11 – 2013/14

Summay of provincial own receipts by Vote

	BUDGETS			Main appropriatio	Adjusted appropriation	Revised estimate	Medium-term estimates		
R thousand	**2007/08**	**2008/09**	**2009/10**	**2010/11**			**2011/12**	**2012/13**	**2013/14**
Vote 01: Office of the Premier	468	963	6,320	619	619	619	629	640	654
Vote 02: Legislature	300	300	250	108	221	221	308	290	127
Vote 03: Education	20,651	30,273	30,390	33,023	37,592	37,592	37,375	39,168	39,189
Vote 04: Agriculture	10,770	11,697	11,615	13,321	13,321	13,321	10,859	11,351	11,758
Vote 05: Provincial Treasury	85,594	125,590	120,395	98,320	98,320	98,320	103,531	109,017	113,716
Vote 06: Economic Development	30,300	41,315	38,527	41,663	41,663	41,663	41,650	45,460	49,100
Vote 07: Health	72,584	87,175	93,009	98,799	98,799	98,799	107,077	113,898	119,593
Vote 08: Transport	170,860	209,632	233,309	245,201	247,213	247,213	262,056	275,131	288,888
Vote 09: Public Works	23,693	27,321	16,907	18,730	18,730	18,730	19,663	20,816	20,816
Vote 10: Safety, Security and Liaison	273	161	166	78	100	100	86	95	78
Vote 11: Local government & housing	4,500	2,950	2,015	1,863	1,917	1,917	1,859	1,687	1,157
Vote 12: Welfare	3,684	579	930	1,042	3,861	3,861	2,137	2,244	2,356
Vote 13: Sport, Arts & Culture	20,445	1,847	605	671	671	671	684	702	712
Total provincial own receipts by Vote	**444,122**	**539,803**	**554,438**	**553,438**	**563,027**	**563,027**	**587,914**	**620,499**	**648,144**

Key revenue sources for Limpopo include vehicle licensing fees, patient fees and interest/dividend income. The table above shows sources of own provincial revenue in Limpopo by departments. At the beginning of the financial year Limpopo Province budget to collect own revenue of R553.4 million, the budget was revised upwards to R563 million during the year. Some of the contributors to the upward revision are; anticipated increase in collection on traffic fines due to improved traffic management systems and increased recovery on outstanding debts .Recovery of debt is mainly by the Department of Education and Social Development.

Evident from this Table is that the Department of Roads and Transport is the largest revenue earner in the province at R 245.2million that was revised upwards to R247.2 during the year. The main source of revenue in the department is motor license fees. The contribution will improve even much better due to

The second largest contributor is Department of health 98.8million followed by Provincial Treasury at R98.3 million. The main contributor in Department of Health is patients hospital fees and provincial while that of Limpopo Provincial Treasury is mainly interest and dividend income. As shown in the table, the Department of Roads and Transport budgeted to collect about 44.3 percent in the financial year 2010/11, and 44.6 percent of the provincial own source revenue in the fiscal year 2011/12. Over the 2011 MTEF the Department of Roads and Transport estimates to collect about 45.2 percent of the provincial own revenue.

Department of Roads and transport has budgeted to collect R 825 million over the 2011 MTEF while Department of Health has budgeted R339 million and R325 million for Treasury .The Department of Safety and security is the smallest contributor . Health has budgeted 18.2 percent in 2011 financial year and 17.5 percent for Treasury in the same period.

Table 4.7: Limpopo Own Revenue by Source, 2006/07 – 2011/13

	2007/2008	2008/2009	2009/2010	2010/2011	2010/2011	2010/2011	2011/2012	2012/2013	2013/2014
R '000	Audited			Main appropriation	Adjusted appropriation	Revised estimate	Medium Term Estimates		
Tax receipts	**164,251.00**	**187,831.00**	**214,946.00**	**227,015.00**	**227,015.00**	**227,015.00**	**240,901.00**	**254,126.00**	**268,100.00**
Casino taxes	16,323.00	17,947.00	19,787.00	20,930.00	20,930.00	20,930.00	23,942.00	25,857.00	27,926.00
Horse racing taxes	5,607.00	6,667.00	7,100.00	8,660.00	8,660.00	8,660.00	7,705.00	8,467.00	9,290.00
Liquor licences	2,300.00	2,400.00	2,610.00	2,704.00	2,704.00	2,704.00	2,850.00	3,078.00	3,324.00
Motor vehicle licences	140,021.00	160,817.00	185,449.00	194,721.00	194,721.00	194,721.00	206,404.00	216,724.00	227,560.00
Sales of goods and services other than capital assets	125,183.00	160,286.00	151,983.00	169,228.00	165,337.00	165,337.00	182,302.00	192,478.00	199,464.00
Sales of goods and services produced by department (excl. capital assets)	**123,384.00**	**158,759.00**	**150,303.00**	**166,556.00**	**164,259.00**	**164,259.00**	**180,037.00**	**189,862.00**	**198,913.00**
Sales by market establishments	-	-	-	-	-	-	-	-	-
Administrative fees	10,963.00	25,036.00	14,584.00	15,440.00	21,149.00	21,149.00	30,871.00	32,618.00	34,312.00
Other sales	112,421.00	133,723.00	135,719.00	151,116.00	143,110.00	143,110.00	149,166.00	157,244.00	164,601.00
Of which									
Commission on insurance	22,136.00	23,639.00	26,707.00	28,186.00	30,191.00	30,191.00	31,592.00	33,236.00	33,126.00
Repair of GG Vehicles & Tender Documents	52,674.00	67,826.00	59,721.00	76,458.00	63,784.00	63,784.00	83,886.00	88,496.00	92,650.00
Health Patient Fees	14.00	17.00	-	3,200.00	3,015.00	3,015.00	3,477.00	4,223.00	3,022.00
Rentals & Agricultural Produce	26,088.00	20,688.00	29,954.00	24,475.00	26,432.00	26,432.00	24,490.00	28,979.00	23,821.00
Sales of scrap, waste, arms and other used current goods (excl. capital assets)	1,799.00	1,527.00	1,680.00	2,672.00	1,078.00	1,078.00	2,265.00	2,616.00	551.00
Transfers received from:	**20,000.00**	**-**	**2,851.00**	**-**	**-**	**-**	**-**	**-**	**-**
Other governmental units (Excl. Equitable share and conditional grants)	20,000.00	-	2,851.00	-	-	-	-	-	-
Universities and technikons	-	-	-	-	-	-	-	-	-
Foreign governments	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-
Public corporations and private enterprises	-	-	-	-	-	-	-	-	-
Households and non-profit institutions	-	-	-	-	-	-	-	-	-
Fines, penalties and forfeits	**16,741.00**	**27,315.00**	**26,544.00**	**27,989.00**	**30,166.00**	**30,166.00**	**30,889.00**	**32,556.00**	**34,217.00**
Interest, dividends and rent on land	**85,115.00**	**124,053.00**	**120,520.00**	**98,322.00**	**98,306.00**	**98,306.00**	**102,548.00**	**107,977.00**	**112,584.00**
Interest	83,700.00	122,031.00	119,382.00	97,160.00	97,162.00	97,162.00	102,295.00	107,717.00	112,322.00
Dividends	-	-	-	-	-	-	-	-	-
Rent on land	1,415.00	2,022.00	1,138.00	1,162.00	1,144.00	1,144.00	253.00	260.00	262.00
Sales of capital assets	16,505.00	16,664.00	17,130.00	13,270.00	11,543.00	11,543.00	10,523.00	11,124.00	11,082.00
Land and subsoil assets	-	-	-	-	-	-	-	-	-
Other capital assets	16,505.00	16,664.00	17,130.00	13,270.00	11,543.00	11,543.00	10,523.00	11,124.00	11,082.00
Financial transactions in assets and liabilities	**16,327.00**	**23,654.00**	**20,464.00**	**17,614.00**	**30,660.00**	**30,660.00**	**20,751.00**	**22,238.00**	**22,697.00**
Total departmental own source receipts	**444,122.00**	**539,803.00**	**554,438.00**	**553,438.00**	**563,027.00**	**563,027.00**	**587,914.00**	**620,499.00**	**648,144.00**

A summary of own source receipts by economic classification is provided in table above. Provincial own source revenue in 2010/11 was projected to reach R553.4million at the beginning of this financial year. During the course of the year, this amount has been adjusted upwards to R563 million. This represents an increase of 1.7 percent**.**

This upward adjustment is due to different factors including improvement in economic conditions that has started showing in the fourth quarter of 2009.Furthermore; some of the contributing factors include recovery of outstanding debt. Over the MTEF other sales is the larger contributor to total provincial revenue at 25.4 percent followed by interest, dividends on rent and land as well as interest, both at 17.4 percent .Own revenue is expected to increase on average by 9.2 percent over the MTEF from R587.9 million, R620.5 million and R648.1 in 2011/12, 2012/13 and 2013/14 respectively.

4.4 Conclusion

It is concluded in this chapter that equitable share and conditional grants from national sphere constitute the largest portion of provincial receipts, while provincial own revenue constitute the smallest share of provincial own receipts. Moreover, this chapter concludes that the Limpopo provincial equitable share decreases marginally compared to other province when equitable share formula is used. Although the Limpopo provincial equitable share decreases marginally, but over the 2011 MTEF an annual positive average growth rate of 3.14 percent is estimated.

Chapter 5.

5. Provincial Budget and spending patterns

5.1. Introduction

Chapter four of Limpopo Provincial Medium Term Budget Policy Statement focuses on provincial spending trends since 2006/2007 financial year to the middle of 2010 financial year .The chapter will focus on expenditure against Departmental spending plans. Focus will be on overall provincial expenditure trends and expenditure trends per vote by emphasizing the programmes and priorities that show deviation from planned spending. A brief explanation will also be given on Provincial Adjusted Estimates.

5.2. Expenditure outcomes for 2010

Table 5.1.key notes on adjustment estimates

Provincial spending situation as at 30 September 2010									
R thousand	Main appro-priation	Actual expenditure to date	*Actual expen-diture as % of*	Projected for remainder of	Projected outcome	*Projected outcome as %*	Projected (over) expenditure	Projected under expenditure	*Projected (over)/ under*
					Net (over)/under		-971,535		
Limpopo	39,652,691	17,865,224	*45.1%*	22,759,002	40,624,226	*102.5%*	-1,061,169	89,634	*-2.5%*
Vote1: Premier	528,992	224,177	*42.4%*	304,815	528,992	*100.0%*	-	-	*0.0%*
Vote 2: Legislature	182,824	107,333	*58.7%*	92,391	199,724	*109.2%*	-16,900	-	*-9.2%*
Vote 3: Education	18,814,610	8,775,328	*46.6%*	10,807,925	19,583,253	*104.1%*	-768,643	-	*-4.1%*
Vote 4: Agriculture	1,375,925	548,172	*39.8%*	827,753	1,375,925	*100.0%*	-	-	*0.0%*
Vote 5: Treasury	362,093	171,465	*47.4%*	190,628	362,093	*100.0%*	-	-	*0.0%*
Vote 6: Economic Dev.	874,897	381,359	*43.6%*	403,904	785,263	*89.8%*	-	89,634	*10.2%*
Vote 7: Health	10,534,963	4,587,047	*43.5%*	6,036,716	10,623,763	*100.8%*	-88,800	-	*-0.8%*
Vote 8: Roads and Transport	3,237,350	1,316,061	*40.7%*	1,921,289	3,237,350	*100.0%*	-	-	*0.0%*
Vote 9: Public Works	750,701	319,122	*42.5%*	431,579	750,701	*100.0%*	-	-	*0.0%*
Vote 10: Safety and Security	53,172	27,008	*50.8%*	26,164	53,172	*100.0%*	-	-	*0.0%*
Vote 11: Local Gov. and Housing	1,885,787	882,042	*46.8%*	1,003,745	1,885,787	*100.0%*	-	-	*0.0%*
Vote 12: Social Deveolpment	805,705	419,022	*52.0%*	573,509	992,531	*123.2%*	-186,826	-	*-23.2%*
Vote 13: Sport, Arts And Culture	245,672	107,088	*43.6%*	138,584	245,672	*100.0%*	-	-	*0.0%*

The above table shows overall half year expenditure of all the 13 votes of Limpopo province. The Province has spent an overall percentage of 45.1 percent or R17.87 billion of the R 39.65 billion that was appropriated during the 2011/2011 financial year. The expenditure is lower than that of the same period in 2009/10 at 46.8 percent (R16.1 billion. Analysis reveals that there is projected over expenditure of 2.6 percent .Votes that show over-expenditure are Legislature 9.2 percent, Education 4.1 percent and Social Development that project 23.2 percent that is the biggest of them all . The Department of Economic Development is projecting to under-spend by 10.2 percent.

Table. 5.2 Provincial Spending situation as at 30 September 2010

Provincial spending situation as at 30September 2010 2010(Section 32)

Percentage	Total		Compensation of employees		Goods and services		Transfers and subsidies		Payments for capital assets	
	Actual expen-diture as % of main budget	Projected over(-)/ under as % of main budget	Actual expen-diture as % of main budget	Projected over(-)/ under as % of main budget	Actual expen-diture as % of main budget	Projected over(-)/ under as % of main budtget	Actual expenditure as % of main budget	Projected over(-)/ under as % of main budget	Actual expen-diture as % of main budget	Projected over(-)/ under as % of main budget[2,3]
Limpopo	**45.1%**	**-2.5%**	**49.3%**	**-3.3%**	**37.3%**	**0.1%**	**45.0%**	**-2.0%**	**26.2%**	**-2.4%**
Vote1: Premier	42.4%	0.0%	45.5%	0.0%	35.8%	0.0%	32.2%	0.0%	23.3%	0.0%
Vote 2: Legislature	58.7%	-9.2%	46.7%	-2.3%	65.5%	-39.3%	85.6%	0.0%	13.0%	-238.1%
Vote 3: Education	46.6%	-4.1%	50.9%	-5.2%	29.1%	0.0%	47.5%	0.0%	19.9%	0.0%
Vote 4: Agriculture	39.8%	0.0%	48.9%	0.0%	40.7%	0.0%	25.1%	-0.8%	8.3%	1.7%
Vote 5: Treasury	47.4%	0.0%	44.6%	1.2%	49.8%	-0.7%	60.8%	-11.0%	12.8%	-0.3%
Vote 6: Economic Dev.	43.6%	10.2%	50.6%	0.0%	25.4%	36.2%	52.8%	-0.1%	12.7%	0.0%
Vote 7: Health	43.5%	-0.8%	46.1%	0.0%	40.2%	-3.3%	57.5%	0.0%	31.7%	0.0%
Vote 8: Roads and Transport	40.7%	0.0%	49.7%	-1.4%	42.9%	1.3%	38.3%	0.0%	22.5%	0.0%
Vote 9: Public Works	42.5%	0.0%	45.9%	0.0%	42.6%	0.0%	32.1%	0.0%	17.7%	0.0%
Vote 10: Safety and Security	50.8%	0.0%	49.3%	0.0%	51.4%	0.0%	89.1%	0.0%	75.0%	0.0%
Vote 11: Local Gov. and Housing	46.8%	0.0%	46.0%	0.0%	38.4%	5.6%	47.3%	0.0%	290.4%	-212.8%
Vote 12: Social Deveolpment	52.0%	-23.2%	55.1%	-10.9%	42.5%	0.0%	44.2%	-42.7%	91.7%	-85.9%
Vote 13: Sport, Arts And Culture	43.6%	0.0%	55.2%	0.0%	39.0%	0.0%	19.7%	0.0%	30.9%	0.0%

The table 5.2 above shows the expenditure per vote with economic classification included.

5.3. Compensation of Employees

An analysis of table 5.2 above shows that the item that is a major driver of expenditure is compensation of employees with expenditure of 49.3 percent up to September 2010 and projected over expenditure of 3.3 percent. The actual expenditure is slightly lower than expenditure the same period the previous that was at 49.7 percent and projected over- expenditure of 7.2 percent .Major contributors are Social Development at 10.9 percent followed by Education at 5.2 percent and Legislature at 2.3 percent .The projected overspending by Social Development emanates from re-grading of Community Development Officers posts. That of education is from Occupation Specific Dispensation (OSD), carry through costs and Further education and Training (FET) compensation for employees' adjustments.

5.4. Goods and Services

Expenditure on goods and services as at 30 September 2010 is at 37.3 percent of total actual expenditure. Legislature is projecting to overspend its budget by 39 percent .Roads and Transport projects over - expenditure to be at 3.3 percent. Department of Economic Development and Local Government and Housing are projecting under spending of 36.2 percent and 5.6 percent respectively.

5.5. Capital expenditure

Infrastructure The Province is projected to have over expenditure of 2.2 percent .The department that is projecting to over spend more than others is Legislature at 238.1 percent, followed by Local Government at 212.8 percent and Social Development at 85.9 percent .The over spending in the Department of Social Development is due to Seshego Treatment centre and Children's home whose contractors are performing more than expected.

5.6. Transfers and subsidies Expenditure

During the 2010 financial year the province transferred an amount of R4.9 billion to municipalities, departmental agencies, universities and technikons, public corporations and nonprofit organizations. The province is projecting to overspend by 2.0 percent of the amount appropriated. Only two departments contribute to this overspending namely Department of Social Development and Limpopo Treasury. The Department of Social Development contributes a larger amount of 42.7 percent followed by Limpopo Treasury with 11 percent. The larger contributor to over spending in the Department of Social Development is shortfalls in transfers to non Government organisation

Table 5.3 Revenue as at 30 September 2010

REVENUE COLLECTION AS AT 30 SEPTEMBER 2010											
Departments	Main appropriation	Projections to September 2010	Projections as % of budget	Actual to September 2010	Actual collection as % of the budget	Projected remainder of year	Estimated total revenue	Over / Under Collection	previous yr Budget 2009/10	Previous yr Actual to September 2010	Actual collection as % of the budget
Office of the Premier	619	308	49.8%	460	**74.3%**	312	772	152	709	1,814	255.9%
Provincial Legislature	108	51	47.2%	159	**147.2%**	83	242	108	267	81	30.3%
Education	33,023	16,646	50.4%	20,739	**62.8%**	16,142	36,881	4,093	22,105	16,407	74.2%
Agriculture	13,321	7,979	59.9%	5,547	**41.6%**	5,342	10,889	-2,432	12,281	4,768	38.8%
Provincial Treasury	98,320	47,944	48.8%	59,805	**60.8%**	50,381	110,186	11,861	128,128	46,674	36.4%
Economic Development	41,663	20,027	48.1%	18,387	**44.1%**	21,788	40,175	-1,640	46,487	16,994	36.6%
Health	98,799	44,723	45.3%	47,532	**48.1%**	55,271	102,803	2,809	93,009	44,895	48.3%
Roads and Transport	245,201	117,610	48.0%	106,423	**43.4%**	113,174	219,597	-11,187	219,382	117,061	53.4%
Public Works	18,730	8,267	44.1%	8,636	**46.1%**	10,465	19,101	369	31,605	7,825	24.8%
Safety & Security	78	42	53.8%	93	**119.2%**	42	135	51	74	129	174.3%
Social Development	1,042	488	46.8%	1,254	**120.3%**	1,254	2,508	766	334	732	219.2%
Local Govt & Housing	1,863	776	41.7%	802	**43.0%**	1,221	2,023	26	3,190	1,014	31.8%
Sport, Arts & Culture	671	234	34.9%	45	**6.7%**	514	559	-189	2,090	196	9.4%
Total provincial receipts	**553,438**	**265,095**	**47.9%**	**269,882**	**48.8%**	**275,989**	**545,871**	**4,787**	**559,661**	**258,590**	**46.2%**

Summary of Provincial Own Receipt by Economic Classification

Tax receipts	227,015	111,660	49.2%	97,480	**42.9%**	99,277	196,757	-14,180	205,839	108,137	52.5%
Sales of goods and services - non capital assets	169,228	79,320	46.9%	71,780	**42.4%**	91,030	162,810	-7,540	174,178	73,272	42.1%
Transfers received from:	-			-		-	-	0		237	
Fines, penalties and forfeits	27,989	10,568	37.8%	14,508	**51.8%**	15,401	29,909	3,940	29,621	11,897	
Interest, dividend and rent on land	98,162	48,109	49.0%	47,862	**48.8%**	50,247	98,109	-247	126,080	46,814	
Sales of capital assets	13,430	6,640	49.4%	4,266	**31.8%**	9,541	13,807	-2,374	13,863	6,242	45.0%
Revenue financial assets	17,614	8,798	49.9%	33,986	**192.9%**	10,493	44,479	25,188	10,080	11,991	119.0%
Total departmental receipts	**553,438**	**265,095**	**47.9%**	**269,882**	**48.8%**	**275,989**	**545,871**	**4,787**	**559,661**	**258,590**	**46.2%**

5.7. Provincial own Revenue

In addition to provincial to provincial share of allocations, provinces are encouraged to generate their own sources of revenue. Key revenue sources in Limpopo is license fees and interest on dividends income .Table 4.3 above shows revenue collected up to the end of September 2010. The Provincial Revenue target for 2010/11 financial year is R 553.42 million.The Actual Collection as at 30 September 2010 is R 269.88 million or 48.8% The collection is above that of the previous corresponding period of R 258.59 million or 46.2 percent .

The following nine departments collected above their projections:

5.7.1. Health - Revenue target: R 98.8million

The department collected R 47.53 million or 48.1percent against the projected R 44.72 million or 45.3 percent. The over collection of R 2.81 million is mainly due to improved collection on rental dwellings, commission on insurance and recovery of staff debts.

5.7.2. Education Revenue - Target: R 33.02 million

The department collected R 20.74 million or 62.8 percent against the projected R 16.65 million or 50.4percent. Over collection of R4.09 million is mainly due to improved collection on sale of tender documents, commission on insurance, recovery of outstanding debts and accumulation of stale cheques.

5.7.3. Social Development - Target: R 1.04 million

The department collected R 1.25 million or 120.3 percent against the projected R 0.49 million or 46.8 percent. Over collection of R0.77 million is mainly due to improved sale of tender documents, rental dwellings and recovery of previous years debts

5.7.4. Provincial Treasury - Target: R 98.32 million

The department collected R 59.81 million or 60.8 percent against the projected R47.944 million or 48.8 percent. Over collection of R11.86 million is mainly due to improved collection on sale of tender documents and once off recovery of overpayment from the supplier (SITA).

5.7.5. Safety, Security and Liaison - Target: R 0.08 million

The department collected R 0.09 million or 119.2percent against the projected R0.04 million or 53.8percent. Over collection of R0.05 million is due to improved collection of commission on insurance and once off recovery of previous year's debts.

5.7.6. Provincial Legislature - Target: R 0.11 million

The department collected R 0.16 million or 147.2percent against the projected R0.05 or 47.2 percent. An over collection of R0.11 million is due to more collection on sale of capital assets through an auction conducted late in the previous financial year.

5.7.7. Office of the Premier Revenue - Target: R 0.62 million

The department collected R 0.46million or 74.3percent against the projected R0.31 million or 49.8percent. Over collection of R0.15 million is due to more collection on commission on insurance and recovery of staff debts.

5.7.8. Local Government & Housing Revenue -Target: R 1.86 million

The department collected R 0.80 million or 43.0percent against the projected R 0.78 million or 41.7percent. Over collection of R0.03 million due to more collection of commission on insurance and sale of tender documents

5.7.9. Public Works Revenue - Target: R 18.73 million

The department collected R 8.64 million or 46.1percent against the projected R 8.27 million or 44.1percent. Over collection of R0.37 million due to improved collection on sale of capital assets, non residential building, sanitation and recovery of staff debts.

Table: 5.4. Adjustment estimates

		National Receipts ES & CG				Function Shifts		Rec commitments		Unauthorised Exp				
Department	Main Appropriation	Total ICS	OSD	Recommended CG's	Additions on CG'S	ES (Iternal Audit, PGITO & Prov Archives)	CG (THETA,GF, EPWP & IGP)	Goods & Services	Capital	Approved with funding	Approved without	Once-off payments	Total Adjustments	Adjusted Appropriation
Office of the Premier	528,992	5,677	-			(57,262)	-	2,900	1,000	3,965	-	20,000	(23,720)	505,272
Provincial Legislature	182,824	1,423	-				322	-	-	-	630	17,000	19,375	202,199
Education	18,814,610	345,838	-		6,273		5,000	-	-	148,958	-	120,000	626,069	19,440,679
Agriculture	1,375,925	18,302	-					-	-	325	-	-	18,627	1,394,552
Provincial Treasury	362,093	-	-			34,516	(8,000)	-	-	-	-	-	26,516	388,609
Economic Development, Environment and Tourism	874,897	6,868	-			(65,254)	600		1,820	-	52,604	-	(3,362)	871,535
Health	10,534,963	102,127	19,600	39,713	1,000	-	6,681	-	-	-	-	-	169,121	10,704,084
Roads and Transport	3,237,350	12,524	-				-	-	190,440		-	-	202,964	3,440,314
Public Works	750,701	13,233	-				(7,137)	-	-	3,486	15,000	5,500	30,082	780,783
Safety, Security and Liaison	53,172	540	-				-	-	-	-	-	2,000	2,540	55,712
Local Government and Housing	1,885,787	-	-			-	-	-	-	-	1,500	11,400	12,900	1,898,687
Social Development	805,705	47,163	-				3,456	-	8,522	140,370	-	100,000	299,511	1,105,216
Sport, Arts and Culture	245,672	1,649	-	9,768		6,383	-	-	-	-	-	9,064	26,864	272,536
Total	**39,652,691**	**555,344**	**19,600**	**49,481**	**7,273**	**(81,617)**	**922**	**2,900**	**201,782**	**297,104**	**69,734**	**284,964**	**1,407,487**	**41,060,178**

Given the projection of overspending that was alluded to earlier in this chapter, the province has adjusted the budget upwards. At the beginning of 2010 financial year Limpopo budget was at R39.652 billion. The amount was adjusted upwards by R 1.407 billion. The adjustment brings the total budget to R 41.060 billion. The increment of R 1.407 is constituted by:

- Improvement of conditions of service that was necessitated by the 2010 wage settlement .An amount of R 555.3 Million has been budgeted for the implementation of settlement.
- Occupation specific dispensation for health professionals. An amount of R 19.6 million has been budgeted for this.

- Conditional grant amounting to R 49.5 million that will be used for recapitalizing nursing colleges and a library to be built by the Department of sports, Arts and culture.
- An amount of R81 .6 million appropriated for Provincial GITO by in the office of the Premier and Department Economic Development Environment and Tourism, internal Audit in Provincial Treasury and provincial archives that will be constructed by Department of Arts and Culture.
- An amount of R922 appropriated as a conditional grant for Theta Abet grant managed by the Department of Economic Development, Infrastructure Grant Programme and extended Public works Programme.
- A once off payment amounting to R284.9.