

#### Box 4 Changes to the reporting format of provincial extra-budgetary institutions' statistics<sup>1,2</sup>

Provincial extra-budgetary institutions,<sup>3,4</sup> as established by provincial government departments within the respective provincial governments of South Africa's nine provinces, are responsible for the provision of public services such as education, health, social development, governance and administration, agriculture, and roads and transport. As from this edition of the South African Reserve Bank's *Quarterly Bulletin*, the statistics of provincial governments have been extended to also include provincial extra-budgetary institutions, from fiscal 2009/10. This box reflects on the cash flow statistics of provincial extra-budgetary institutions and introduces an enhanced presentation of consolidated provincial government statistics.

These institutions are mainly funded through grants received (current and capital transfers) from the provincial revenue fund, owing to a limited ability to collect taxes, and further through the sale of goods and services, property income and voluntary transfers. Expenditure relates mostly to the purchase of goods and services as well as the compensation of employees, followed by other expenses on property and miscellaneous current and capital expenses.

Including the aggregated statistics of provincial extra-budgetary institutions<sup>5</sup> and provincial governments in the reporting of consolidated provincial government statistics will enhance the statistics. Previously, only the grants transferred to the provincial extra-budgetary institutions were reported as miscellaneous other current expenses, as part of other payments. The impact of this change on the statistics published on page S-71 in this edition of the *Quarterly Bulletin* is shown in the accompanying table.

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1 This box relates to the statistics published on page S-71 in this edition of the *Quarterly Bulletin*.

2 The compilation of government finance statistics adheres to the guidelines of the *Government Finance Statistics Manual 2014 (GFSM2014)* of the International Monetary Fund. See <https://www.imf.org/external/Pubs/FT/GFS/Manual/2014/gfsfinal.pdf>

3 Provincial extra-budgetary institutions are classified as separate legal entities with limited autonomy, with their own financial statements. They are fully funded from the provincial revenue fund and mandated to fulfil a specific economic or social function of provincial government departments.

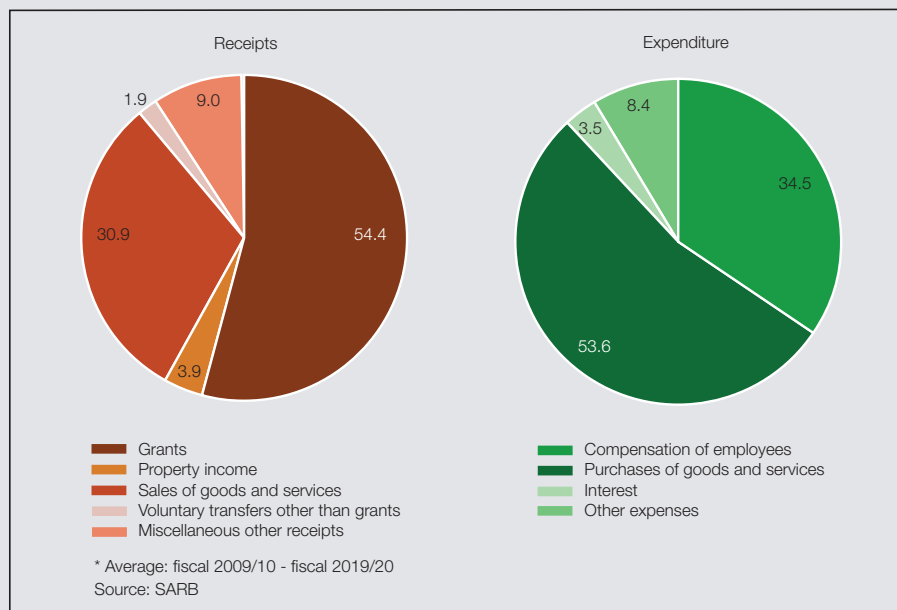
4 The number of provincial extra-budgetary institutions per province: Eastern Cape (10), Free State (2), Gauteng (14), KwaZulu-Natal (13), Limpopo (5), Mpumalanga (4), North West (6), Northern Cape (6) and Western Cape (10).

5 These statistics are based on provincial extra-budgetary institutions' financial data as sourced from their audited annual financial statements.



## Composition of cash receipts and expenditure from operating activities of provincial extra-budgetary institutions\*

Per cent



## Consolidated provincial government<sup>1</sup> statistics for fiscal 2019/20<sup>2</sup>

R millions

	Before: excluding provincial extra-budgetary institutions	After: <sup>3</sup> including provincial extra-budgetary institutions	Difference
Cash receipts from operating activities .....	633 610	643 040	9 430
Of which: Grants <sup>4</sup> .....	612 984	612 984	-
Other receipts <sup>5</sup> .....	6 726	16 156	9 430
Cash payments for operating activities .....	596 551	599 858	3 307
Of which: Compensation of employees.....	384 468	389 732	5 264
Purchases of goods and services.....	129 309	134 217	4 908
Interest .....	47	123	76
Grants .....	8 638	8 638	-
Other payments <sup>6</sup> .....	57 020	50 080	-6 940
Net cash flow from investment in non-financial assets <sup>7</sup>	-32 037	-35 224	-3 187
<b>Memo: cash expenditure<sup>8</sup>.....</b>	<b>628 588</b>	<b>635 082</b>	<b>6 494</b>
<b>Cash surplus (+)/deficit (-)<sup>9</sup>.....</b>	<b>5 022</b>	<b>7 959</b>	<b>2 937</b>

1 Comprising provincial government departments and provincial extra-budgetary institutions

2 Statistics for the fiscal year 2019/20 referenced here are subject to revision, as the most recent two years' financial statements are preliminary

3 Consolidated comprising aggregated provincial extra-budgetary institutions and provincial governments

4 Comprising transfers received from foreign governments, international organisations and other general government units

5 Comprising property income (including interest, dividends and rent), the sale of goods and services, and other non-tax cash receipts

6 Comprising subsidies, social benefits and miscellaneous other current and capital expenses (including transfers to non-profit institutions serving households for non-social benefits) and property expenses other than interest

7 Net of acquisition and disposal of non-financial assets. Inflow (+)/outflow (-)

8 The sum of cash payments for operating activities (expenses) and net investment in non-financial assets

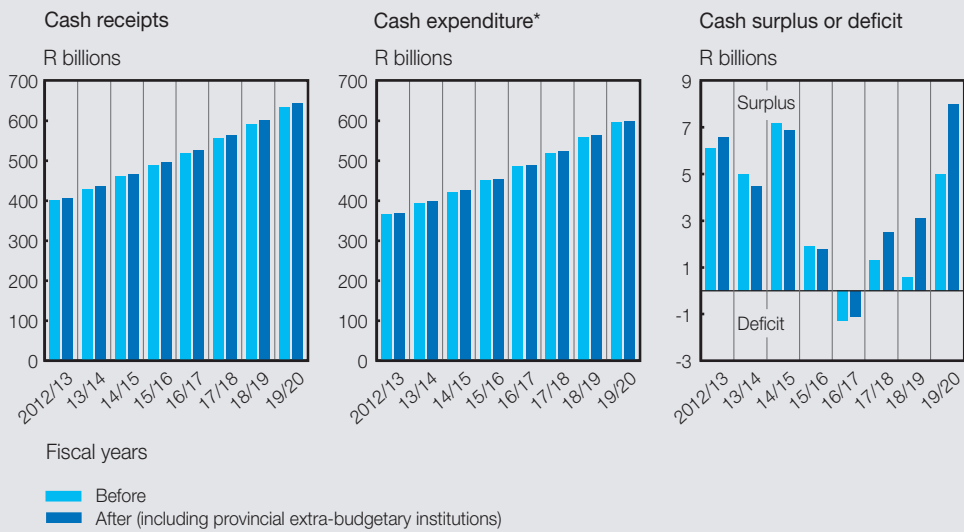
9 Cash receipts from operating activities *minus* the sum of cash payments for operating activities and net investment in non-financial assets

Sources: SARB and National Treasury

The change resulted in an increase of R9.4 billion in total cash receipts from operating activities and R3.3 billion in total cash expenditure as well as an increase in the cash surplus of R3.0 billion in fiscal 2019/20. The grants paid by provincial governments to the provincial extra-budgetary institutions, which were previously recorded as other payments, are now reclassified as grants paid and grants received by provincial extra-

budgetary institutions and are then consolidated with provincial government, which offsets both the grants paid and received. The new statistics reporting format better reflects the expenditure of the grants and other receipts of provincial extra-budgetary institutions.

### Provincial government statistics before and after consolidation



\* Total cash expenditure comprises total cash payments for operating activities and net cash flow from investment in non-financial assets

Source: SARB

