



National Treasury

Reconstruction and Development Programme Fund

Annual Financial Statements
For the year ended 31 March 2007



Published by the National Treasury
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The 2006/07 *Reconstruction and Development Programme Fund Annual Financial Statements for the year ended 31 March 2007* is also available on www.treasury.gov.za

Coordination and Layout: National Treasury Communications Directorate

Printing and Binding: Formeset Printers Cape (Pty) Ltd

ISBN : 978-0-621-37365-3
RP : 179/2007



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EXECUTIVE OVERVIEW

In his State of the Nation address delivered to the joint sitting of the Houses of Parliament of South Africa on the 9th of February 2007, President Thabo Mbeki said: "None of the great social problems we have to solve is capable of resolution outside the context of the creation of jobs and the alleviation and eradication of poverty. This relates to everything, from the improvement of the health of our people, to reducing the levels of crime, raising the levels of literacy and numeracy, and opening the doors of learning and culture to all.... We pledge to all the heroes and heroines who sacrificed for our freedom, as well as to you, our friends from the rest of the world, that we will never betray the trust you bestowed on us when you helped to give us the possibility to transform South Africa into a democratic, peaceful, non racial, non sexist and prosperous country, committed to the noble vision of human solidarity".

Taking heed of this commitment it is imperative that we pose to ourselves the critical question of what progress we have made in the quest to achieve the objectives to which the President committed all of us. As a government, responding to the imperative to move forward and to build the South Africa defined by a common dream, we committed ourselves to implementing detailed programmes intended to:

- Raise the rate of investment in the First Economy;
- reduce the cost of doing business in our country;
- promote the growth of the small and medium business sector;
- speed up the process of skills development;
- improve our export performance, focussing on services and manufactured goods;
- increase spending on scientific research and development;
- implement detailed programmes to respond to the challenges of the Second Economy;
- implement programmes to ensure broad-based black economic empowerment;
- continue with programmes to build a social security net to meet the objectives of poverty alleviation;
- expand access to such services as water, electricity and sanitation;
- improve the health profile of the nation as a whole;
- intensify the housing programme;
- implement additional measures to open wider doors of learning and of culture;
- improve the safety and security of all citizens and communities;



Trevor A Manuel, MP
Minister of Finance



EXECUTIVE OVERVIEW (CONTINUED)

- ensure that the public sector discharges its responsibilities as a critical player in the growth, reconstruction and development of our country;
- accelerate the process of renewal of the African continent; and
- contribute to the resolution of major questions facing peoples of the world.

Official Development Assistance (ODA) in the form of grants and donations was received during the 2006/07 financial year from the International Community to support the Republic of South Africa in meeting its core responsibilities and expectations of our people. These donations were mainly for Local Economic Development and Private Sector Support, Education, Water Services, Health Services, Safety and Security Services, Justice and Housing.

Local Economic Development and Private Sector Support

The international community supported South Africa by donating R422 million through the RDP Fund. Several programmes are involved.

The KwaZulu-Natal (KZN) Local Economic Development Support Programme is a six-year initiative (18 June 2003 to 17 June 2009) designed to support the Provincial Department of Economic Development (DED) and a broad range of other stakeholders to effectively implement Local Economic Development (LED) to achieve economic growth in the Province. The programme achieved the following results during this financial year:

- Stakeholders joined in partnership to develop and implement sustainable employment generating investment and enterprise growth plans with pro poor outcomes;
- grants to enable public sector stakeholders engaged in LED related processes to create and operate an enabling environment for LED and pro poor development;
- sustainable mechanisms for learning, knowledge exchange, information dissemination, training and replication have been established and implemented; and
- establish effective LED management functions which are currently operational at provincial and area levels.

The Risk Capital Facility Programme will cover the next three years, which will facilitate Broad Based Black Economic Empowerment in the small and medium sized enterprise sector. The main focus will be the creation of employment opportunities in predominantly underdeveloped regions.

The Institutional and Implementation Support in Small Micro Medium Enterprises (SMME) Development Programme in RSA focus on the following:



EXECUTIVE OVERVIEW (CONTINUED)

- Strengthening the managerial and institutional capacity of the Small Enterprise Development Agency (Seda);
- development of an entrepreneurship promotion and development programme for Seda;
- development of a mentorship programme for Seda to mitigate risk.

The Urban Renewal in the Eastern Cape Programme aims to improve the quality of life of marginalised people in its urban areas. They commenced with the first phase of the five year project and the following has to be achieved:

- Improving local economic development;
- creating habitable human settlement;
- improving social development;
- improving public participation;
- improving strategy, programming, project implementation and coordination and service delivery and;
- improving financial management, audit, procurement, project management and integrated planning at Municipal Institutions.

Education

A contribution of R266 million was made available by the donors for Education Programmes. Substantial progress was made in the first stage of implementing a sustainable system of inclusive education in South Africa. During this financial year the following was achieved:

- Schools are currently being built and upgraded in Limpopo, Eastern Cape and KwaZulu-Natal;
- the National Education Infrastructure Management System visited and audited 29 688 schools and 29 664 sites were signed off by the provinces;
- a learner transport duty report was produced. Currently national guidelines on learner transport are in the process of being finalized;
- an amount of R40 million was allocated to the 100 Foundation Phase Storybooks project. The department contributed an additional R19 million towards the procurement of storybook packs. Three packs containing 100 storybooks each were provided to 3 436 Quintile one primary schools in 14 priority districts to resource these schools to improve the teaching of reading;
- funds were used to monitor the implementation of the National Curriculum Statement;
- development of teachers to ensure that the targeted educators are able to equip



EXECUTIVE OVERVIEW (CONTINUED)

learners with skills, knowledge and attitudes they need for their adult lives and to make them responsible citizens. R15,279 million was used to upgrade the skills of unqualified and under qualified educators and R1,069 million was used for the National Framework for Teacher Education and Development and the recruitment campaign for initial teacher supply; and

- substantial progress was made in the two main programmes of the first stage of implementing a sustainable system of inclusive education in South Africa. These were the programmes for human resources development and the conversion to full-service schools, within the whole of government, starting with 64 schools in 30 area districts.

Water Services

The Water Sector Support Programme's overall objective is to improve the quality of life and health and to contribute to poverty eradication in rural communities in South Africa through the provision of basic water and sanitation services.

The donor community provided assistance in Water Services mainly to the Water Sector (Masibambane) Programme to the amount of R167 million. Masibambane which means "let's work together" in Nguni languages set the mechanism to implement water sector programmes between the Republic of South Africa and the donors that support this sector.

The main purpose of this Programme is to support and strengthen the water and sanitation services sector in South Africa as a whole. Initially the Eastern Cape, KwaZulu Natal and Limpopo were targeted. Furthermore this project also supports the proper functioning of local government in terms of the current policies and legislative frameworks. The following have been achieved:

- A total of 272,591 households were provided with sanitation infrastructure;
- under the sanitation bucket eradication sub-programme, a total of 71,747 bucket toilets were replaced;
- free basic water services were provided by 164 of the 169 Water Services Authorities;
- to date 3,066km of water pipes and 166,500 water meters were installed in all nine provinces throughout South Africa;
- the status of health and hygiene education has progressed satisfactorily in 2006/07. In excess of 1,9million people (approximately 500,000 households) were reached through radio and print media campaigns; and
- the quality of drinking water is monitored in most municipalities. In March 2007, it was recorded that of the 2,068 sites monitored nationally, 123 sites were non-compliant and posed health related Drinking Water Quality (DWQ) threats.



EXECUTIVE OVERVIEW (CONTINUED)

Health Services

The international donor support for the 2006/07 financial year for health services was R125 million. This was mainly for the fight against HIV and AIDS, tuberculosis and malaria in KwaZulu-Natal, to build a partnership for the delivery of primary health care including HIV and AIDS and to strengthen national and provincial capacity for the prevention, treatment and support related to HIV and tuberculosis.

The Programme against HIV and AIDS, tuberculosis and malaria in KwaZulu-Natal achieved the following:

- Created a HIV and AIDS and tuberculosis supported environment by involving 15 organisations to care and support for the chronically/terminally ill and/or their families. Furthermore 16,883 employees were trained to support interventions for the prevention and medical treatment for HIV infected persons;
- strengthening of health systems through training of 896 public health care workers in clinical management of HIV and AIDS and by supporting 16 service delivery points through tele-health;
- 375 people completed the course in counseling and testing in the workplace and 90 people living with Aids (PLWA) were exposed to outreach programmes (beadwork, gardening, poultry etc.);
- 1,896 of people living with AIDS (PLWA's) received treatment, 10 laboratories with capacity to monitor Anti-retroviral Therapy (ART) combination therapy according to National Guidelines were established; and
- care and support was given to 31,936 chronically ill and/or their families by providing nutritional, psychological and palliative care. School fees, school uniform, food parcels and blankets were provided to 419 orphans and vulnerable children and 1,582 workers were trained in home based care.

The Partnership for the Delivery of Primary Health Care (PHC) including HIV and AIDS Programme achieved the following:

- More accessible and affordable quality primary health care for the poorest communities in 5 target provinces namely Limpopo, Eastern Cape, KwaZulu-Natal, Western Cape and Gauteng. This resulted in:
- Together, the targeted provincial departments of health and selected district municipalities were able to operate an integrated district health system including a component of partnerships with non-profit organisations;
- an increased number of non-profit organisations were able to identify and define their role and could negotiate and implement service partnerships with provincial health



EXECUTIVE OVERVIEW (CONTINUED)

departments and district municipalities for the delivery of PHC services, especially related to HIV and AIDS; and

- provincial departments of health and selected municipalities were able to identify and support and evaluate the role of non-profit organisations in PHC service delivery, especially related to HIV and AIDS.

Given the increasing rate in HIV/Tuberculosis co-infection the Programme Strengthening National and Provincial Capacity for the Prevention, Treatment and Support related to HIV and Tuberculosis aims to prevent HIV/Tuberculosis and sexually transmitted infections. Furthermore this programme also cares for and supports those that are infected. The programme therefore focuses on:

- Improving public/private collaboration on tuberculosis and HIV at all levels;
- developing an evidence base for national guidelines to implement HIV/Tuberculosis activities;
- enhancing capacity at provincial health departments to support accelerated implementation of HIV/Tuberculosis training districts in partnership with non-governmental organisations and civil society; and
- enhancing managerial and technical capacity of the National Department of Health to support provinces and civil society to implement comprehensive prevention, care and support.

Safety and Security

During the 2005/06 financial year R58 million was received to support South Africa in improving service delivery in the safety and security sector. These funds were transferred during the current financial year to the spending agency after a bilateral agreement was signed between South Africa and the Democratic Republic of the Congo (DRC). As part of South Africa's efforts to build and consolidate sound and mutually beneficial relations with the DRC, the project was implemented to build the necessary capacity within the DRC. The programme achieved the following:

- Verify day to day managing of logistical support functions on warehousing, equipment numbers strategy and distribution of equipment;
- programming of 8 500 portable, 1 433 mobile radios, 119 repeaters and 155 HF radios;
- completed the installation of these equipments into 66 towns throughout the DRC to ensure a fully workable stand alone radio network per selected town based on the election;
- installed and set up 155 radio kits and the activation of approximately 58 HF data radio kits;



EXECUTIVE OVERVIEW (CONTINUED)

- rendered support during the installation period and through the election;
- managed the overall roll out strategy in terms of allocated equipment and identified locations;
- management of all aspects pertaining to the project to route out interferences that might hamper the roll-out strategy; and
- transfer of skills to DRC.

Justice

A contribution of R46 million was made available by the donors for Justice programmes. The E-Justice Programme was established in 2000 to modernise and reform the administration and delivery of justice in South Africa. The overall objective of this programme is to ensure better access to justice and to build a more effective justice system for all South Africans, in particular the poorest and remote populations. Beyond that, this programme seeks to contribute towards the creation of safer living conditions and a better business environment within South Africa. The programme achieved the following:

- Reforming and modernising the administration and delivery of Justice through re-engineering of work processes;
- use of enabling technology;
- strengthening strategic planning and management capacity;
- organisational development; and
- human resource interventions.

Housing

Foreign donors donated R45 million in the previous financial year (2005/06) to support South Africa in implementing programmes to support sustained growth. The institutional frameworks and capacity necessary to sustain sector support and regulation established also benefited hugely from this donations.

The activities of the Support Programme for Social Housing (SPSH) are the following:

- To ensure that the annual work plan outputs, schedules and cash flows are achieved in the most efficient manner in co-operation with national support agencies;
- Managing and operating a procurement support service for the entire SPSH and all its clients;
- The Social Housing Bill and the Administrative Guidelines are approved and supported by a sustainable social housing support programme, adequate institutional capacity for support and regulatory functions, enjoying collaboration between all



EXECUTIVE OVERVIEW (CONTINUED)

- relevant national partner agencies, and resulting in smooth exit of the SPSH upon the conclusion of the financing agreement;
- The ongoing management of current grants to build and further enhance institutional and financial sustainability and establish capacity to expand operations within selected Social Housing Institutions (SHIs);
 - The identification, design and provision of technical support services and organisational development to social housing institutions, aimed at achieving the government's social housing production targets;
 - Further developing of the Monitoring, Evaluation and Reporting (ME&R) System and its regular use in an efficient and effective delivery of the SPSH programme;
 - Equipping the participating SHIs with appropriate management tools and skills to translate policies into viable projects and achieve sustainable levels of operation;
 - To provide policy, programme and capacity to the national, provincial and local government spheres to enable the implementation of the Social Housing Policy;
 - To provide short-term finance and support services to participating SHIs to assist them to mobilise additional capital and manage their loan;
 - Develop the capacity to establish and administer a sound Loan Management System in the Trust for Urban Housing Fund (TUHF); and
 - Providing strategic guidance and technical support to National Association of Social Housing Organisations (NASHO) in order to develop a strong independent member based organisation able to deliver on advocacy, research and networks on behalf of social housing institutions;

Spending Agencies are accountable for the utilisation of Official Development Assistance (ODA) resources in support of their initiatives. Details pertaining to the utilisation of donor funds are therefore provided in the Annual Financial Statements of the respective Spending Agencies.

We are highly indebted to all our donor partners for their loyal support and commitment to partnering us in meeting the challenges that confront the people of our country. There is a discernible difference that their contribution is making in ensuring that the problems of poverty and inequality are met with sustainable solutions. We would also like to urge all donors to make full use of South African ODA delivery systems, such as the RDP Fund mechanism. This is essential in achieving South African-led development co-operation partnerships, and in implementing the Paris Declaration on 'aid effectiveness' particularly the Harmonisation and Alignment of Donor Practices.

In an effort to enhance accountability and transparency in the utilisation of ODA resources in South Africa, National Treasury has developed an on-line management information system in support of ODA management. The Development Co-operation Information



EXECUTIVE OVERVIEW (CONTINUED)

System (DCIS) inter alia provides both general and project-specific information on the RDP Fund. We would like to encourage all our partners to make full use of the DCIS, and to assist us in ensuring that it provides accurate and comprehensive information on all ODA to South Africa in a user-friendly manner. The DCIS can be accessed directly at www.dcis.gov.za, or via National Treasury's web site (www.treasury.gov.za).

Trevor A Manuel, MP
Minister of Finance



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND for the year ended 31 March 2007

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the Reconstruction and Development Programme Fund (RDP Fund) which comprise the balance sheet as at 31 March 2007, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 20 to 29.

Responsibility of the accounting officer for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999) (PFMA) and Auditor-General Audit Circular 1 of 2005. This responsibility includes:
 - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
 - selecting and applying appropriate accounting policies
 - making accounting estimates that are reasonable in the circumstances.

Responsibility of the Auditor-General

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 7 of the Reconstruction and Development Programme Fund Act, 1994 (Act No. 7 of 1994) (RDP Act), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 648 of 2007*, issued in *Government Gazette No. 29919* of 25 May 2007. Those standards require that I comply with ethical requirements



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND (CONTINUED) for the year ended 31 March 2007

and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
6. An audit also includes evaluating the:
 - appropriateness of accounting policies used
 - reasonableness of accounting estimates made by management
 - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis of accounting

The RDP Fund's policy is to prepare financial statements on South African Statements of Generally Accepted Accounting Practice, as set out in note 1 to the financial statements.

Basis for qualified opinion

8. Accounting for donations received

The income of the RDP Fund consists of grants and donations received. In common with similar organisations, it was not feasible for the fund to institute accounting controls over funds received from donors before initial entry of the receipts in the accounting records. Accordingly, it was impracticable for me to extend my audit examination beyond the receipts actually recorded.



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND (CONTINUED) for the year ended 31 March 2007

9. Unspent money

In terms of section 5 of the RDP Act, money transferred from the RDP Fund and not spent by the end of each financial year, in the absence of any provision to the contrary in a technical assistance agreement, is required to be paid into the RDP Fund. As the fund had not implemented sufficient systems for the follow-up of such monies, I was unable to determine the completeness of unspent money refunded to the RDP Fund.

Qualified opinion

10. In my opinion, except for the effects of the matters referred to in the basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the RDP Fund as at 31 March 2007 and its financial performance and cash flows for the year then ended, in accordance with the South African Statements of Generally Accepted Accounting Practice and in the manner required by Audit Circular 1 of 2005.

OTHER MATTERS

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

11. Funds awaiting distribution

The capital portion of funds awaiting distribution (excluding capitalised interest) remains significant although it has decreased by R216,786,998 from R789,024,413 in 2006 to R572,237,415 in 2007. The total amount of funds awaiting distribution is an indication of delays in the requests for funds by either the spending agencies or the donors.



REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND (CONTINUED) for the year ended 31 March 2007

APPRECIATION

12. The assistance rendered by the staff of the RDP Fund during the audit is sincerely appreciated.

GO Randall
for Auditor-General

Pretoria
31 July 2007



A U D I T O R G E N E R A L



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

ACCOUNTING OFFICER'S REVIEW for the year ended 31 March 2007

The Reconstruction and Development Programme Fund (RDP Fund) was established on 1 November 1994 in terms of the Reconstruction and Development Programme Fund Act, 1994 (Act No 7 of 1994) (RDP Act). An amended Act was promulgated on 28 October 1998 (Act No 79 of 1998).

The RDP Fund showed increased activity during the 2006/07 year. Grants and Donations received, increased by 16% (compared to 2005/06) to R1 270 million (2005/06: R1 098 million). These Grants and Donations do not represent all the Official Development Assistance (ODA) provided to South Africa by the international donor community. Technical assistance represents a significant proportion of foreign aid, and a number of donors do not allow South African Spending Agencies to assume responsibility for the financial management of ODA.

The amounts transferred to the Spending Agencies from the RDP Fund increased by 44% (compared to 2005/06) to R1 266 million (2005/06: R877 million). Total accumulated funds in the RDP Fund decreased to R940 million (2005/06: increased to R1 131 million). Of the said transfers, 75% (2005/06: 80%) was from Grants and Donations received during the year. These transfers enabled Spending Agencies to initiate and implement programmes in various sectors.

Accumulated funds as at 31 March 2007 totaled R940 million. This amount consists of capital in the amount of R572 million and interest accrued on capital invested totaling R368 million. Cabinet approval is still awaited for the re-allocation of the R147 million donated by the SA Post Office.

The reasons why there is no immediate disbursement from the RDP Fund account to South African Spending Agencies are mainly:

- Donors deposit funds into the RDP Fund prior to the project commencement whilst spending is spread over the life of the project.
- Time lag exist between deposits and transfer payments as most deposits into the RDP Fund account are prior to transfer payments being made to South African Spending Agencies.
- Funds in the RDP Fund account are transferred to Spending Agencies on their request. Until required, such funds are invested with the Public Investment Corporation (PIC) to earn interest.
- Unallocated funds, i.e. deposits for which no project has been specified, are



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

ACCOUNTING OFFICER'S REVIEW (CONTINUED)

for the year ended 31 March 2007

sometimes made into the RDP Fund. Such payments have to be verified prior to decision-making by Cabinet on their utilisation. Unallocated capital funds in the RDP Fund amounts to R65 million and the interest earned on these amounts to R116 million. A proposal on the utilisation of R40 million of the unallocated capital funds of R65 million has been re-submitted to the Minister of Finance for consideration.

- Donor-supported development projects are sometimes implemented slower than originally envisaged due to capacity constraints in implementing agencies and/or donor institutions, unrealistic planning and/or complicated implementation modalities in cases where donor rules and procedures have to be followed. All of these factors can contribute to funds remaining in the RDP Fund account longer than planned.

The tables below reflect Grants and Donations of R10 million and more. The amounts received for the year exclude interest, whilst amounts transferred for the year may include interest accrued and surrenders from Spending Agencies. Accumulated funds as at 31 March are net of refunds to donors and include interest accrued.

* To comply with **IAS20** the amounts received in the RDP Fund are reflected as deferred income. This income is therefore only recognised to the extent of the expenses. The reconciliation amount in the under mentioned tables represents funds received but not yet utilised for projects. However, the percentage reflected is still based on the total amount of funds received.

Restated as a result of prior period error as disclosed in note 10 to the AFS.



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

ACCOUNTING OFFICER'S REVIEW (CONTINUED) for the year ended 31 March 2007

Analysis of Grants and Donations by Spending Agency for the various programmes:

Spending Agency	TRANSFERRED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH			
	2006/07		2005/06		2006/07		2005/06	
	R'm	%	R'm	%	R'm	%	R'm	%
Water Affairs and Forestry	230	18	243	28	30	3	79	7
Education	208	16	117	13	215	23	103	9
Economic Development and Tourism-KwaZulu Natal	179	14	-	-	-	-	-	-
Trade and Industry	163	13	(163)	(18)	129	14	300	26
Health	148	12	229	26	54	6	72	6
Safety & Security	73	6	36	4	-	-	66	6
Justice and Constitutional Development	52	4	56	6	73	8	76	7
Environmental Affairs and Tourism	37	3	36	4	31	3	21	2
Agriculture	34	3	-	-	13	1	11	1
National Treasury	32	3	32	4	29	3	71	6
Various Departments	30	2	39	4	243	26	233	21
Housing	27	2	25	3	11	1	29	3
Minerals and Energy	23	2	-	-	-	-	-	-
Nelson Mandela Metropolitan Municipality	18	1	-	-	-	-	-	-
Public Service and Administration	12	1	27	3	-	-	11	1
Local Government and Housing: Limpopo	-	-	71	8	-	-	-	-
Ethekwini Municipality-KwaZulu Natal	-	-	59	7	-	-	-	-
Defence	-	-	44	5	14	2	13	1
Social Development	-	-	15	2	-	-	-	-
Labour	-	-	11	1	40	4	34	3
Eastern Cape: Provincial Treasury	-	-	-	-	26	3	-	-
Buffalo City Municipality	-	-	-	-	19	2	-	-
Provincial and Local Government	-	-	-	-	15	2	-	-
PE Municipality	-	-	-	-	-	-	12	1
Foreign Affairs	-	-	-	-	-	-	-	-
TOTAL	1266	100	877	100	940	100	1131	100



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

ACCOUNTING OFFICER'S REVIEW (CONTINUED)

for the year ended 31 March 2007

Programmes	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2006/07		2005/06		2006/07		2005/06	
	R'm	%	R'm	%	R'm	%	R'm	%
Local Economic Development Programme	202	16	71	7	180	14	71	8
Private Sector Support for Risk Capital	185	15	-	-	147	12	(266)	(30)
Various other projects	167	13	163	16	204	16	179	20
Masibambane Water Supplies	164	13	163	15	215	17	236	27
Higher Education HIV and AIDS Programme	112	9	-	-	-	-	-	-
Sectoral Budget Support Programme	105	8	15	1	156	12	48	5
Primary Health Care including HIV/AIDS	85	7	57	5	94	7	49	6
E-Justice Programme	37	3	52	5	52	4	25	3
Urban Renewal programme	37	3	-	-	18	1	-	-
Economic Cooperation Programme	30	2	-	-	-	-	-	-
Inclusive Education Programme	26	2	-	-	-	-	-	-
Urban Environmental Management Programme	23	2	-	-	-	-	-	-
CWCI III	17	1	11	1	17	1	11	1
Darling Wind Farm	17	1	-	-	17	1	-	-
Pesticides Initiative Programme	16	1	11	1	15	1	-	-
Strengthening National and Provincial Capacity	15	1	-	-	15	1	-	-
Implementation of White Paper 6	12	1	-	-	-	-	-	-
Capacity Building Programme	10	1	-	-	13	1	-	-
SMME Development Programme	10	1	16	1	16	1	-	-
SWEEP Programme	-	-	103	9	-	-	103	12
SUCOP for HIV/AIDS Programme	-	-	60	5	-	-	60	7
Fight against AIDS, Tuberculosis and Malaria	-	-	60	5	15	1	45	5
Urban Development Support to Ethekwini Mun	-	-	59	5	-	-	59	7
Joint Support of the DRC Radio Communications	-	-	54	5	54	4	-	-
Social Housing Support Programme	-	-	45	4	26	2	20	2
Education Facility Supporting Rural Development	-	-	41	4	-	-	41	5
Fight against AIDS, Tuberculosis and Malaria-Love Life	-	-	37	3	-	-	37	4
Security Reform in the DRC	-	-	31	3	-	-	31	4
Civil Society Advocacy Programme	-	-	24	2	-	-	24	3
Public Support in Democratic Rep of Congo	-	-	18	2	-	-	14	2
National Waste Management Strategy	-	-	10	1	-	-	-	-
Teachers Training	-	-	-	-	12	1	-	-
Wild Coast Spatial Development	-	-	-	-	-	-	10	1
Capacity Building and Institutional Development	-	-	-	-	-	-	30	3
Integrated Provincial Support Programme	-	-	-	-	-	-	14	2
President's Call	-	-	-	-	-	-	13	1
SACED Programme	-	-	-	-	-	-	12	1
Labour Market Skills Development Programme	-	-	-	-	-	-	11	1
Reconciling item *	(20)		(255)#					
TOTAL	1250	100	846#	100	1266	100	877	100

Note: Transfers may include funds received in prior years



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

ACCOUNTING OFFICER'S REVIEW (CONTINUED)

for the year ended 31 March 2007

Analysis of Grants and Donations by donor:

Donor	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH			
	2006/07		2005/06		2006/07		2005/06	
	R'm	%	R'm	%	R'm	%	R'm	%
European Union	842	66	653	59	434	46	564	50
Netherlands	106	8	87	8	21	2	67	6
Denmark	67	5	13	1	36	4	23	2
Flemish	43	3	21	2	18	2	-	-
Sweden	42	3	19	2	57	6	24	2
Ireland	41	3	41	4	22	2	28	3
Finland	36	3	24	2	65	7	51	5
Various Donors	36	3	39	3	98	10	103	9
Belgium	23	2	-	-	16	2	14	1
Norway	19	2	20	2	-	-	-	-
Global Fund	15	1	106	10	-	-	15	1
UK	-	-	78	7	-	-	67	6
SA Post Office	-	-	-	-	147	16	137	12
Switzerland	-	-	-	-	15	2	14	1
USAID	-	-	-	-	11	1	11	1
France	-	-	-	-	-	-	13	1
Reconciling item *	(20)		(255) #					
TOTAL	1250	100	846 #	100	940	100	1 131	100

More information on the guidelines of the Official Development Assistance (ODA) in South Africa is available on the following website:
www.dcis.gov.za

Freeman Nomvalo
Accounting Officer
31 July 2007



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

ACCOUNTING OFFICER'S APPROVAL for the year ended 31 March 2007

The annual financial statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, on the going concern basis. The annual financial statements are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements of estimates.

The annual financial statements on pages 20 to 29 have been approved by the Accounting Officer and Financial Accountant on 31 May 2007.

Freeman Nomvalo
ACCOUNTING OFFICER

Relobohile Malahleha
FINANCIAL ACCOUNTANT



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

BALANCE SHEET as at 31 March 2007

	Notes	2007 R	2006 R
Assets			
Currents assets		939 937 790	1 131 051 564
Cash and Cash Equivalents	2.1	<u>939 937 790</u>	<u>1 131 051 564</u>
Total Assets		<u>939 937 790</u>	<u>1 131 051 564</u>
Liabilities			
Current liabilities			
Funds awaiting distribution	3	939 937 790	1 131 051 564
Total Liabilities		<u>939 937 790</u>	<u>1 131 051 564</u>



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

INCOME STATEMENT for the year ended 31 March 2007

	Notes	2007 R	2006 R
Income		1 323 654 428	1 145 519 952
Income relating to expenditure -			
Grants and donations	4	1 304 653 062	1 117 904 727
Interest		19 001 366	27 615 225
Expenditure		1 323 654 428	1 145 519 952
Operating expenses	5	178 570	251 508
Funding of Reconstruction and Development Programme projects and programmes	6	1 323 475 858	1 145 268 444
Net funds for the year		-	-



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

CASH FLOW STATEMENT for the year ended 31 March 2007

	Notes	2007 R	2006 R
Cash receipts from donors and spending agencies		1 324 361 199	1 369 577 996
Cash paid to donors and spending agencies		<u>(1 582 751 420)</u>	<u>(1 175 496 770)</u>
		(258 390 221)	194 081 226
Interest received		65 087 074	52 064 654
Net Cash flow from operating activities	7.1	<u>(193 303 147)</u>	<u>246 145 880</u>
Cash and cash equivalents at the beginning of the year		1 125 625 231	879 479 351
Cash and cash equivalents at the end of the year	7.2	<u><u>932 322 084</u></u>	<u><u>1 125 625 231</u></u>



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2007

1. BASIS OF PRESENTATION

The summary of principal accounting policies is presented to assist in the evaluation and appreciation of the annual financial statements. The policies have been consistently applied except where specifically indicated. The financial statements are prepared on a going concern basis, using the historical cost basis except for financial instruments which are stated as fair value or amortised cost at balance sheet date. These policies comply with the South African Statements of Generally Accepted Accounting Practice and incorporate the principal accounting policies set out below.

1.1 Comparative Figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. The comparative figures shown in these financial statements are limited to the figures shown in the previous year's audited financial statements.

1.2 Revenue recognition

The following specific recognition criteria are adopted:

1.2.1 Grants and Donations

Grants and donations are accounted for in terms of IAS20. Grants and donations are recorded as deferred income when there is reasonable assurance that:

- the entity will comply with the conditions attaching to them; and
- the grants will be received or have been received already, whichever is earlier.

They are recognised as income on a systematic basis over the periods necessary to match the grants with the related costs which they are intended to compensate.

The deferred income (Funds awaiting distribution) relating to grants and donations is recognised on the following basis:



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

- Income-related grants subsidising expenses: Credited to the related expense items as recovery of costs.

1.2.2 Interest income

The interest received is recognised on the same bases as Grants and donations, in terms of IAS20, as it directly relates to the capital amount received from donors.

Interest is calculated on a time proportion basis that takes into account the effective yield on the assets and the principal outstanding.

1.3 Expenditure

The following specific recognition criteria are adopted:

1.3.1 Funding of the Reconstruction and Development Programme projects and programmes.

Transfers to spending agencies are recognised as an expense when the spending agencies comply with all conditions stipulated by the Reconstruction and Development Fund (RDP Fund) for the transfer of donor funds.

1.3.2 Refunds to donors

Refunds to donors represent an outflow of funds and are recognised as a decrease in deferred income (Funds awaiting distribution).

1.3.3 Operating expenses

Operating expenses are recognised when incurred. These expenses are paid from Investment portfolios at Public Investment Commissioners (PIC) and the bank account at the South African Reserve Bank (SARB). Refer note 2 and 7.

1.4 Translation of foreign currencies

Grants and donations received from foreign donors are recorded in Rand, on



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

initial recognition, by applying to the foreign currency amount the exchange rate at the date of the transactions.

1.5 Financial instruments

Financial instruments include investments, receivables (included as part of investments) and cash and cash equivalents.

Risk management policy of the RDP Fund is in existence with the purpose to limit exposure to market risk, being possible market fluctuations and subsequent losses, by investing the RDP Funds at cash instruments only, as opposed to investing in other types of financial instruments.

Initial recognition and measurement

Financial instruments are recognised when the RDP Fund becomes a party to the transaction. Initial measurement is at cost, which includes transaction cost. Subsequent to initial recognition, these instruments are measured as follows:

1.5.1 Investments

Investments consist of amounts invested in financial instruments classified as loans and receivables (cash investments) by the PIC. Investments are subsequently measured at amortised cost which includes the amount at which financial assets were measured at initial recognition, minus repayments plus interest received. This is adjusted for any write down for impairment in value.

1.5.2 Receivables

Interest receivable is measured based on the interest rate granted by PIC on the deposit.

1.5.3 Cash and cash equivalents

Cash and cash equivalents consist of a balance with the SARB and are measured at fair value.

1.5.4 Funds awaiting distribution

The liabilities are represented by funds awaiting distribution and are measured at amortised cost. Funds awaiting distribution will be withdrawn from the corresponding investment amount.



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2007 R	2006 R
2. Current assets		
Opening balance as at 1 April	1 131 051 564	884 503 571
Net movement of funds for the year (note 3)	(191 113 774)	246 547 993
Closing balance as at 31 March	939 937 790	1 131 051 564
The closing balance comprise of:		
2.1 Cash and Cash Equivalents		
Investments with PIC	932 320 684	1 112 010 787
Receivables relating to portfolios	7 617 906	5 427 333
Interest receivable from PIC	7 617 906	5 427 333
Payables relating to portfolios	(2 200)	(1 000)
Management fees payable to PIC	(2 200)	(1 000)
Bank balance: SARB	1 400	13 614 444
	939 937 790	1 131 051 564

Inclusive in the balance of the Investments with PIC is an amount of R705 251 (2006: R827 674), which represents a separate portfolio being used for payment of related audit fees.

Interest regarding above portfolio amounts to R4 759 (2006: R4 217). It is included in the balance of the Interest receivable from PIC.



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2007 R	2006 R
3. Funds awaiting distribution		
Opening balance as at 1 April	1 131 051 564	884 503 571
Net movement of funds for the year	<u>(191 113 774)</u>	<u>246 547 993</u>
Closing balance as at 31 March	<u>939 937 790</u>	<u>1 131 051 564</u>
Net movement of funds comprise of:		
Grant and donations received	1 269 929 223	1 098 011 743
Interest received	67 277 647	52 435 767
Refunds from Spending Agencies (note 9)	54 431 976	271 486 253
Refund to donors (note 8)	(259 082 792)	(29 852 068)
Operating expenses (note 5)	(178 570)	(251 508)
Management fees paid to PIC	(15 400)	(13 750)
Funding of Reconstruction and Development Programme projects and programmes (note 6)	<u>(1 323 475 858)</u>	<u>(1 145 268 444)</u>
	<u>(191 113 774)</u>	<u>246 547 993</u>
<p>These funds represent the provision of funds, which have not yet been transferred to spending agencies or refunded to donors in terms of the RDP Fund Act.</p>		
4. Income relating to expenditure:		
Grants and donations		
Grants and donations limited to expense	1 304 474 492	1 117 653 219
Audit fees funded by a portfolio invested at PIC	177 407	251 438
Bank charges funded by the balance at SARB	1 163	70
	<u>1 304 653 062</u>	<u>1 117 904 727</u>
5. Operating expenses		
<p>The operating expenses for the year comprise of the following:</p>		
Auditors Remuneration	177 407	251 438
Bank charges	1 163	70
	<u>178 570</u>	<u>251 508</u>

All other expenditure in the operation of the RDP Fund is borne by the National Treasury.



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2007 R	2006 R
6. Funding of Reconstruction and Development Programme Fund projects and programmes		
Amounts to fund projects and programmes		
Capital	1 304 474 492	1 117 653 219
Interest	19 001 366	27 615 225
	1 323 475 858	1 145 268 444
7. Notes to the Cash Flow Statement		
7.1 Reconciliation of cash flow from operating activities		
Net funds for the year	-	-
(Increase)/decrease in trade and other receivables	(2 190 573)	(291 113)
Increase/(decrease) in trade and other payables	(191 112 574)	246 436 993
Cash flow from operating activities	(193 303 147)	246 145 880
<p>Receivables and payables relating to portfolios were eliminated for the calculations of the cash flow. (Refer note 2.1)</p> <p>For more detail on the flow of funds refer to note 3.</p>		
7.2 Cash and Cash Equivalents		
Investments	932 320 684	1 112 010 787
Bank balance: SARB	1 400	13 614 444
	932 322 084	1 125 625 231
8. Refunds to Donors		
Capital		
Refund to Belgium	1 036 164	-
Refund to Denmark	1 754 089	183 953
Refund to EU	227 525 324	58 307
Refund to Flemish	1 121 385	-
Refund to IBRD	521 439	-
Refund to Norway	2 926 192	3 901 173
Refund to Old Mutual	-	200 000
Refund to Switzerland	1 157 761	-
Interest		
Refund to Belgium	481 174	-
Refund to Denmark	2 091 788	3 413
Refund to EU	19 321 057	9 251 899
Refund to Flemish	282 839	-
Refund to IBRD	83 379	-
Refund to Norway	780 201	16 243 959
Refund to Old Mutual	-	9 364
	259 082 792	29 852 068

Any unspent funds and interest on donations may be required to be refunded to the donor upon completion of the contract, pending further negotiations with the donor.



THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2007

	2007 R	2006 R
9. Refunds from Spending Agencies		
Capital	54 357 360	271 152 168
Interest	74 616	334 085
	<u>54 431 976</u>	<u>271 486 253</u>

10. Prior period error

For the 2005/06 financial year an amount of R2 986 800 was reflected as Grants and donations received. During the 2006/07 financial year this amount has been reclassified as Refunds from Spending Agencies. The necessary adjustment has been made in the comparative figures.

Even though the above reclassification affected the line items, Grants and donations received and Refunds from Spending Agencies as set out in note 3 to the annual financial statements, it had no effect on the balance sheet or income statement in that, the net funds remained unaffected. Reasons for this are set out below:

- **Income statement:**
The amount disclosed as Grants and donations received include both the Refunds from Spending Agencies and Grants and donations received and the reclassification therefore does not affect this line item.
- **Balance sheet:**
The amount disclosed as Funds awaiting distribution remained unchanged as this transaction already formed part of the balance.