



# **National Treasury**

## **Reconstruction and Development Programme Fund**

Annual Financial Statements  
For the year ended 31 March 2006



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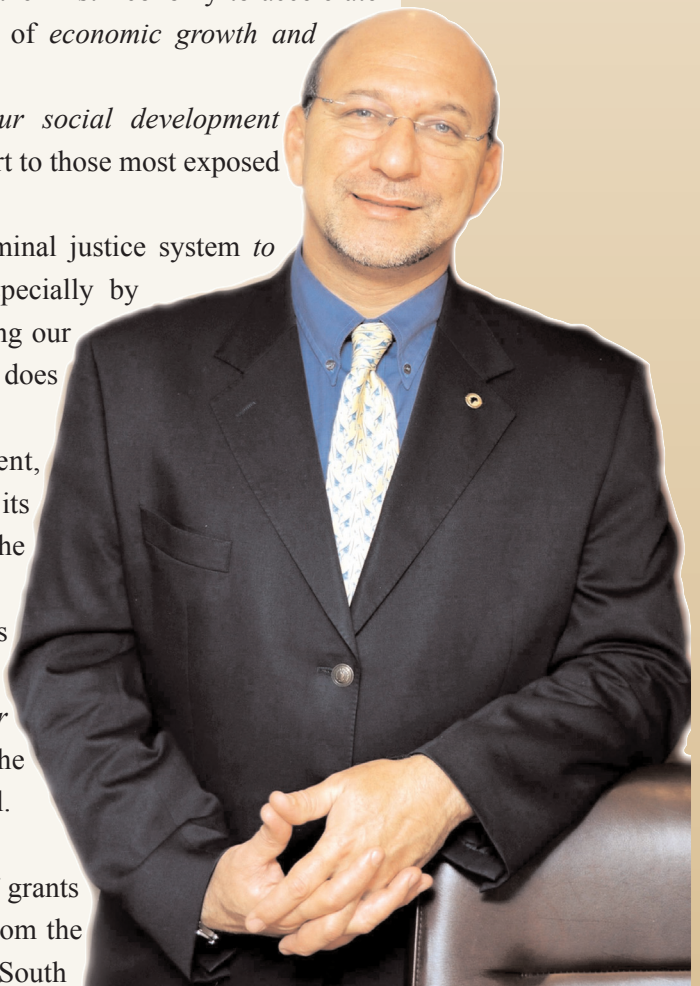
## EXECUTIVE OVERVIEW

In his State of the Nation Address, delivered to the joint sitting of the Houses of Parliament of South Africa, Mr Thabo Mbeki referred to the speech by the Honourable Nelson Mandela on 24 May 1994 that say: "we must, constrained by and yet regardless of the accumulated effect of our historical burdens, seize the time to define for ourselves what we want to make of our shared destiny". Furthermore Mr Mbeki also said that it is up to all of us, through our National Effort, to build a winning nation.

A Survey was conducted by Government Communication and Information System (GCIS) and the outcomes communicate the unequivocal message that our people expect that government:

- Should move faster to address the challenges of poverty, underdevelopment and marginalization confronting those caught within the second Economy, to ensure that the poor in our country share in our growing prosperity;
- Should make necessary interventions with regard to the First Economy to accelerate progress towards the achievement of higher levels of *economic growth and development* of at least 6% a year;
- Must sustain and *improve the effectiveness of our social development* programmes targeted at providing a cushion of support to those most exposed to the threat of abject poverty;
- Must act more aggressively with regard to our criminal justice system *to improve the safety and security* of our people, especially by improving the functioning of our courts and increasing our conviction rates to strengthen the message that crime does not pay;
- Must ensure that the machinery of government, especially the *local government* sphere, discharges its responsibilities effectively and efficiently, honoring the precepts of Batho Pele; and,
- Must harness the Proudly South African spirit that is abroad among the people to build the strongest possible *partnership between all sections of our population* to accelerate our advance towards the realization of the important goal of a better life for all.

Official Development Assistance (ODA) in the form of grants and donations was received during this 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 Water Services,



**Trevor A Manuel, MP**  
**Minister of Finance**



## **EXECUTIVE OVERVIEW (CONTINUED)**

Local Economic Development, Health Services, Education, Safety and Security Services and Housing.

### **Water Services**

The overall objective of the first Water Programme was to improve the quality of life and contribute to poverty eradication in rural communities through the provision of basic water and sanitation services. This was successful and partly due to the timing of the introduction of a sector wide approach, vision leadership and dedication of a number of key drivers at national, provincial and local level.

The main achievements have been the following:

- Sanitation targets were met or exceeded in each province and a White Paper on Basic Household Sanitation was published;
- Water targets were exceeded in KwaZulu-Natal by 75% and in the Eastern Cape by 25%, though cumulative delivery in Limpopo was lower than the original estimate;
- A strong water services unit was established in SALGA; and
- Direct support was provided to sector partners, such as SALGA, DPLG and Water Services Authorities, as they execute their role, ensuring that there is improved water services competency in the local arena.

The donor community provided assistance in Water Services to the amount of R168 million.

### **Health Services**

The international donor support for the 2005/06 financial year for Health Services was R238 million.

Of the main projects was the Global Fund/LoveLife Programme, the Partnership for the Delivery of Primary Health Care including HIV/AIDS and SUCOP for HIV/AIDS Programme.

The LoveLife Programme initiative aims to improve service quality and management efficiency in clinics and ensure participation of young people in positive lifestyle programs and in program execution.

The Partnership for the Delivery of Primary Health Care including HIV/AIDS Programme contributes to the government policy of ensuring health delivery through a combination of public and private agencies. It furthermore aims to strengthen co-



## EXECUTIVE OVERVIEW (CONTINUED)

operation between non-profit providers (Non-governmental Organisations-NGOS and Community Based Organisations-CBOS) and Government through the creation of formalized partnerships for the Primary Health Care (PHC).

### Education

A contribution of R66 million was made available by the donors for Education Programmes.

The Sectoral Budget Support Programme is the largest Education programme and the funds were mainly utilised for the:

- Audit of provincial education facilities, provincial monitories and section 14 schools - The target set to audit 8000 sites by 31 March 2006 has been achieved;
- Translation of the National Curriculum Statement (NCS) into all official languages as well as the translation of Teachers Guides;
- Provision of storybooks to 5233 schools;
- Editing of the first draft of the National Framework for Teacher Education;
- Pay for bursaries of a total of 2 539 second-year National Professional Diploma in Education (NPDE) teachers; and
- Monitoring and evaluation of implementing the NCS in the Foundation Phase.

### Local Economic Development

The international community supported us by donating R237 million through the RDP Fund for several programmes.

*The Local Economic Development (LED) in Limpopo's* main objective is the reduction of poverty through sustainable community economic development, business development, enhance LED enabling environment and increase capacity of public institutions to facilitate LED.

*The Sector Wide Enterprise, Employment and Equity Programme (SWEEP)* main purpose is to provide budget support to the implementation of the Integrated Manufacturing Strategy (IMS). This will increase competitiveness and efficiency in the economy through benchmarking, provide customised services and aim to remove obstacles to sector growth.

*The Urban Development Support to the Ethekewini Municipality* consists of six areas. Some of the main strategic focus areas are:



## EXECUTIVE OVERVIEW (CONTINUED)

- Regeneration of the inner city so that Ethekewini citizens are proud of and comfortable in their city;
- Extending the spatial, economic and environmental planning base and the implementation of key projects contributing directly to spatial organization; and
- Addressing backlog in service provision, improve participation and community involvement in production of housing, education, welfare and Local Economic Development.

### Safety and Security

Foreign donors donated R58 million for this financial year to support South Africa in the improving of service delivery in the Safety and Security Sector. Some of the goals reached were the following:

- Increased capacity to support White Paper Implementation;
- Developing a Performance Measurements System and Social Crime prevention programmes;
- Increased Human Resources Capacity Training;
- Established of an automated DNA Criminal Database System;
- KwaZulu -Natal Safety and Security Strategic Audit;
- Developing of several Human Resources Management Projects;
- Providing physical resources and training to the police in the fields of organized, serious and violent crimes;
- Training in various fields, developing regional and continental co-operation and exchange of expertise;
- Improved safety and security for people of the Eastern Cape; and
- Contributed to the creation of a safe and secure environment by improving service delivery in the SAPS at station level.

Spending Agencies are accountable for 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.

Once again, we would like to thank all our donor partners for the loyal support and the assistance to South Africa in addressing the challenges of poverty and inequality in a sustainable manner. 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 Rome Declaration on the Harmonisation and Alignment of Donor Practices.





## EXECUTIVE OVERVIEW (CONTINUED)

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 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](http://www.dcis.gov.za), or via National Treasury's web site ([www.treasury.gov.za](http://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 2006

#### 1. AUDIT ASSIGNMENT

The financial statements as set out on pages 15 to 24, for the year ended 31 March 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 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). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

#### 2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 544 of 2006*, issued in *Government Gazette* no. 28723 of 10 April 2006 and *General Notice 808 of 2006*, issued in *Government Gazette* no. 28954 of 23 June 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

#### 3. QUALIFICATIONS

##### 3.1 Accounting for donations received

The income of the Reconstruction and Development Programme Fund (the 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



## 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 2006

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.

#### 3.2 Unspent money

In terms of section 5 of the RDP Act, money transferred from the 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 Fund. As the Fund has not implemented systems for the follow up of such monies, I was unable to determine the completeness of unspent money refunded to the Fund.

#### 4. AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in paragraph 3, the financial statements present fairly, in all material respects, the financial position of the Fund at 31 March 2006 and the results of its operations and its cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by Audit Circular 1 of 2005.

#### 5. EMPHASIS OF MATTER

Without further qualifying the audit opinion expressed above, attention is drawn to the following matter:

##### 5.1 Funds awaiting distribution

The capital portion of funds awaiting distribution (excluding capitalised interest) remains significant having increased by R284 505 027 from R504 519 386 in 2005 to R789 024 413 in 2006. This increase represents 25,8 % of funds received during the current year. The increase in 2005 represented 1,5 % of funds received during 2005. The total amount of funds awaiting distribution is an indication of delays in the requests for funds by either the spending agencies or 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 2006

#### 6. APPRECIATION

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

WP Strauss  
for Auditor-General

Pretoria  
31 July 2006



AUDITOR GENERAL



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S REVIEW for the year ended 31 March 2006

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 2005/06 year. Grants and Donations received, increased by 6% (compared to 2004/05) to R1 101 million (2004/05: R1 034 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 decreased by 12% (compared to 2004/05) to R877 million (2004/05: R997 million). Total accumulated funds in the RDP Fund increased to R1 131 million (2004/05: decreased to R884 million). Of the said transfers, 80% (2004/05: 68%) 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 2006 totaled R1 131 million. This amount consists of capital in the amount of R789 million and interest accrued on capital invested totaling R342 million. Cabinet approval is still awaited for the re-allocation of the R137 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 2006

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 R58 million and the interest earned on these amounts to R104 million. A proposal on the utilisation of R40 million of the unallocated capital funds of R58 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 is reflected as deferred income. This income is therefore only recognised to the extent of the expenses. The reconciliation amount on 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.



# THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

## ACCOUNTING OFFICER'S REVIEW (CONTINUED) for the year ended 31 March 2006

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

Spending Agency	TRANSFERRED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH			
	2005/06		2004/05		2005/06		2004/05	
	R'm	%	R'm	%	R'm	%	R'm	%
Trade and Industry	(163)	(18)	145	15	300	26	19	2
Water Affairs and Forestry	243	28	125	13	79	7	150	17
Health	229	26	123	12	72	6	48	5
Education	117	13	116	12	103	9	152	17
Local Government and Housing: Limpopo	71	8	-	-	-	-	-	-
Ethekewini Municipality-KwaZulu Natal	59	7	62	6	-	-	-	-
Justice and Constitutional Development	56	6	115	11	76	7	52	6
Defence	44	5	-	-	13	1	32	4
Safety & Security	36	4	47	5	66	6	42	5
Various Departments	39	4	43	4	233	21	222	25
Environmental Affairs and Tourism	36	4	40	4	21	2	35	4
National Treasury	32	4	20	2	71	6	30	3
Public Service and Administration	27	3	-	-	11	1	-	-
Housing	25	3	24	2	29	3	-	-
Social Development	15	2	10	1	-	-	16	2
Labour	11	1	10	1	34	3	49	6
Provincial and Local Government	-	-	78	8	-	-	10	1
Economic Development and Tourism-KwaZulu Natal	-	-	26	3	-	-	-	-
Minerals and Energy	-	-	13	1	-	-	-	-
PE Municipality	-	-	-	-	12	1	-	-
Agriculture	-	-	-	-	11	1	13	1
Foreign Affairs	-	-	-	-	-	-	14	2
<b>TOTAL</b>	<b>877</b>	<b>100</b>	<b>997</b>	<b>100</b>	<b>1131</b>	<b>100</b>	<b>884</b>	<b>100</b>



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S REVIEW (CONTINUED) for the year ended 31 March 2006

#### Programmes for which Grants and Donations were received:

Programmes	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2005/06		2004/05		2005/06		2004/05	
	R'm	%	R'm	%	R'm	%	R'm	%
Masibambane Water Supplies	163	15	224	22	236	27	108	11
Various other projects	163	16	171	17	179	20	164	17
SWEEP Programme	103	9	76	7	103	12	76	8
Local Economic Development Programme	71	7	25	2	71	8	26	2
SUCOP for HIV/AIDS Programme	60	5	-	-	60	7	-	-
Fight against AIDS, Tuberculosis and Malaria	60	5	64	6	45	5	64	7
Urban Development Support to Ethekwini Mun	59	5	62	6	59	7	62	6
Primary Health Care including HIV/AIDS	57	5	23	2	49	6	23	2
Joint Support of the DRC Radio Communications	54	5	-	-	-	-	-	-
E-Justice Programme	52	5	63	6	25	3	98	10
Social Housing Support Programme	45	4	34	3	20	2	34	3
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	-	-
SMME Development Programme	16	1	-	-	-	-	-	-
Budget Sectoral Support	15	1	69	7	48	5	90	9
Pesticides Initiative Programme	11	1	-	-	-	-	-	-
CWCI III	11	1	-	-	11	1	-	-
National Waste Management Strategy	10	1	-	-	-	-	-	-
Private Sector Support for Risk Capital	-	-	69	7	(266)	(30)	69	7
Schools Infrastructure Support Programme	-	-	45	4	-	-	-	-
Local Government Capacity Building	-	-	28	3	-	-	40	4
Prevention & Controlling of HIV/AIDS	-	-	28	3	-	-	32	3
Crime against Women and Children	-	-	20	2	-	-	11	1
New Environmental Co-operation	-	-	12	1	-	-	14	1
Wild Coast Spatial Development	-	-	11	1	10	1	-	-
Child Justice Framework	-	-	10	1	-	-	10	1
Capacity Building and Institutional Development	-	-	-	-	30	3	25	3
Integrated Provincial Support Programme	-	-	-	-	14	2	-	-
President's Call	-	-	-	-	13	1	-	-
SACED Programme	-	-	-	-	12	1	-	-
Education Sector Support Programme	-	-	-	-	-	-	30	3
Non-grid electrification of Rural Schools	-	-	-	-	-	-	11	1
Labour Market Skills Development Programme	-	-	-	-	11	1	10	1
Reconciling item *	(252)		(98)					
<b>TOTAL</b>	<b>849</b>	<b>100</b>	<b>936</b>	<b>100</b>	<b>877</b>	<b>100</b>	<b>997</b>	<b>100</b>

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 2006

### Analysis of Grants and Donations by donor:

Donor	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH			
	2005/06		2004/05		2005/06		2004/05	
	R'm	%	R'm	%	R'm	%	R'm	%
European Union	653	59	625	60	564	50	319	36
Global Fund	106	10	64	6	15	1	-	-
Netherlands	87	8	142	13	67	6	124	14
UK	78	7	10	1	67	6	17	2
Ireland	41	4	27	3	28	3	29	3
Various Donors	39	3	38	4	103	9	76	9
Finland	24	2	-	-	51	5	35	4
Flemish	21	2	37	4	-	-	16	2
Norway	20	2	37	4	-	-	29	3
Sweden	19	2	-	-	24	2	21	2
Denmark	13	1	13	1	23	2	22	3
CDC of United States	-	-	28	3	-	-	-	-
Belgium	-	-	13	1	14	1	23	3
SA Post Office	-	-	-	-	137	12	129	15
Switzerland	-	-	-	-	14	1	12	1
France	-	-	-	-	13	1	11	1
USAID	-	-	-	-	11	1	-	-
Republic of China	-	-	-	-	-	-	21	2
Reconciling item *	(252)		(98)					
<b>TOTAL</b>	<b>849</b>	<b>100</b>	<b>936</b>	<b>100</b>	<b>1 131</b>	<b>100</b>	<b>884</b>	<b>100</b>

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

Freeman Nomvalo  
Accounting Officer  
31 July 2006



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S APPROVAL for the year ended 31 March 2006

The annual financial statements are prepared, in accordance with generally accepted accounting practice, 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 15 to 24 have been approved by the Accounting Officer and Financial Accountant on 31 May 2006.

Freeman Nomvalo  
**ACCOUNTING OFFICER**

Kameshni Naidoo  
**FINANCIAL ACCOUNTANT**



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### BALANCE SHEET as at 31 March 2006

	Notes	2006 R	2005 R
<b>Assets</b>			
Currents assets		1 131 051 564	884 503 571
Investments	2.1	1 117 437 120	883 718 989
Cash on hand	2.2	13 614 444	784 582
<b>Total Assets</b>		<u>1 131 051 564</u>	<u>884 503 571</u>
<b>Liabilities</b>			
Current liabilities			
Funds awaiting distribution	3	1 131 051 564	884 503 571
<b>Total Liabilities</b>		<u>1 131 051 564</u>	<u>884 503 571</u>



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### INCOME STATEMENT for the year ended 31 March 2006

	Notes	2006 R	2005 R
<b>Income</b>		1 145 519 952	1 030 437 968
Income relating to expenditure -			
Grants and donations	4	1 117 904 727	965 852 060
Interest		27 615 225	64 585 908
<b>Expenditure</b>		1 145 519 952	1 030 437 968
Operating expenses	5	251 508	152 472
Funding of Reconstruction and Development Programme projects and programmes	6	1 145 268 444	1 030 285 496
<b>Net funds for the year</b>		<u>-</u>	<u>-</u>



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### CASHFLOW STATEMENT for the year ended 31 March 2006

	Notes	2006 R	2005 R
Cash receipts from donors and spending agencies		1 369 577 996	1 067 369 612
Cash paid to donors and spending agencies		<u>(1 175 496 770)</u>	<u>(1 161 349 260)</u>
		194 081 226	(93 979 648)
Interest received		<u>52 064 654</u>	<u>60 039 278</u>
<b>Cash flow from operating activities</b>	7.1	<u>246 145 880</u>	<u>(33 940 370)</u>
Cash and cash equivalents at the beginning of the year		879 479 351	913 419 721
<b>Cash and cash equivalents at the end of the year</b>	7.2	<u><u>1 125 625 231</u></u>	<u><u>879 479 351</u></u>



# THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

## ACCOUNTING POLICIES for the year ended 31 March 2006

### 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 costs basis of accounting. These policies comply with South African Statements of Generally Accepted Accounting Practice and incorporate the principal accounting policies set out below.

#### 1.1. Revenue recognition

The following specific recognition criteria are adopted:

##### 1.1.1 *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:

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

##### 1.1.2 *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.



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

#### 1.2. Expenditure

##### 1.2.1 *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.

##### 1.2.2 *Refunds to donors*

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

##### 1.2.3 *Operating expenses*

Operating expenses are recognised when incurred. These expenses are paid from Investment portfolios at Public Investment Corporation (PIC) and the bank account at the South African Reserve Bank (SARB). Refer note 3 and 8.

#### 1.3. Translation of foreign currencies

Grants and donations received from foreign donors are recorded in Rand, on initial recognition, by applying to the foreign currency amount the exchange rate at the date of the transactions.

#### 1.4. 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*



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING POLICIES (CONTINUED) for the year ended 31 March 2006

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:

#### **1.4.1 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.

#### **1.4.2 Receivables**

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

#### **1.4.3 Cash and cash equivalents**

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

#### **1.4.4 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 for the year ended 31 March 2006

	2006 R	2005 R
<b>2. Current assets</b>		
Opening balance as at 1 April	884 503 571	919 855 379
Net movement of funds for the year (note 3)	246 547 993	(35 351 808)
Closing balance as at 31 March	<b>1 131 051 564</b>	<b>884 503 571</b>
The closing balance comprise of:		
<b>2.1 Investments</b>		
Investments with PIC	1 112 010 787	878 694 769
<b>Receivables relating to portfolios</b>	5 427 333	5 136 220
Interest receivable from PIC	5 427 333	5 056 220
Due by Public Service Commission	-	80 000
<b>Payables relating to portfolios</b>	(1 000)	(112 000)
Due to Public Service and Administration	-	(80 000)
Management fees payable to PIC	(1 000)	(2 000)
Due to PIC	-	(30 000)
	1 117 437 120	883 718 989
<p>Inclusive in the balance of the Investments with PIC is an amount of R827 674 (2005: R1 024 086), which represents a separate portfolio being used for payment of related audit fees.</p> <p>Interest regarding above portfolio amounts to R4 217 (2005: R5 660). It is included in the balance of the Interest receivable from PIC.</p>		
<b>2.2 Cash on hand</b>		
Bank balance: SARB	13 614 444	784 582



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2006

	2006 R	2005 R
<b>3. Funds awaiting distribution</b>		
Opening balance as at 1 April	884 503 571	919 855 379
Net movement of funds for the year	246 547 993	(35 351 808)
Closing balance as at 31 March	<u>1 131 051 564</u>	<u>884 503 571</u>
Net movement of funds comprise of:		
Grant and donations received	1 100 998 543	1 034 254 969
Interest received	52 435 767	58 659 840
Refunds from Spending Agencies (note 9)	268 499 453	33 194 643
Refund to donors (note 8)	(29 852 068)	(131 017 892)
Operating expenses (note 5)	(251 508)	(152 472)
Management fees paid to PIC	(13 750)	(5 400)
Funding of Reconstruction and Development Programme projects and programmes (note 6)	(1 145 268 444)	(1 030 285 496)
	<u>246 547 993</u>	<u>(35 351 808)</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>		
<b>4. Income relating to expenditure:</b>		
<b>Grants and donations</b>		
Grants and donations limited to expense	1 117 653 219	965 699 588
Audit fees funded by a portfolio invested at PIC	251 438	152 400
Bank charges funded by the balance at SARB	70	72
	<u>1 117 904 727</u>	<u>965 852 060</u>
<b>5. Operating expenses</b>		
The operating expenses for the year comprise of the following:		
Auditors Remuneration	251 438	152 400
Bank charges	70	72
	<u>251 508</u>	<u>152 472</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 2006

	2006 R	2005 R
<b>6. Funding of Reconstruction and Development Programme Fund projects and programmes</b>		
Amounts to fund projects and programmes		
Capital	1 117 653 219	965 699 588
Interest	27 615 225	64 585 908
	<b>1 145 268 444</b>	<b>1 030 285 496</b>
<b>7. Notes to the Cash Flow Statement</b>		
<b>7.1 Reconciliation of cash flow from operating activities</b>		
Net funds for the year	-	-
(Increase)/decrease in trade and other receivables	(291 113)	1 299 438
Increase/(decrease) in trade and other payables	246 436 993	(35 239 808)
<b>Cash flow from operating activities</b>	<b>246 145 880</b>	<b>(33 940 370)</b>
<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>		
<b>7.2 Cash and Cash Equivalents</b>		
Investments	1 112 010 787	878 694 769
Bank balance: SARB	13 614 444	784 582
	<b>1 125 625 231</b>	<b>879 479 351</b>
<b>8. Refunds to Donors</b>		
Capital		
Refund to Denmark	183 953	1 479 732
Refund to EU	58 307	81 011 605
Refund to Norway	3 901 173	-
Refund to Old Mutual	200 000	-
Interest		
Refund to Denmark	3 413	336 955
Refund to EU	9 251 899	48 189 600
Refund to Norway	16 243 959	-
Refund to Old Mutual	9 364	-
	<b>29 852 068</b>	<b>131 017 892</b>

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 2006

	2006 R	2005 R
<b>9. Refunds from Spending Agencies</b>		
Capital	268 165 368	29 391 500
Interest	334 085	3 803 143
	<b><u>268 499 453</u></b>	<b><u>33 194 643</u></b>

