



# **National Treasury**

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## **Reconstruction and Development Programme Fund**

Annual Financial Statements  
For the year ended 31 March 2008



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## EXECUTIVE OVERVIEW

On 8 February 2008, in his State of the Nation address, the President of the Republic of South Africa, Mr Thabo Mbeki stated, "I am confident that 2008 will be one of the most remarkable years of our democracy, as we all work together to realise the core aspirations of our people to attain a better life for all".

Government therefore identified a suite of Apex priorities to further accelerate in achieving the promise of a better life for all. To meet this all three spheres of government, the national, provincial and local, at both executive and administrative levels made a firm undertaking to meet the following set priorities:

- The further acceleration of our economic growth and development;
- Speeding up the progress of building the infrastructure to achieve our economic and social goals;
- Improving the effectiveness of the Second Economy to eradicate poverty;
- Enhancing the impact of programmes targeting the critically important areas of education and training;
- Accelerating the achievement of the goal of health for all;
- Revamping the criminal justice system to intensify the offensive against crime;
- Further strengthening the machinery of government to ensure that it has the capacity to respond to development imperatives; and
- Enhancing our focus on key areas in terms of our system of international relations, with particular focus on some African issues and South-South relations.

To assist the Republic of South Africa to meet the abovementioned set priorities Official Development Assistance (ODA) in the form of grants and donations was received during the 2007/08 financial year from the international community. These donations were mainly for Health Services, Local Economic Development and Private Sector Support, Education, Water Services, Safety and Security Services and Justice. Herewith a brief overview of the achievements for the respective sectors:

### Health Services

The international community assisted in providing donor funds amounting to R473 million for the 2007/08 financial year for the furtherance of government health programmes. This was mainly for:

1. The fight against HIV and AIDS, tuberculosis (TB) and malaria;
2. The building of a partnership for the delivery of primary health care including HIV and AIDS;
3. The strengthening of national and provincial capacity for the prevention, treatment and support related to HIV and TB; and



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



## EXECUTIVE OVERVIEW (CONTINUED)

4. Providing the poorest communities in all nine provinces with accessible and affordable quality primary health care.

Through the TB and HIV Collaboration operational plan the following was achieved:

- National Public and Private Partnerships (PPP) workshops to strengthen collaboration with external partners and highlight the National Strategic Plan (NSP) were conducted;
- An Operational Tender (OR) was awarded to the African Medical Research Foundation (AMREF) to conduct studies on the quality of Voluntary Counselling and Testing (VCT) service delivery and uptake in South Africa. Studies were undertaken in KwaZulu Natal, Eastern Cape, Mpumalanga and Gauteng;
- Business plans for the upgrading of Multidrug Resistant Tuberculosis (MDRTB) centres and of were approved and accommodation for Foundation Professional Development (FPD) for doctors and nurses was provided;
- Training of 873 nurses (cumulative 4243) and 232 doctors (cumulative 1176) on the clinical management of TB and HIV was facilitated;
- Management of Comprehensive care, management and treatment (CCMT) of HIV/AIDS patients through quarterly meetings, presentations and site visits to provide information on Anti-Retroviral Treatment (ART) at eight pilot service points;
- An Annual training meeting and training on the Expanded Programme on Immunisation (EPI);
- Dissemination of information to the public on TB and HIV through information, education and communication (IEC) posters and pamphlets; and
- Support for the accreditation of five ART service points in Free State and Gauteng.

The Expanded Partnership for the Delivery of Primary Health Care including the HIV/AIDS Programme, achieved the following in all nine provinces:

- All provincial Departments of Health together with selected district municipalities made significant progress towards operating an integrated district health system in cooperation with non-profit organisations;
- An increased number of non-profit organisations have enhanced the capacity to define their role, to negotiate partnerships with provincial health departments and district municipalities, and to manage and deliver public health care (PHC) and HIV/AIDS services; and
- Provincial Departments of Health and selected municipalities identified and supported the role of non-profit organisations in the management, delivery and monitoring of PHC services, including HIV/AIDS.

Support to the Comprehensive Plan (SuCoP) for the care, management and treatment of HIV/AIDS, achieved the following:



## EXECUTIVE OVERVIEW (CONTINUED)

- Strengthened the capacity of national, provincial and district health services to implement a comprehensive plan for service delivery;
- Consolidated legal, regulatory and management systems;
- Enhanced and improved the capacity of the national Department of Health to manage the human resource pool at national, provincial and district health level staff; and
- Expanded the scope and coverage of the health promotion prevention programme.

### Local Economic Development and Private Sector Support

A contribution of R345 million was made by the international community towards various economic development and private sector programmes.

1. The main objective of the Urban Management Programme is to enhance the performance and integration of line departments and to establish a good institutional presence within local government. The programme achieved the following results within KwaZulu Natal:
  - The generation of the inner city through an increased police presence and the addressing of social issues such as homelessness;
  - The defining of highly visible heritage routes through the inner city, creating a distinct identity for Durban, with the aim of making citizens feel proud of and comfortable in their inner city; and
  - The embracing of different cultures and activities within the urban systems.
2. Funding under the Sector Wide Enterprise, Employment and Equity Programme (SWEEEP) supported sectoral budget support. This was used by the Department of Trade and Industry for unfunded or under funded projects that form part of the main objectives. This programme achieved the following during this financial year:
  - The Centurion Aerospace Village (CAV) has managed to secure land from the South African Air Force and the legal office at Department of Trade and Industry was also involved to finalise an agreement to enable CAV to occupy the land;
  - The project plans by the SA Fruit and Vegetable Canning Association of various products for canning were accepted; and
  - The savant project, which is a portal created with the aim of providing Small and Medium Enterprises with a website to sell their products, has increased its membership to 649 members. There were 15 610 visits to this website during this financial year.
3. The Economic Cooperation Programme was created to promote business co-operation between Swedish and South African companies. This programme achieved



## EXECUTIVE OVERVIEW (CONTINUED)

the following during this financial year:

- An interview and meeting with fifty Small and Medium Enterprises (SME's) and twenty multinationals was held;
  - Five Workshops were conducted; and
  - Eighteen Individuals were signed up for activities of which 16 are historically disadvantaged individuals. Of the eighteen individuals 36% are female and 64% are male.
4. The Marine Fisheries Co-operation Programme is mainly focused on the implementation of Strategic Cooperative Management Plans for small scale commercial fisheries in KZN. The contributions made by this programme to national priorities during the financial year were:
- Economic growth through access to coastal and estuarine resources for poor and vulnerable communities which led to the maintenance of food security and livelihood circumstances for resource users;
  - Creation of forty four formal employment opportunities;
  - Restoring Equity rights to resources, to enable people to provide for their families;
  - Social assistance in terms of poverty relief, economic empowerment of women and youth development; and
  - Capacity building through training and skills development programmes.
5. The Local Economic Development Programme (LED) is aimed at reducing the number of households living below the poverty line. The programme aimed to contribute to the Provincial Growth and Development Plan (PDGP) targets for 2014 reducing by between 60-80% the number of households living below the poverty line, halving unemployment and eliminating gender disparities. Herewith the achievements in respect of the targets set out to meet the objective and purpose of the programme:

Within four years after commencement of the project:

- Support provided to 45-60 local government projects; and
- 60-70% of approved Competitiveness Action Plans successfully implemented

Within three years after commencement of the project:

- Support provided to 75-95 local partnership groups; and
- Support provided to 17 financial institution projects.

Overall objectives achieved:

- 70% of provincial relevant operators are aware of the programme initiatives and related lessons learned;
- 50% of supported financial institutions have adopted innovative financial





## EXECUTIVE OVERVIEW (CONTINUED)

instruments approaches;

- Increased communication, exchanges of information and joint initiatives among LED actors; and
- Integrated LED delivery mechanism in the province designed, put in place and linked with the national LED framework.

### Education

A contribution of R181 million was made available by the donors for Education Programmes. The three largest programmes for education, namely for Schools Infrastructure Support Programme, Sectoral Budget Support Programme and Higher Education HIV/AIDS programme (HEAIDS) were mainly utilised for:

- Upgrading of infrastructure in the three largest provinces, namely Limpopo, Eastern Cape and KZN which is progressing well;
- The appointment of experts to develop training material for the usage of the upgraded infrastructure;
- Completing and publishing the first phase of the National Education Infrastructure Management System (NEIMS) in 2007 for information gathering and setting up of the database;
- Improving the reading skills of pupils in the primary schools project “Phase Storybooks”. To date the project has distributed three packs containing 100 storybooks and bookshelves to 10 212 schools to create classroom libraries;
- Upgrading unqualified as well as underqualified teachers by allocating an amount of R15 365 million. A further R2 554 million was allocated for the advocacy campaign for the Funza Lushaka bursary scheme;
- Grade 12 textbooks for English, Physical Science, Mathematics and Mathematics Literacy which were supplied to all Dinaledi Schools and on which an amount of R11 630 million was spent ;
- The celebration of numerous historical anniversaries such as exhibitions in commemoration of the death of Stephen Bantu Biko, the abolition of the slave trade and the reprinting of My Country South Africa to celebrate our country’s national symbols and heritage; and
- The Higher Education HIV and AIDS Programme (HEAIDS) to reduce the threat of the spread of HIV and AIDS in the higher education sub-sector. Support for the institutional level developments was ensured through the allocation of a total amount of R18 901 million as grants to 21 Higher Education Institutions.



## EXECUTIVE OVERVIEW (CONTINUED)

### Water Services

The Department of Water Affairs and Forestry (DWAF), as a sector leader, has initiated a process to develop a strategy on how best the water sector can support and drive growth and development. This strategy aims to address the challenges facing government and the water sector in ensuring that water is used optimally in support of sustainable and pro-poor growth and development.

This strategy is executed through the Masibambane III Programme, and is aligned to government's strategic focus, as articulated in the Medium Term Strategic Objectives and the Accelerated and Shared Growth Initiative of South Africa (ASGISA).

The economic, social and environmental benefits of improved water supply and sanitation are essential for the economic development in South Africa. To support South Africa, the donor community provided assistance in water services to the amount of R56 million.

Some of the main achievements for the 2007/08 financial year were running water and sanitations provided:

	Running water	Sanitation
Households	410 655	238 850
Schools	575	1 346
Clinics	345	354

Furthermore 79 813 bucket toilets were replaced and a total of 150 621 households were reached by the Health & Hygiene Programme through radio and print media campaigns. 85% of the population received Free Basic Water (FBW) Services and to date, 3 337km pipes and 195 047 water meters have been installed.

### Safety and Security

The European community has made a contribution of R16 million to South Africa during the 2007/08 financial year in order to enhance safety and security services. The funds were used to fund support of Crimes against Women and Children programme in the Eastern Cape. The programme achieved the following:

- The Provincial Crime Prevention Strategy (PCPS) was reviewed, approved and implemented, and selected PCPS action plans were drawn up;
- The Current Community Safety Forums (CSF) were reviewed and the operation commenced in priority areas such as Makan, Inxuba, YeThemba, Mhlontlo, Ngqushwa, Nelson Mandela Metro and Nkonkobe;
- Training modules such as Basic management and Operational management was developed for SAPS and training delivered to SAPS staff;



## EXECUTIVE OVERVIEW (CONTINUED)

- Customer Satisfaction and Domestic Violence Act (DVA) Compliance Monitoring survey were completed;
- The construction and rehabilitation of police stations and the design and delivery of mobile police stations were completed;
- The provision of training for the Independent Complaints Directorate (ICD) staff and the supply of mobile units which are to be operated as mobile field offices;
- The development and implementation of the ICD communication and marketing strategy; and
- The assessment, review and preparation for the operation of the existing and final ICD Monitoring and Evaluation (M & E) tool.

### Justice

During the 2007/08 financial year R42 million was spent on the E-Justice Programme, to support South Africa in providing connectivity to the entire justice system from national to local court level. This ensures the immediate availability of information relating to court cases, court administration, legal precedents, fund maintenance, summons issued, financial administration and enabling interoperability.

The following progress has been made in the projects related to the E-Justice Programme for the 2007/08 financial year:

- A stable and robust Information Communication Technology (ICT) infrastructure to ease administration and support by reducing license costs and ensuring maximum flexibility;
- Renewal of out of warranty ICT equipment and roll out of Justice Deposit Accounting System (JDAS) to identified sites;
- Migration of the current JDAS Sites from Version 3 to Version 4, so as to provide enhanced levels of service and flexibility to the Department of Justice (DoJ) which improved operational efficiency within the Department ( 8 out of 9 courts were migrated to the new version);
- Addressed the problem of record processing, forms and management reports generation.
- Delivered a common framework that automates the management of common business rules throughout the Department of Justice and Constitutional Development's (DoJ and CD); and
- Conducted communication initiatives on all Information System Management (ISM) projects and programmes to the DoJ and CD countrywide.

Spending agencies are accountable for the utilisation of Official Development Assistance (ODA) resources in support of their initiatives. Details pertaining to the utilisation of



## EXECUTIVE OVERVIEW (CONTINUED)

donor funds are therefore provided in the Annual Financial Statements of the respective Spending Agencies.

We are very indebted to all our donor partners for their loyal support and commitment to partnering with us in meeting the challenges that confront the people of our country. Their contribution is making a discernible difference in ensuring that poverty and inequality are eradicated. 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 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 2008

#### 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 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the accounting officer's report, as set out on pages 13 to 31.

##### 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 the South African Statements of Generally Accepted Accounting Practice and in the manner required by the *Auditor-General audit circular 1 of 2007*.
3. 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

4. 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) (PAA) and section 7 of the Reconstruction and Development Programme Fund Act, 1994 (Act No. 7 of 1994), my responsibility is to express an opinion on these financial statements based on my audit.
5. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free from material misstatement.
6. 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



## 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 2008

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.

7. An audit also includes evaluating the:
  - appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
8. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### Basis for qualified opinion

#### Accounting for donations received

9. The income of the RDP Fund consists of government 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.

#### Qualified opinion

10. In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to satisfy myself as to the matter described in the basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the RDP Fund as at 31 March 2008 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 section 7 of the Reconstruction and Development Programme Fund Act, 1994 (Act No. 7 of 1994).

#### OTHER MATTERS

I draw attention to the following matter that relates to my responsibilities in the audit of the financial statements:



## 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 2008

#### Matters of governance

11. Fundamental to financial and risk management and internal control, is the implementation of certain key governance responsibilities, which I have assessed as follows:

Matter of governance	Yes	No
<b>Audit committee</b>		
• The RDP Fund had an audit committee in operation throughout the financial year.	✓	
• The audit committee operates in accordance with approved, written terms of reference.	✓	
• The audit committee substantially fulfilled its responsibilities for the year, as set out in its charter.	✓	
<b>Internal audit</b>		
• The RDP Fund had an internal audit function in operation throughout the financial year.	✓	
• The internal audit function operates in terms of an approved internal audit plan.	✓	
• The internal audit function substantially fulfilled its responsibilities for the year, as set out in its charter.	✓	
<b>Other matters of governance</b>		
• The annual financial statements were submitted for audit within the deadlines set out in Audit circular 1 of 2007.		✓
• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	✓	
• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.	✓	
• The prior year's external audit recommendations have been substantially implemented.	✓	



## 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 2008

#### APPRECIATION

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

Auditor - General

Pretoria  
30 September 2008



AUDITOR GENERAL





## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S REVIEW for the year ended 31 March 2008

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 Annual Financial Statements (AFS) were re-submitted to the Auditor-General to eliminate the following qualification received in the past on unspent funds: "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 the unspent money refunded to the RDP Fund". Due to this re-submitting, the AFS will be tabled on 31 October 2008.

The fund awaited the audited financial statements of national and provincial departments which were finalized on 31 July 2008. Upon receipt of these statements the RDP Fund financial statements were amended to include the amount to be surrendered on unspent funds.

The RDP Fund showed increased activity during the 2007/08 year. Grants and donations received, increased by 1% (compared to 2006/07) to R1 285 million from R1 270 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 2%, compared to R1 237 million in 2007/08 from R1 266 million. Total accumulated funds in the RDP Fund decreased to R911 million from R956 million in 2006/07. This amount consists of a capital element of R552 million and interest accrued on capital invested totaling R359 million. Cabinet approval is still awaited for the re-allocation of the R161 million donated by the SA Post Office. Of the said transfers, 76% (2006/07: 75%) was from grants and donations received during the year. These transfers enabled Spending Agencies to initiate and implement programmes in various sectors.

The main reasons why there is no immediate disbursement from the RDP Fund account



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S REVIEW (CONTINUED) for the year ended 31 March 2008

to South African Spending Agencies are:

- Donors deposit funds into the RDP Fund prior to the project commencement whilst spending is spread over the life of the project.
- Time lags 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 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 R126 million and the interest earned on these amounts to R133 million. A new proposal on the utilisation of R40 million of the unallocated capital funds to be 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 incurred. The reconciliation amount in the tables below 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 2008

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

Spending Agency	TRANSFERRED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH			
	2007/08		2006/07		2007/08		2006/07	
	R'm	%	R'm	%	R'm	%	R'm	%
Health	461	37	148	12	66	7	54	6
Education	200	16	208	16	213	24	215	23
Trade and Industry	140	11	163	13	15	2	129	14
Economic Development and Tourism-KwaZulu Natal	88	7	179	14	-	-	-	-
Water Affairs and Forestry	52	4	230	18	39	4	30	3
Various Departments	51	4	30	2	347	39	243	26
Environmental Affairs and Tourism	46	4	37	3	21	2	31	3
Justice and Constitutional Development	42	3	52	4	41	5	73	8
Nelson Mandela Metropolitan Municipality	35	3	18	1	-	-	-	-
Provincial Treasury-Eastern Cape	34	3	-	-	23	3	-	-
National Treasury	19	2	32	3	28	3	29	3
Buffalo City Municipality	18	2	-	-	36	4	19	2
Safety & Security	16	1	73	6	-	-	-	-
Provincial and Local Government	12	1	-	-	11	1	15	2
Housing	12	1	27	2	-	-	11	1
Agriculture	11	1	34	3	-	-	13	1
Minerals and Energy	-	-	23	2	22	2	-	-
Public Service and Administration	-	-	12	1	-	-	-	-
Defence	-	-	-	-	16	2	14	2
Public Works	-	-	-	-	11	1	-	-
PE Municipality	-	-	-	-	10	1	-	-
Labour	-	-	-	-	-	-	40	4
Eastern Cape: Provincial Treasury	-	-	-	-	-	-	26	3
<b>SUBTOTAL</b>	<b>1 237</b>	<b>100</b>	<b>1 266</b>	<b>100</b>	<b>899</b>	<b>100</b>	<b>940</b>	<b>100</b>
Receivables from Departments	-	-	-	-	12	-	16	-
<b>TOTAL</b>	<b>1 237</b>	<b>100</b>	<b>1 266</b>	<b>100</b>	<b>911</b>	<b>100</b>	<b>956</b>	<b>100</b>



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S REVIEW (CONTINUED) for the year ended 31 March 2008

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

Programmes	RECEIVED FOR THE YEAR				TRANSFERRED FOR THE YEAR			
	2007/08		2006/07		2007/08		2006/07	
	R'm	%	R'm	%	R'm	%	R'm	%
Various other projects	197	15	167	13	143	12	204	16
Expanded Partnership for the Delivery of Primary	171	13	-	-	155	13	-	-
Local Economic Development Programme	118	9	202	16	122	10	180	14
Fight against AIDS, Tuberculosis and Malaria	109	9	-	-	109	9	15	1
SWEEP II Programme	89	7	-	-	89	7	-	-
Sectoral Budget Support Programme	84	7	105	8	68	5	156	12
Expanding Services and strengthening Systems	80	6	-	-	80	6	-	-
Urban Renewal programme	70	5	37	3	53	4	18	1
SUCOP for HIV/AIDS Programme	68	5	-	-	68	5	-	-
Masibambane Water Supplies	43	3	164	13	52	4	215	17
Education Facility Supporting Rural Development	40	3	-	-	-	-	-	-
Strengthening National and Provincial Capacity	36	3	15	1	20	2	15	1
Urban Environmental Management Programme	32	3	23	2	14	1	-	-
New Energy Programme	28	2	-	-	-	-	-	-
Schools Infrastructure Support Programme	24	2	-	-	60	5	-	-
Education Centres Support Programme	20	2	-	-	20	2	-	-
Crimes against Women and Children in EC	16	1	-	-	16	1	-	-
Marine Fisheries Co-operation Programme	15	1	-	-	15	1	-	-
Integrated Water Resource Management (IWRM)	13	1	-	-	-	-	-	-
SWEEP Programme	12	1	-	-	12	1	-	-
Local Economic Mpumalanga and Northern Prov	10	1	-	-	10	1	-	-
New Environmental Co-operation Programme	10	1	-	-	11	1	-	-
Private Sector Support for Risk Capital	-	-	185	15	-	-	147	12
Higher Education HIV and AIDS Programme	-	-	112	9	22	2	-	-
Primary Health Care including HIV/AIDS	-	-	85	7	-	-	94	7
E-Justice Programme	-	-	37	3	37	3	52	4
Economic Cooperation Programme	-	-	30	2	30	2	-	-
Inclusive Education Programme	-	-	26	2	-	-	-	-
CWCI III	-	-	17	1	-	-	17	1
Darling Wind Farm	-	-	17	1	-	-	17	1
Pesticides Initiative Programme	-	-	16	1	11	1	15	1
Implementation of White Paper 6	-	-	12	1	-	-	-	-
Capacity Building Programme	-	-	10	1	-	-	13	1
SMME Development Programme	-	-	10	1	10	1	16	1
Education Centres Supporting Rural Development	-	-	-	-	10	1	-	-
Joint Support of the DRC Radio Communications	-	-	-	-	-	-	54	4
Social Housing Support Programme	-	-	-	-	-	-	26	2
Teachers Training	-	-	-	-	-	-	12	1
Reconciling item *	(62)		(20)					
<b>TOTAL</b>	<b>1 223</b>	<b>100</b>	<b>1 250</b>	<b>100</b>	<b>1 237</b>	<b>100</b>	<b>1 266</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 2008

### Analysis of Grants and Donations by donor:

Donor	RECEIVED FOR THE YEAR				ACCUMULATED FUNDS AT 31 MARCH			
	2007/08		2006/07		2007/08		2006/07	
	R'm	%	R'm	%	R'm	%	R'm	%
European Union	622	48	842	66	221	24	434	46
Global Fund	225	18	15	1	19	2	-	-
Netherlands	153	12	106	8	73	8	21	2
Various Donors	109	8	36	3	153	17	98	10
Norway	54	4	19	2	24	3	-	-
Denmark	47	4	67	5	55	6	36	4
Ireland	30	2	41	3	18	2	22	2
Flemish	24	2	43	3	18	2	18	2
Canada	11	1	-	-	-	-	-	-
Sweden	10	1	42	3	33	4	57	6
Finland	-	-	36	3	66	7	65	7
Belgium	-	-	23	2	16	2	16	2
SA Post Office	-	-	-	-	161	18	147	16
UK	-	-	-	-	14	2	-	-
Switzerland	-	-	-	-	16	2	15	2
USAID	-	-	-	-	12	1	11	1
Reconciling item *	(62)		(20)					
<b>SUB TOTAL</b>	<b>1 223</b>	<b>100</b>	<b>1 250</b>	<b>100</b>	<b>899</b>	<b>100</b>	<b>940</b>	<b>100</b>
Receivables from Departments/Provinces	-	-	-	-	12	-	16	-
<b>TOTAL</b>	<b>1 223</b>	<b>100</b>	<b>1 250</b>	<b>100</b>	<b>911</b>	<b>100</b>	<b>956</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**  
**30 September 2008**



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### ACCOUNTING OFFICER'S APPROVAL for the year ended 31 March 2008

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 19 to 31 have been approved by the Accounting Officer and Financial Accountant on 6 August 2008.

**Freeman Nomvalo**  
**ACCOUNTING OFFICER**

**Rudzani Rashikhinya**  
**FINANCIAL ACCOUNTANT**



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### BALANCE SHEET

as at 31 March 2008

	Notes	2008 R'000	2007 R'000
<b>Assets</b>			
Currents assets		911 450	955 537
Cash and Cash Equivalents	2.1	890 456	932 322
Accounts Receivable	2.2	20 994	23 215
<b>Total Assets</b>		<u>911 450</u>	<u>955 537</u>
<b>Liabilities</b>			
Current liabilities			
Funds awaiting distribution	3.1	911 448	955 535
Accounts Payable	3.2	2	2
<b>Total Liabilities</b>		<u>911 450</u>	<u>955 537</u>



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### INCOME STATEMENT for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
<b>Income</b>		1 271 351	1 323 654
Income relating to expenditure -			
Grants and donations	4	1 258 096	1 304 653
Interest		13 255	19 001
<b>Expenditure</b>		1 271 351	1 323 654
Operating expenses	5	252	178
Funding of Reconstruction and Development Programme projects and programmes	6	1 271 099	1 323 476
<b>Net funds for the year</b>		-	-





## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### CASH FLOW STATEMENT for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Cash receipts from donors and spending agencies		1 319 164	1 324 361
Cash paid to donors and spending agencies		(1 443 556)	(1 582 751)
<b>Cash utilised from donations received</b>		<u>(124 392)</u>	<u>(258 390)</u>
Interest received		82 526	65 087
<b>Net Cash flow from operating activities</b>	7.1	<u>(41 866)</u>	<u>(193 303)</u>
Cash and cash equivalents at the beginning of the year		932 322	1 125 625
<b>Cash and cash equivalents at the end of the year</b>	7.2	<u>890 456</u>	<u>932 322</u>



# THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

### 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 Figures Presented

##### 1.1.1 *Presentation Currency*

All amounts have been presented in the currency of South African Rand (R) which is also the functional currency of the fund.

##### 1.1.2 *Rounding*

Unless otherwise stated, all financial figures have been rounded to the nearest one thousand Rand (R'000).

##### 1.1.3 *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 RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2008

- 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.

#### **1.2.2 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).



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2008

#### **1.3.3 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 2 and 7.

#### **1.4 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.

#### **1.5 Financial instruments**

Financial instruments include financial assets and liabilities.

Financial assets consist of cash and cash equivalents which include cash on hand and investments, and receivables. These are classified as loans and receivables in terms of IAS 39.

Financial liabilities consist of funds awaiting distributions and payables. Funds awaiting distributions are classified as financial liability measured at amortised cost.

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 fair value, which includes transaction cost.



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2008

#### **1.5.1 Cash on hand**

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 Investments**

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

#### **1.5.3 Receivables**

Interest receivable is measured based on the interest rate granted by PIC on the deposit. Any other receivable is measured at fair value.

#### **1.5.4 Funds awaiting distribution**

Funds awaiting distribution are measured at amortised cost. Funds awaiting distribution will be withdrawn from the corresponding investment amount.

#### **1.5.5 Payables**

Payables are valued at fair value.



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2008

	2008 R'000	2007 R'000
<b>2. Current assets</b>		
Opening balance as at 1 April	955 535	1 131 052
Net movement of funds for the year (note 3)	(44 087)	(175 517)
Closing balance as at 31 March	<b>911 448</b>	<b>955 535</b>
The closing balance comprise of:		
<b>Financial Assets classified as Loans and Receivables</b>		
<b>2.1 Cash and Cash Equivalents</b>		
Investments with PIC	890 455	932 321
Bank balance: SARB	1	1
<b>Carrying value at year end</b>	<b>890 456</b>	<b>932 322</b>
<b>2.2 Accounts Receivable</b>		
Interest receivable from PIC	8 159	7 618
Due by Departments	12 835	15 597
<b>Receivables relating to portfolios</b>	<b>20 994</b>	<b>23 215</b>

Inclusive in the balance of the Investments with PIC is an amount of R505 400 (2007: R705 251), which represents a separate portfolio being used for payment of related audit fees.

Interest regarding above portfolio amounts to R4 272 (2007: R4 759). 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 2008

	2008 R'000	2007 R'000
<b>3. Financial Liabilities</b>		
<b>3.1 Funds awaiting distribution</b>		
Opening balance as at 1 April	955 535	1 131 052
Net movement of funds for the year	(44 087)	(175 517)
Closing balance as at 31 March	<b>911 448</b>	<b>955 535</b>
Net movement of funds comprise of:		
Grant and donations received	1 284 830	1 269 678
Interest received	83 067	67 278
Refunds from Spending Agencies (note 9)	31 572	70 280
Refund to donors (note 8)	(172 189)	(259 083)
Operating expenses (note 5)	( 252)	(179)
Management fees paid to PIC	(16)	(15)
Funding of Reconstruction and Development Programme projects and programmes (note 6)	(1 271 099)	(1 323 476)
	<b>(44 087)</b>	<b>(175 517)</b>
<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>3.2 Payables</b>		
Management fees to PIC	<b>2</b>	<b>2</b>
<b>4. Income relating to expenditure:</b>		
<b>Grants and donations</b>		
Grants and donations limited to expense	1 257 844	1 304 475
Audit fees funded by a portfolio invested at PIC	252	177
Bank charges funded by the balance at SARB	-	1
	<b>1 258 096</b>	<b>1 304 653</b>
<b>5. Operating expenses</b>		
<p>The operating expenses for the year comprise of the following:</p>		
Auditors Remuneration	252	177
Bank charges	-	1
	<b>252</b>	<b>178</b>

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 2008

	2008 R'000	2007 R'000
<b>6. Amounts to fund projects and programmes</b>		
Capital	1 257 844	1 304 475
Interest	13 255	19 001
	<b>1 271 099</b>	<b>1 323 476</b>

#### 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	2 221	(17 786)
Increase/(decrease) in trade and other payables	(44 087)	(175 517)
<b>Cash flow from operating activities</b>	<b>(41 866)</b>	<b>(193 303)</b>

Receivables and payables relating to portfolios were eliminated for the calculations of the cash flow.  
(Refer note 2.1)

For more detail on the flow of funds refer to note 3.

##### 7.2 Cash and Cash Equivalents

Investments	890 455	932 321
Bank balance: SARB	1	1
	<b>890 456</b>	<b>932 322</b>

#### 8. Refunds to Donors

<b>Capital</b>		
Refund to Belgium	-	1 036
Refund to British High Commission	196	-
Refund to Denmark	6 192	1 754
Refund to EU	84 609	227 525
Refund to Flemish	-	1 121
Refund to IBRD	-	522
Refund to Norway	-	2 926
Refund to Sweden	3 021	-
Refund to Switzerland	-	1 158
Refund to UNICEF	62	-
<b>Interest</b>		
Refund to Belgium	4	481
Refund to British High Commission	10	-
Refund to Denmark	85	2 092
Refund to EU	78 008	19 321
Refund to Flemish	-	283
Refund to IBRD	-	84
Refund to Norway	-	780
Refund to UNICEF	2	-
	<b>172 189</b>	<b>259 083</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 2008

	2008 R'000	2007 R'000
<b>9. Refunds from Spending Agencies</b>		
Capital	31 572	70 205
Interest	-	75
	<u>31 572</u>	<u>70 280</u>

#### 10. Prior period error

- 10.1** For the 2006/07 financial year an amount of R251 was reflected as Grants and donations received. During the 2007/08 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.

- 10.2** For the 2006/07 year an amount of R15 597 was not included as receivables. In terms of Section 5 of the RDP Act, Amendment Act No. 79 of 1998, all Donor funds that have been indicated as payables (Refunds of Donor Funding) in the Department's Annual Financial Statements, should be included as the receivables. Confirmation received from the Municipalities to this effect, were also included. The necessary adjustments have been made to Note 2, 2.2, 3.1, 7.1 and 9.

- **Balance Sheet:**

The amount of the Total Assets has increased with R15 597 as the amount of the receivables has been adjusted.



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008

#### 11. Related party transactions

##### 11.1 Public Investment Corporation (PIC)

In terms of section 8(1) of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) any funds not required for immediate use may be invested with the PIC.

The PIC is listed as a Schedule 3B entity under the control of the Minister of Finance. These transactions are entered into in the normal course of business. Donations are received for Official Development Assistance to support The Republic of South Africa in meeting its core responsibilities. Therefore it was agreed with PIC that management charges will be kept at a minimum.

	<b>2008</b>	<b>2007</b>
	<b>R'000</b>	<b>R'000</b>
<b>Investment</b>		
Capital	552 776	587 834
Accumulated Interest	358 672	367 701
	<b>911 448</b>	<b>955 535</b>

##### 11.2 Spending Agencies

In terms of section 3 of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) the RDP Fund can receive donations if authorized by Cabinet and if it is in accordance with a Technical Assistance Agreement.

In terms of section 4 of the Reconstruction and Development Funds Act, Act 7 of 1994 (as amended by Act 79 of 1998) these funds are transferred to a Spending Agency in accordance with the relevant technical assistance agreement. For more detail see Analysis of Grants and Donations transferred to a Spending Agency (Table 2) as stated in the Accounting Officers Review.

The RDP Fund does not charge the Spending Agencies fees for the rendering of this service.

#### 12. Financial Risk analysis

##### 12.1 Financial risk factors

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on the financial performance of the Fund.



## THE RECONSTRUCTION AND DEVELOPMENT PROGRAMME FUND

### DISCLOSURE NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2008 (CONTINUED)

#### 12.1.1 Market risk

Market risk is the risk that the RDP Fund earnings or capital will be adversely affected by changes in the level or volatility of market rates or prices such as foreign exchange rates and trade market risks. Therefore the risk management policy of the RDP Fund is to limit these exposures by not investing in any market related instruments.

#### 12.1.2 Credit risk

The risk management policy of the RDP Fund is to invest in cash instruments only. These transactions are limited to a high-credit-quality financial institution namely the PIC. Funds are invested at variable interest rate. Although the return on a cash investment might be lower when interest rates are in a downward trend the risk when investing in cash is limited as the capital amount will never be lost.

On the overall portfolio an amount of R 742 will be earned less or more per month when the interest rate is adjusted with a 100 basis points.



**THE RECONSTRUCTION AND DEVELOPMENT  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
for the year ended 31 March 2008



**THE RECONSTRUCTION AND DEVELOPMENT  
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**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2008