



Success for all



NATIONAL
DEVELOPMENT AGENCY

ANNUAL REPORT
2005



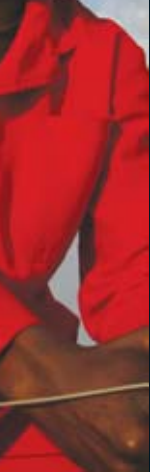


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VISION

The NDA aims to be the premier partner to civil society, the donor community and Government in eradicating poverty and its causes in South Africa.

MISSION

The NDA is a statutory body that contributes towards the eradication of poverty and its causes. It will do this through the provision and facilitation of:

- Development funding;
- Capacity building;
- Research and debate on development policy; and
- Dialogue.

STRATEGIC INTENT

Supporting Government and Civil Society development action.

MANDATE

The NDA has a responsibility to ensure that it fulfils its role as defined by the NDA Act, (Act no. 108/1998), as amended.

The objectives are:

Funding: Provide financial support for projects and programmes that will have a direct impact on improving the asset base of poor communities.

Provide Expertise: Identify and support Civil Society Organisations that work to eradicate poverty. It is the NDA's intention to help support and build the capacity of such organisations to enable them to be even more efficient.

Fund raising: Identify, support and encourage any organisations making significant fund raising efforts on behalf of the poor.

Research: Utilise our resources to establish a credible database of partners (institutions and organisations) with whom we will promote relationships, dialogue and partnerships.

Promote dialogue and influence development policy: At all levels of Governmental, Government departments and big business, it is our goal to ensure communication aimed at influencing development policy change and ensuring action which will work toward eradicating poverty. The NDA will also ensure information and knowledge sharing.

STRATEGIC OBJECTIVES, PRINCIPLES AND VALUES

What the NDA aims to achieve

- To be highly responsive and proactive to the development needs of poor communities in the country;
- To successfully build the leadership, technical expertise and management capabilities required to deliver on the NDA mandate;
- To promote knowledge management and information sharing within the development sector;
- To build institutional capacity and support civil society organisations working in the area of poverty eradication;
- To develop efficient information and communication systems that ensure accessibility to all stakeholders;
- To ensure speedy and efficient flow of funds to project partners; and
- To function with a high level of transparency and integrity.

Our values

People centred: The NDA will, at all times, be respectful of people, their customs and cultures. It is the intention of the NDA to break the cycle of poverty and promote self-sufficiency and progress within the bounds of people's own environments.

Partnerships: At all times the NDA will be seeking to maximize the resources available in the marketplace. The organisation strives to find the best possible resources and to put them to use in the most efficient ways.

Integrity: At all times the NDA will be respectful of the tasks that the Government, business and the people have entrusted to it. The NDA will always act in a professional manner and it expects all of its staff members and partners to be honest, fair and accountable. The NDA will at no time tolerate any favouritism, nepotism, fraud or anything that might discredit the organisation or sully the reputation of those appointed to this partnership.

Caring: Hand in hand with accountability, the NDA will always care for the task at hand. It will live its vision and ensure that anyone dealing with the NDA is treated in a caring and respectful manner.

Excellence: To intervene with skill, diligence and dedication to meet the needs of its partners.



FOREWORD

I wish to commence this foreword on a very positive note by reporting that I, with the concurrence of my Cabinet colleagues and on the recommendation of the Board of the NDA, have appointed Mr Godfrey Mokate as the Chief Executive Officer of the NDA with effect from 1 June 2005. I have every confidence that the leadership skills and expertise that Mr Mokate will bring to the NDA will benefit the Agency significantly and will result in greater attention being afforded to its governance structures and ensure accountability.

This is the third year since the NDA was transferred to the portfolio of the Ministry of Social Development and it is a year in which a number of challenges had to be faced. Following the cautionary suspension of the former CEO and COO late in 2003, Deloitte completed a forensic audit of the NDA and presented a report to the Auditor-General who subsequently produced a report for the NDA Board. Charges were then brought against the then CEO and COO and a disciplinary hearing found the then CEO guilty of certain charges. However, the then CEO resigned in September 2004, which ultimately culminated in the appointment of Mr Mokate as the new CEO. In addition, the COO has resigned from the organisation.

Despite the challenges encountered during the year under review, the NDA has fulfilled its primary objective of contributing towards the eradication of poverty and its causes, by granting funds and providing for the strengthening of Civil Society Organisations (functioning in impoverished communities) and poor communities. Indeed, the Agency has committed in excess of R92.6 million and disbursed in excess of R62.7 million over the past year. The Board, in its first full year in office has worked tirelessly under the leadership of Bishop Malusi Mpumlwana and has had a very positive impact on the governance of and service delivery by the NDA. Resulting from the cautionary suspension of the then CEO and COO, a two-man envoy from the Department of Social Development was appointed to support the management processes of the NDA. Due to unforeseen circumstances, the envoy carried out its task at the NDA for the entire fiscal year while they continued to hold down their full time positions in the DSD which alone made onerous demands on their time. In addition, the staff of the NDA, despite much adversity and uncertainty, continued to execute the task of supporting local and national Civil Society Organisations and Government initiatives with vigour and determination. Let me take this opportunity to thank all the above for the contributions they have made towards keeping the NDA afloat in difficult times.





The task of turning around the organisation and ensuring greater inputs from all its partners has already been initiated. Strong partnerships with the various sectors of society including Non-Government Organisations, Community Based Organisations, Faith Based Organisations, labour and business are vital for strengthening the second economy. A strong Civil Society is a catalyst to sustainable development which cannot be achieved without strong partnerships. Strengthening the capacity of Civil Society to actively engage in social and economic development will be given more attention in the coming year and the NDA will play a significant role in this regard. Linked with this is the employment of systems and tools that will ensure that our people are finally placed at the centre of their own development. No organisations are better placed to ensure that this occurs than the formal and informal community organisations of our people. These organisations are in many cases linked to faith-based institutions and rooted in structures of traditional leadership. The task at hand is to ensure that these organisations are supported and capacitated both by collaborative networks among themselves, and by strategic partnerships with Non-Governmental Organisations. The job of the NDA includes facilitating these collaborative networks and strategic partnerships.

In order to advance cooperative governance and poverty eradication, the NDA has, and will continue to focus its efforts on empowering and improving the capacity of poor and vulnerable people; deepening transformation amongst NGO's and the broader Civil Society, whilst paying attention to the financing received by these organisations; reaching the nodes of the Integrated Sustainable Rural Development Programme and the Urban Renewal Programme, whilst also targeting provincial poverty pockets; increasing the amount of research on and dialogue in our society about poverty relief strategies and the role of Civil Society; playing a broker role between Civil Society, Government and the broad donor community (including the private sector); and developing a Continental and sub regional Civil Society programme to enhance the work of SADC and the AU.

It is also the intention to consolidate and strengthen the networks that the NDA has developed and align them to Government and Departmental priorities. We will ensure that the Social Contract for a better quality of life for all our people comes closer to being realised and that more is done to lift from the shoulders of our people the intolerable burden of poverty and underdevelopment.

We also recognise that the NDA cannot achieve these objectives alone or with the support of Government only. Government hopes that mobilising resources for the NDA will also foster the mobilisation and alignment of donor funding; the commitment of Civil Society to our programme of reconstruction and development; and the impact of all our efforts on the poorest and most vulnerable members of society.

Against the backdrop of the tenth anniversary of our freedom and the 50th anniversary of the adoption of the Freedom Charter, the NDA is well positioned to play a part in building a caring society and a better life for all and in enhancing self reliance and sustainable livelihoods, particularly amongst the poorest of the poor. Women and children constitute the largest segments of poor people in our society, and they are the most vulnerable members of society. As the NDA goes about its work of mobilising resources, and facilitating collaborative networks and strategic partnerships, it will continue to pay particular attention to the rights and needs of women and children living in poverty.

Minister Zola Skweyiya
Minister of Social Development





MESSAGE FROM THE CHAIRPERSON

It is particularly gratifying for me to be able to start this message by reporting that the Minister of the DSD appointed Mr Godfrey Mokate as the new CEO of the NDA with effect from 1 June 2005. The resignation of the former CEO in September 2004 enabled the Board to embark on the process of identifying a suitable candidate to recommend to the Minister as the new CEO of the NDA. This process culminated in Mr Mokate's appointment. The Board and I have every confidence that Mr Mokate will bring to the NDA much needed leadership and stability that will result in a significant improvement in the operations and deliveries of the organisation.

This is the fifth Annual Report of the National Development Agency (NDA) since it was established by the NDA Act 108 of 1998, as amended by the NDA Amendment Act No 6 of 2003. The Report covers the third full year that the NDA has been operating under the Ministry of Social Development to which Ministry it was transferred in October 2001 from the Ministry of Finance, and the first full year of office of the current Board which was appointed in December 2003.

The Board consists of eleven members, six of whom are from Civil Society and the other five are Government representatives. The Board has six Committees, five of which are chaired and served by Board members. The one exception is the Audit Committee which, in terms of the relevant legislation, has an independent non-Board member as its Chairperson. In addition the said Committee has another independent non-Board member and two Board members.

During the year under review, the NDA faced and dealt with a number of serious challenges. As I reported last year, in November 2003 Deloitte was appointed by the Minister of the Department of Social Development (DSD) to carry out a full scale forensic audit at the NDA and the then Chief Executive Officer and the Chief Operating Officer were placed under cautionary suspension. On 31 March 2004 Deloitte delivered the completed forensic audit to the Auditor-General who, in turn, compiled a report for the DSD and the DSD officially handed over the said report to the NDA Board on 17 May 2004. The Board then sought legal advice as to a way forward and this resulted in





certain charges being laid against the then CEO and the COO. Subsequently, a disciplinary hearing pertaining to the charges laid against the then CEO was completed in December 2004, with a Senior Counsel acting as the presiding officer. He found that the then CEO was guilty of not following certain procedures and, had the then CEO not resigned, the Senior Counsel would have recommended that the then CEO should have been dismissed.

On 30 September 2004, while the disciplinary hearing was in progress, the former CEO resigned. In January 2005, the former CEO brought a motion in the High Court against the Minister and the NDA in terms of which the former CEO is seeking a ruling from the High Court to the effect that the cautionary suspension order issued by the Minister and the disciplinary hearing and the findings thereof be set aside. This motion is awaiting a hearing by the High Court.

The NDA has negotiated an amicable termination of the COO's employment agreement, in terms of which the COO has resigned from the NDA.

Resulting from the cautionary suspension of the then CEO and COO, in November 2003 the Minister of the DSD appointed a two-man envoy consisting of the Chief Finance Officer of the DSD and one of the Minister's advisors, to take on supporting roles in the absence of the Chief Executive Officer and the Chief Operating Officer. It should be noted that these two gentlemen were deployed on a part time basis to ensure that processes at the NDA continued to be carried out in the absence of a full time CEO and COO. These two gentlemen continued to act in the said capacities throughout the year under review. I would again like to thank the Minister for the action which he took and the envoy for the sterling work that they have done for the NDA under very demanding circumstances. A vote of thanks is also due to the Director-General of the DSD and his other staff for their contribution towards stabilising the NDA in difficult times.

I am pleased to report that the damage to the building which was caused by the fire that broke out on the top floor of the NDA building in July 2004, has been repaired and the building is again fully operational. A forensic investigation into the cause of the fire has been undertaken. However, the results thereof have not yet been revealed to the NDA by the Insurance companies.

It is important to emphasise that the work of the NDA has continued despite the difficulties and challenges that have been experienced over the year under review. In this regard, I am happy to be able to report that the NDA received an unqualified audit opinion with emphasis of matters this year and that systems to improve even more have been, and will continue to be, introduced and implemented.

In its quest to more effectively reach its beneficiaries, i.e. the poorest of the poor in local communities, the NDA introduced new strategies that have produced a number of positive results. To better carry out its primary mandate of grant funding, the NDA initiated a Request for Proposals programme which resulted in improved efficiencies and turn around times in respect of grant funding. This programme, together with the clustering and programme formulation programmes which continued through the year, resulted in R92,634,000 being committed and R62,712,000 being disbursed to projects during the year under review. It should be noted that approximately R22 million of this grant funding was made available by the European Union (EU). However, the agreement between the EU and the South African Government, in terms of which the said funds were forthcoming, expired at the end of 2004 and the funding by the EU of projects terminated at the end of June 2005. Negotiations with the EU regarding possible future funding are in progress. The Requests for Proposals programme will continue in the upcoming financial year. In addition, approximately 60% of the NDA grant funds will still be devoted to projects other than those generated from Requests for Proposals.

The NDA devotes considerable resources to its other mandates, being capacity building, research and development, policy dialogue and impact assessment and the NDA will continue to give attention to these



mandates in the coming year. The NDA will continue in its efforts to serve as a broker between Government and Civil Society Organisations, in order to enhance the integration of development efforts undertaken, and to be the catalyst towards realising integrated and sustainable development. It is well documented that the demands placed on the NDA for funding are ever increasing. In the light of this, every effort will be made to increase the funds which are made available to the NDA to carry out its mandates. In this regard, much effort will be placed both internationally and nationally on enhancing strategic partnerships and collaborative working relationships with all the NDA's stakeholders and potential partners. There is no doubt that the presence of the new CEO will have a very beneficial effect on these efforts.

The NDA is fortunate to have the support of many in its endeavours. In particular, the support of the Ministries and the Departments of Social Development and Finance is greatly appreciated. In addition, the inputs and ongoing dialogue with NGOs and CBOs is invaluable to the NDA and we are especially grateful for this.

I would like to conclude by thanking my colleagues on the Board for the significant contribution they have already made to the NDA at a difficult time in its life. The demands made on their time have been particularly onerous and the way they have served the NDA is highly commendable. On behalf of the Board, I would like to give special thanks to the staff of the NDA for their commitment, dedication and fortitude in a very challenging year. I am positive that the future of the NDA under the leadership of Mr Godfrey Mokate will be much brighter and I look forward to enjoying this bright future with the NDA and all those associated with it.

Bishop M Malusi Mpumlwana
NDA Board Chairperson





Bishop M. Malusi Mpumlwana

(Chairperson) is the Regional Director of Africa Programs of the WK Kellogg Foundation based in Pretoria. He provides leadership and strategic direction for the Kellogg Foundation grantmaking within seven southern African countries and is responsible for the administrative and operations systems of the Foundation's business in Africa. He is also involved in developing an implementation plan for the Kellogg Foundation programming in Africa, and is chief representative of the Foundation to the Governments of the countries in which the Kellogg Foundation operates. In addition, he is a Bishop in the Ethiopian Episcopal Church.



Ms Marcia Manong (Deputy Chairperson) is the Director of the Association for Community and Rural Advancement, an NGO in the Northern Cape. She is also the Chairperson of Sangoco. She is very interested in rural areas and rural development and in assisting communities and farm dwellers in respect of land rights and human rights as well as combating illegal evictions.



Mr George Chaane is currently in the Secretary General's office of the African National Congress in a legal capacity. He was called as a Barrister in the Middle Temple, England and he is qualified to practice law in South Africa and several other African countries. He and Minister Skweyiya, the Minister of Social Development, had known each other for a length of time in exile and this had influenced him to make himself available to be a member of the NDA Board.



Ms Joan Daries is currently the Volunteer manager stationed at the Table Mountain National Park in Cape Town. She has a long history of working in the NGO sector, particularly with organisations using volunteers in their service delivery. She has been involved with coordinating and facilitating volunteering in a manner that is mutually beneficial to the volunteers and those benefiting from work done by volunteers.

BOARD MEMBERS



Dr Stephen Rule is Director of Outsourced Insight, an independent research consultancy. He was previously Director of Research Surveys at the Human Sciences Research Council, where he managed projects to determine public opinion on social, political and economic issues. He has also worked in the Ministry of Social Development and has lectured in Soweto on political and urban geography.



Ms Nontobeko Moletsane is currently the head of the Initiative for Participatory Development, which is based in East London. She served as a board member of the inaugural NDA Board in the capacity of Chairperson of the Projects and Programmes Screening Committee. In addition, she has been and continues to be a board member, trustee and patron of a number of church related and non-profit organisations.



Ms Onica Maphai is a Deputy Director in the Department of Health. She was appointed to the Board by the Minister subsequent to an appropriate and transparent selection process.



Ms Annemarie Hendrikz is presently working with a project of Cape Town Grail called Aids Response which is working to mobilise the Faith-Based sector to respond to HIV and AIDS and to provide a service for those who are affected or infected by HIV and AIDS. She has previously been a Director of the Social Change Assistance Trust, which is a development and funding organisation, prior to which she was the national coordinator of the Black Sash. Her experience includes human rights, social development funding, rural development and HIV and AIDS.



Dr Temba Masilela is an advisor to the Minister of Social Development. He was appointed to the Board by the Minister subsequent to an appropriate and transparent selection process.



Prof Tokozile Mayekiso is the head of the School of Human And Community Development at Wits University. The school is comprised of psychology; social work; speech pathology and audiology; and specialises in education disciplines. Prof Mayekiso is a Clinical Psychologist and, prior to moving to Wits, she was at the University of Transkei.



Mr Allan Taylor is the Chief Executive Officer of the National Student Finance Aid Scheme, which is a strategic body that falls under the Minister of Education and distributes in excess of 1 billion a year to higher education institutions for financially needy and academically deserving students. He has previously been a special advisor to the former Minister of Education, Kader Asmal and worked in human resources and organisational development in a number of Government and private sector organisations.





CEO OVERVIEW

I would like to commence this report by expressing my gratitude to the Minister of Social Development and the Board of the NDA for appointing me as the incoming Chief Executive Officer of the NDA. I commit and pledge to make every effort to ensure that this appointment will be of very significant benefit to the NDA.

Although the NDA had to meet many challenges during the year under review, I am pleased to report that the Board and the staff have succeeded in keeping the NDA moving forward and the organisation has continued to deliver on its mandate. The disruptions resulting from the unfortunate events that took place in the second half of 2003 had the consequence of the NDA being without a full time CEO and COO for the entire 2004/2005 fiscal year. Despite this, some of the more notable events and achievements in the past financial year are as follows:

1. The Board, which was appointed in December 2003 and consists of 6 members from Civil Society and 5 Government representatives, completed its first full year of office. The NDA has benefited greatly from the wise counsel and the significant amount of personal time that Board members have devoted to the organisation.
2. The NDA enjoyed an unqualified audit with emphasis of matters for the year under review. This is a marked improvement over the last two years in which the NDA received qualified reports. This improvement was brought about mainly by the appointment of a qualified Chartered Accountant as the full time Chief Financial Officer of the NDA from December 2004. In addition, the services of KPMG were engaged for a period of six months. This was aimed at stabilising the organisation as well as introducing, enhancing and/or revamping appropriate systems to ensure that the Finance Directorate is well positioned to perform its vital functions, including the timeous payment of projects and creditors.
3. In the year under review, the NDA has contributed significant resources towards the eradication of poverty in identified localities in support of the Government programme of action. The NDA introduced a Request for Proposals grant funding approach during the year. This resulted in increased





grant commitment and disbursements to projects through the year and over R92.6 million was committed despite the prevailing organisational constraints. The NDA has also successfully closed 71 projects totaling R62 million funded through the European Union Programme for Reconstruction and Development.

4. Cumulatively, the abovementioned programmes have enhanced the livelihood security and self-reliance of poor households by creating economic development opportunities, improving household income, promoting food security for poor households, strengthening the Government led land reform process by supporting post-settlement community building and initiatives aimed at fostering sustainable development. The outcome of these initiatives has been the improvement of the quality of life and access to socio-economic opportunities for women, youth, children, people living with disabilities and HIV/AIDS.
5. The NDA is currently establishing a framework of co-operation and support with government at different levels, private sector and Civil Society Organisations for poverty eradication. In respect of municipalities, the NDA intends to identify and leverage opportunities on how it can support integrated development plans (IDPs). The NDA will also promote a strong Civil Society in the conceptualisation and implementation of development programmes. This process is envisaged to be catalyst for organic discourse and strategic conversation that will locate the role of development finance institutions within developmental local government.
6. The organisation will continue to discharge its policy dialogue mandate by providing a platform for networks and coalitions of Civil Society Organisations to deepen substantive debate around poverty eradication. It will, in partnership with relevant partners, finalise a comprehensive capacity building strategy for non-profit organisations to improve their institutional effectiveness and efficiency in poverty eradication efforts. This will be underpinned by the acknowledgement that poverty is complex, multi-dimensional and multi-sectoral and it requires long-term interventions supported by multiplicity of partnerships.
7. At business management level, the NDA has strengthened its capacity to entrench sound Corporate Governance by employing and retaining staff responsible for fiscal management and compliance, developing intellectual capital and employee well-being as well as delivering support to project partners.

The future of the NDA as the Government's premier partner in the eradication of poverty as well as fulfilling its other mandates, has many challenges and goals that have been identified. These include the following:

1. The following strategies and plans are to be developed and the implementation thereof is to be set in motion:
 - 1.1 A revised overall NDA strategic plan that is aligned to national development priorities in relation to poverty eradication/alleviation;
 - 1.2 A coherent Poverty Eradication Strategy that informs national policy on poverty and its causes;
 - 1.3 A comprehensive resource mobilisation strategy and plan that will enable the NDA to source resources for poverty alleviation;
 - 1.4 A revised integrated and holistic human resources strategy/plan that is aligned and linked to organisational strategic priorities;
 - 1.5 A revised decentralisation strategy and plan for improved service delivery;
 - 1.6 A Stakeholder Management strategy and a plan to build appropriate partnerships;
2. Improved overall organisational stability is to be achieved through the possible elimination, mitigation and management of all internal and external organisational risks;



3. Improved position of the NDA as a stable, critical and relevant partner to Government and Civil Society in poverty eradication;
4. Increase the amount of grant funding that is achieved and improve turn-around time for project payments;
5. Secure financial support from the EC delegation for the NDA strategic plan. Negotiations are in progress with the EU regarding the possibility of the EU making additional funds available to the NDA for the further funding of projects in the future;
6. Improved compliance with all Corporate Governance requirements is to be achieved;
7. Improved Governance frameworks and processes for Board and management structures are to be implemented;
8. Improved processes and systems to address NDA business requirements are to be introduced and implemented;
9. A thorough Business Process assessment will be carried out and this will inform the structure that the NDA requires to best deliver on its mandates;
10. A competency assessment of all staff will be carried out and the results thereof will be used in determining where staff are best suited in the organisation in relation to the skills which they possess;
11. Finalise the development of a national data base for Civil Society and the Faith Based Organisations' Fund;
12. Enhance the involvement of Traditional Leadership in poverty eradication and development.
13. The NDA being committed to supporting the Millennium Development Goals as part of creating a global community and humanity free from poverty.

G Mokate
Chief Executive Officer





MANAGEMENT REPORT

1. Introduction to Assessment

1.1 The mandate of the CEO includes

- 1.1.1 To provide Executive support to the Board;
- 1.1.2 Set strategic direction for the NDA;
- 1.1.3 Liaise with and manage stakeholders;
- 1.1.4 Develop and manage strategic partnerships;
- 1.1.5 Manage organisational performance;
- 1.1.6 Ensure legislative compliance;
- 1.1.7 Manage Special Projects.

1.2 Purpose

To account for the current and long term operational efficiencies and growth of the NDA and the general direction of other affairs of the NDA. This involves conducting all the other aspects of the NDA activities that include the development and implementation of the business strategy and the relationship with all stakeholders both internally and externally. This process allows the Board to remunerate the CEO appropriately, determine a new performance contract and give feedback on the previous year.

2. Background and Context of the Assessment

2.1 Background of the assessment

Phase I:

September 1999 to February 2000. This was the period of orientation, planning and negotiating the phasing out/closure of TNDT. Although this was not easily achieved due to a diversity of views and different expectations, the hand over happened smoothly.

Phase II:

March 2000 to March 2001. There were a series of developments that included organisational development, staff recruitment, policy consolidation and the separation with the then CEO. During this period, some TNDT senior staff resigned, the said CEO was recruited, a new executive team joined the organisation and the said CEO struggled to find a common cord with staff and the Board. The said CEO finally absconded.

Phase III:

April 2001 to August 2002. This period entailed a number of Board vacancies, new tools, organisational review and assessment, repositioning of the NDA, the Chairperson of the Board acted as CEO, and the organisation was formally transferred to the DSD. This is an era that shaped a new organisational direction, strategy and repositioning.

Phase IV:

September 2002 to October 2003. This is the period within which the appointment of Mr MDK Mthembu as CEO was confirmed. The structure had been aligned to the Act and more public feedback had been given. The organisational business plan was workshopped within the NDA and together with DSD Exco. For the first time, the Strategic plan for the ensuing 3 year period was approved and published.

Phase V:

November 2003 to March 2004. The stability and leadership of the organisation suffered a number of severe setbacks



during this period, with the cautionary suspension of then CEO and the COO as well as the resignation of senior staff and the carrying out of a forensic audit by Deloitte at the request of the Minister of the DSD. Nevertheless, a remarkable measure of stability was maintained through the intervention of the two-man envoy seconded from the DSD to temporarily fill the void occasioned by the absence of the then CEO and COO. Also of significance during this period was the appointment of a new Board in December 2003 which has also contributed significantly to stabilising and bringing new direction to the organisation. In addition, the envoy has been accorded strong executive support by the Senior Management and the Company Secretary.

2.2 Context of the Assessment

All the phases explained above would indicate that the NDA has gone through trying times. In spite of all this, it should be noted that the Board members, the envoy and the staff have managed to keep the NDA functioning despite all its internal problems and external pressures. The organisation continued to deliver on its mandate and its achievements are illustrated below.

3. Strategic and Operational Mandate of the CEO

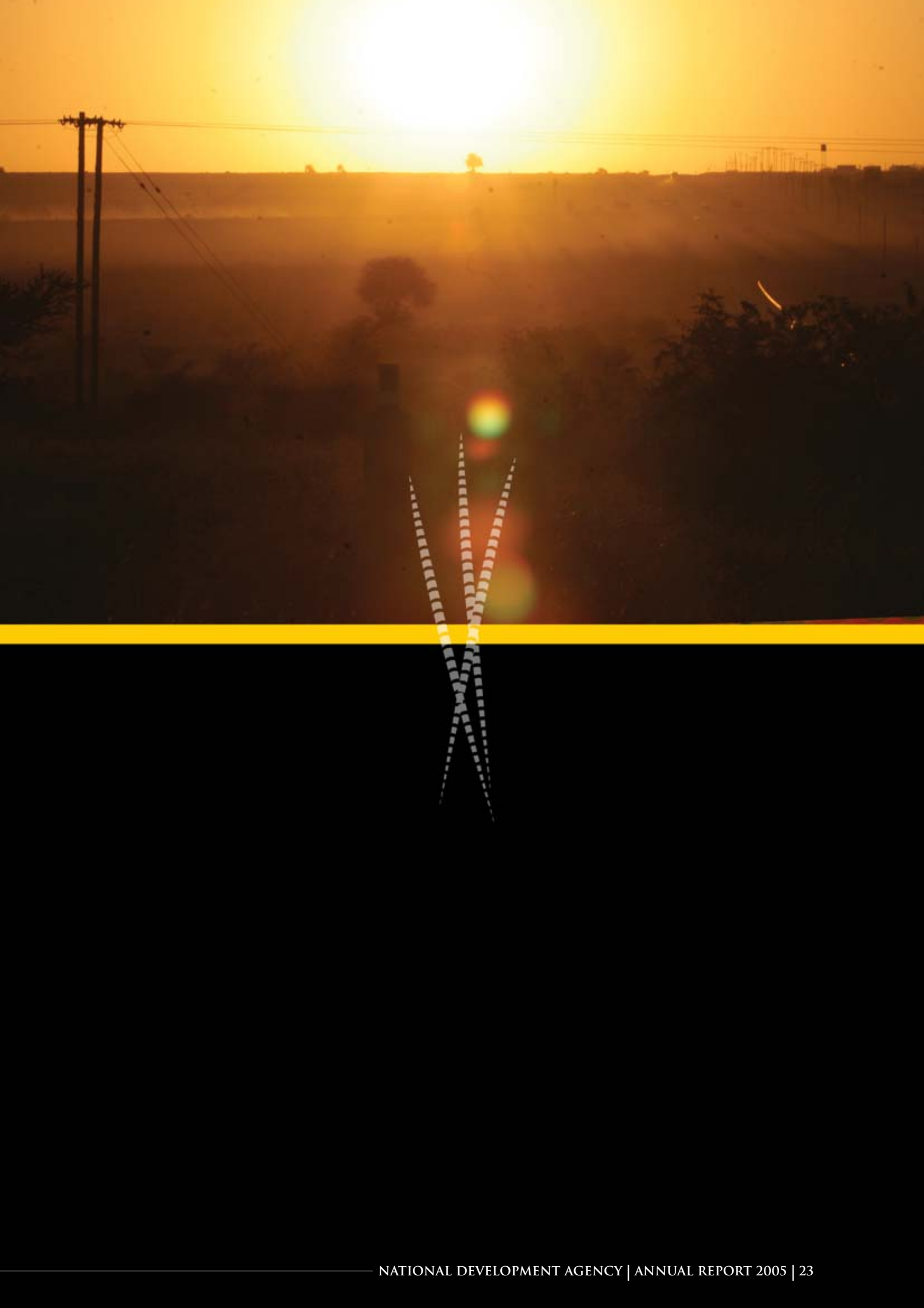
The NDA Act and contractual agreement provide directives on the following:

- 3.1 Overall management and oversight;
- 3.2 Financial management and efficient use of resources;
- 3.3 HR, Corporate support and capacity building;
- 3.4 Governance and Stakeholder Relations;
- 3.5 NDA programme and project development;
- 3.6 Fund development;
- 3.7 Marketing, Policy Dialogue and Research;
- 3.8 Information technology and Business Improvement;
- 3.9 Board Management and Support.

4. Challenges

Challenges which the NDA has faced during the period under review and those that it will face in the coming year and further into the future are well documented in the Chairperson's Message and the CEO's Overview. In dealing with the challenges of the last year, the office of the CEO had to provide the following executive support and direction:

- 4.1 A concerted objective and fair approach in managing differences, diverse expectations, staff, external players and the Board. This was of particular emphasis when the envoy was in office.
- 4.2 Continuous communication of a bigger vision, purpose and objectives of the Government and the NDA. This was done through media and radio campaigns, and one on one meetings with influential leaders who have an interest in the NDA.
- 4.3 Focus on ensuring that the Board provides support for decision-making, policy and systems. Providing support for the new Board was of great importance.
- 4.4 Managing staff needs and expectations through one on one encounters, quarterly meetings and participatory planning processes, including the establishment of a representative staff forum.





- 4.5 Engaging external experts and service providers on strategy, labour issues, legal matters and business improvement processes.
- 4.6 The establishment of a number of committees on a temporary basis to assess the current situation and recommend ways forward.

5. Key Achievements in each of the Strategic Objectives of the NDA

The period ended March 2005 indicates a number of achievements that the organisation can claim. A synopsis of the performance of the organisation is contained in the Performance Information table which forms part of this report. However, a more comprehensive summary of some of the activities and achievements of the various Directorates is given below:

5.1 Projects Directorate

- 5.1.1 Despite the challenges that the NDA has faced over the last year, the Projects Directorate has continued to grant funds to projects. In the course of the year, R92,634,000 was committed and R62,712,000 was disbursed to projects. Included in the above are the projects in the Eastern Cape, KwaZulu-Natal and Limpopo funded by EU funds. An amount of R21,905,000 was disbursed to the EU funded projects. A full list of projects to which funds were committed during the year under review will be published separately.
- 5.1.2 The Requests for Proposals (“RFP”) approach to grant making was introduced and this resulted in 44 projects that were received through the RFP being approved for funding amounting to R29,440,300.
- 5.1.3 During the year, projects with a total value of R41,735,200 which had been identified through the programme formulation approach, were approved for funding.
- 5.1.4 The Land Restitution, Bee Farming, and Poultry projects situated in several provinces were funded.
- 5.1.5 The Faith-Based Organisations, National Projects and ECD structures completion funds were also supported.
- 5.1.6 *NDA/EU Funding agreement*
 - 5.1.6.1 The NDA has been monitoring 72 projects funded with funds made available by the EU in the Eastern Cape, KwaZulu-Natal and Limpopo, the EU having made R62 million available for this funding.
 - 5.1.6.2 The financing agreement between the South African Government and the EU came to an end in December 2004. The NDA is currently engaged in closure of all the projects funded with EU funds and the submission of the final report to the EU. Negotiations are in progress with the EU regarding the possibility of the EU providing additional grant funding for distribution by the NDA.

5.2 Research & Development

The key performance areas of the Directorate are divided into three distinct contiguous, but integrated, programmes. Despite limited human resources and budgetary constraints, the following was achieved:

5.2.1 *Programme Area 1: Development Policy planning, Advocacy and Dialogue*

Contributions to the following dialogues and development policy inputs were made:



Dialogue on Dialogue, Concept Paper on Causes of Poverty, Policy on Emoluments of Volunteers, Policy on Service Delivery Model, Youth Development Trust strategy, Kellogg Foundation Round table for the Eastern Cape Premier, Asset Based Community Driven (ABCD) Approach to Development, ICTs for Development, Faith Based Organisations Policy Dialogue, Disaster Relief and Management, Programme Formulation / Clustering.

5.2.2 Programme Area 2: Research Capacity Development, Partnerships and Institutional linkages, Impact Assessment and Monitoring & Evaluation

The research agenda for 2004/05 included an impact Assessment of Food security projects, a comparable cost benefit study of direct Government transfers and research on the level of fit between Foreign Aid agenda (Government Aid – ODA) & the priorities of the South African Government.

5.2.3 Programme Area 3: Information and Knowledge Management

This programme requires the attention of a specialist to drive it forward.

5.3 Internal Audit

The Senior Internal Audit Manager acted as Director: Internal Audit and the position of Risk Manager was not filled for the year. Despite this, the Directorate was responsible for 231 compliance audit reviews, 90 due diligence reviews and 11 special investigations. In addition, the annual review of internal controls was conducted. Furthermore, a process to appoint a Risk Manager has been initiated and a risk assessment process is to be effected as soon as is practical in the new financial year.

5.4 Marketing and Communications

The Directorate's activity based budget was reduced from R8,3 million to R3,5 million for the period under review which had an effect on the outputs of the Directorate. Despite this the following was achieved:

5.4.1 Marketing operations

These operations included a road show of stakeholder briefings to all the five regions giving updates on the NDA leadership challenges and action taken by the Board, delivery on the Agency's mandate and programmes and projects being supported by the Agency; the branding of the new national office and the planning for the branding of provincial offices; and the distribution of marketing material.

5.4.2 Media Relations

As a support function of the whole Directorate, media relations has been involved in many of the NDA activities in the form of launches, project visits, media briefings, media campaigns and workshops. In total, according to Monitoring South Africa's estimates, the NDA enjoyed an estimated free 'advertising spend' of R1.5m for television, radio and print media over the period under review.

5.4.3 Communications

An extensive range of communication tools was developed and/or updated and distributed during the year. In addition, the function of internal communications was assumed by the Directorate and a communications policy and strategy was approved. Also, a quarterly newsletter supported by an intranet facility is to be introduced.



5.4.4 NDA Website

The NDA website is now hosted internally. Critical links with key stakeholders are being identified and will be established in the new year.

5.5 Human Resources Directorate (HR)

The Human Resources Directorate is tasked with the responsibility of developing and providing human resources capacity to ensure effective and efficient management in the delivery of NDA services. It is concerned with establishing an organisational culture in which performance plays a vital role, by communicating rewards/consequences in support and achievement of NDA's strategic objectives. The basis of the HR function is to ensure the development and consistent implementation of human resources policies and practices at NDA, such as recruitment, orientation, training and development, employee relations, remuneration, organisational development, benefits and employee services.

The directorate continues to strive to improve HR processes and policies and to this extent a number of successes that have been achieved during the year under review can be reported. These include:

- The finalisation and approval of all core HR policies and processes with ongoing realignment taking place, as the business environment requires.
- The completion of a survey on the status quo of perceptions of communication in the NDA.
- Organisational rights agreement signed with the majority union.
- Ongoing improvement of administrative processes and controls with risk areas, as identified in the audit report, having been largely addressed.
- Improved management reporting on HR matters to enable proactive management of human resources in all Directorates and regions.

5.6 Finance & Information Technology

During the year under review the Finance Directorate introduced new and improved existing, systems which contributed significantly towards the organisation receiving an unqualified audit with emphasis of matters. This is a marked improvement over the last two years. Furthermore, the Directorate aligned its activities to the Agency's strategic plan and the full impact and benefit of this alignment will be felt in the coming financial year. In addition, the Great Plains Accounting System has been reconfigured to address the business needs of the Agency and the procurement and financial policies were updated and approved by the Audit Committee. Reconciliation between the Great Plains Accounting System and the PTS project administration system was conducted at year-end, and staff training requirements were identified.

5.7 Office of the Chief Executive Officer

5.7.1 Background

The CEO's office has the Company Secretariat and three Units reporting to it, namely Dialogue and Strategy co-ordination, Resource Mobilisation and Stakeholder Relations. The work of the three Units has been adversely affected by the external perceptions of instability in the organisation as the role of the three Units is largely external. In addition, much of the work of the three Units is supportive to the persona of the CEO in respect of interactions with high level outsiders who require to interact with a CEO. The absence of a full time CEO who would have had the time for such interactions, was a hindrance.



5.7.2 Strategy and Dialogue

As has been reported elsewhere, the Strategic Plan of the NDA is to be revised. This Unit will play a facilitating role in the process.

The Parliament, Legislatures and Portfolio Committees have been interacted with. In addition, dialogue sessions have been conducted with Central and Local Government, Civil Society and business representatives including Codisa, Community Conversations forum, Ford Foundation, Steve Biko Foundation, Centre for Inter faith, South African Grant Makers Organisation, labour organisations and a number of independent development consultants.

5.7.3 Fund Mobilization

The development of a donor database has been concluded and interaction with potential donors and organisations with which NDA can collaborate, has been ongoing. These include the Departments of Trade and Industry and Labour, Bristol Meyers Squib, CARE South Africa-Lesotho, ABSA, Transnet Foundation, BHP Billiton, World Vision International, Help International, Land Claims Commission and Land Bank, USAID, Sasol, People's Bank and Eskom.

5.7.4 Stakeholder Relations Management

There has been interaction with National Skills Development and the National Skills Fund, particularly regarding giving assistance to NGO's and CBO's, GIDU, Social Services Intergovernmental Forum, Rand Water Foundation, the Portfolio Committee of Social Development and its study group, NEDLAC, the JEP initiative of South African Council of Churches together with South African Catholic Bishops Conference that addresses issues and matters of youth development. In addition, there has been participation in the meetings convened by the DBSA of all the Development Finance Institutions and the planning of further engagement with the EU and Intermediary Grant Making organisations.

6. Risk Management

Risk management includes the following:

6.1 Integrity enhancement strategies

There is a commitment to transparent governance and ensuring adherence to delegations of authority throughout the NDA.

6.2 Protection of resources

The NDA has embarked on a vigorous risk management programme to ensure that the NDA's resources are spent expeditiously.

6.3 Integrity and transparent administration through regular auditing

Regular auditing is carried out.

6.4 Code of good conduct

All employees are expected to comply with the Code of Ethics of the NDA. The Code also acts as a guideline to employees as to what is expected of them from an ethical point of view, both in their individual conduct and in their



relationships with others. Compliance with the Code can be expected to enhance professionalism and help to ensure confidence in the NDA and its employees.

6.5 Risk management strategies

These strategies include:

- 6.5.1 Performing due diligence reviews prior to funding being made available.
- 6.5.2 Performing independent audit reviews before the release of further tranches once the first tranche is released.
- 6.5.3 Performing final audit reviews before the closure of the projects.
- 6.5.4 Anti fraud controls, procedures and policies formulated.
- 6.5.5 Fraud management framework developed.

6.6 Fraud management mechanisms

These include:

- 6.6.1 Preventative strategies such as those that NDA has included in its project cycle and an element of Supply Chain Management with a view to ensuring appropriate use of funds by grantees, thus ensuring their sustainability. Projects will be guaranteed quality products and service through a supplier database constituting credible suppliers from whom to source products and services.
- 6.6.2 Detection and inspection services which include project appraisals, programming and report frameworks and quarterly reports for Government.

6.7 Quality assurance

This includes internal auditing, monitoring and evaluation on an ongoing basis.

7. Corporate Governance

The members of the NDA Board recognise the importance of sound Corporate Governance and the necessity of its application in the context of the NDA. From the outset, the members of the Board were faced with a number of difficult issues on a management level, namely a forensic audit, the cautionary suspension of the then CEO and COO and the resultant disciplinary enquiry, the absence of a full time CEO and COO, the departure of senior officials from the NDA and a fire in its head office.

The Board is committed to reviewing the governance structures and levels of controls and to implementing measures to prevent similar occurrences recurring. The Board is cognisant of the fact that, although certain immediate actions can and have been taken, the implementation of all the requisite remedial action is a process which will take some time to accomplish. Some of the actions already taken include the establishment of a Fraud Prevention policy together with a Fraud Response Plan, the formulation of an Internal Audit Coverage Plan to cover high-risk areas and the creation of an ethics 'hot line' managed by an external contractor.

During the course of 2003, the NDA engaged the services of Corporate Governance Accreditation (Pty) Ltd. to assist it with the development and formulation of the requisite governance architecture and processes. The current governance exercise is intended to align the NDA with the requirements and best practice standards as defined in the NDA Act of 1998 as amended, the Public Finance Management Act of 1999 and related Treasury Regulations, the Protocol of Corporate Governance in the Public Sector (1997) and the recommendations of the second King Report released in March 2002.



7.1 Governing Body

The NDA is governed by a unitary Board, the constitution and composition of which is determined by the Act. As the Accounting Authority (as defined in the PFMA), the Board members have a collective responsibility to meet their fiduciary duties to the NDA, both in terms of the PFMA requirements as well as the principles outlined in King II.

The duties, functions and responsibilities of the Board, as well as their strategic objectives, are defined in the Act and the Board provides management and strategic direction in accordance with these guidelines.

The Board members bring to the Board a wide range of expertise, including significant financial, legal and management experience, as well as independent perspectives.

The Act defines the primary objectives of the NDA, which the Board must oversee, as being to contribute towards the eradication of poverty and its causes by granting funds to Civil Society Organisations for the purpose of:

- a. Carrying out projects or programmes aimed at meeting development needs of poor communities; and
- b. Strengthening the institutional capacity of Civil Society Organisations involved in direct service provision to poor communities.

The secondary objectives of the NDA are defined as being to promote:

- a. consultation, dialogue and sharing of development experience between Civil Society Organisations and relevant organs of state; and
- b. debate on development policy;

And to undertake:

- c. research and publication aimed at providing the basis for development policy.

7.2 Composition of the Board

The Act requires the appointment by the Minister after consultation with Cabinet of five members to represent Government, and six members from Civil Society recommended by a panel established specifically for this purpose. The Chairperson of the Board is appointed by the Minister at the first Board meeting of an incoming Board.

All Board members are appointed for a period of three years. They are all independent non-executive members. The Chief Executive Officer, who is appointed by the Minister on the recommendation of the Board and after consultation with Cabinet, is a non-voting (ex-officio) member of the Board and the accounting officer of the NDA.

The Board is required to meet at least quarterly. However, in the light of the issues requiring its attention, it has met more often than the Act prescribes.

No formal Board evaluations have been undertaken as yet, but the Board plans to conduct the same in the future. All new Board members have attended an overview presentation on their governance and fiduciary responsibilities and, through the office of the Company Secretary, the Board has initiated a programme to formulate a formal induction programme for members.



7.3 Board Charter

- 7.3.1 A Board Charter defining the levels of materiality of the Board, its reserved powers and setting out the role of the Chairperson has been approved and adopted by the Board.
- 7.3.2 In accordance with the said Charter and the NDA Act, the Board has reserved to itself the following:
- The approval of the strategic plan and the activity based annual budget;
 - Reviewing of key risks, especially in respect of projects to be funded and Agency systems;
 - Recommending to the Minister of Social Development, a candidate to be appointed as the Chief Executive Officer;
 - Monitoring the maintenance of overall policies and processes to ensure the integrity and transparency of the NDA's internal controls;
 - Monitoring the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined delegation to management for the detailed planning and implementation of such objectives and policies against a background of economic, environmental and social issues relevant to the NDA; and
 - The granting of funding.
- 7.3.3 The Charter expresses the Board's philosophy in regard to excellence in stakeholders' satisfaction, service delivery, optimisation in the use of assets and employee development; respect for human dignity and national corporate citizenship, including good relationships with regulatory authorities.

7.4 Board Committees

To assist the Board in effectively executing its duties and responsibilities, it has established committee structures with defined written Terms of Reference and reporting responsibilities, particularly to the Board. The structure and mandates of the Committees are included in their Charters and Terms of Reference which have been approved by the Board. The Committees, which are described in more detail below, are:

- 7.4.1 Management Committee – as required by the NDA Act;
- 7.4.2 Audit Committee;
- 7.4.3 Human Resources and Remuneration Committee;
- 7.4.4 Projects and Programmes Screening Committee;
- 7.4.5 Research and Development Committee; and
- 7.4.6 Procurement Committee.

7.4.1 *Management Committee (Manco)*

The Management Committee of the NDA is constituted in accordance with Section 8 of the National Development Agency Act No 108 of 1998, as amended, to carry out such functions as may be delegated to it by the Board in accordance with the delegated authority granted to it by the Board under Section 12 (2) of the Act.

The composition of the Committee is defined in terms of Section 8 of the Act, and shall comprise of the following members, namely:

- Two Members of the Board appointed by the Minister in terms of Section 5(1)(a) of the NDA Act;
- Two Members of the Board appointed by the Minister in terms of Section 5(1)(b) of the NDA Act;
- The Chairperson and Deputy Chairperson of the Board shall also serve as the Chairperson and Deputy Chairperson respectively of the Committee; and



- The CEO shall attend and take part in Committee meetings as a non-voting (ex officio), member of the Committee.

The Committee performs its duties and may exercise such powers of the Board as delegated to it in terms of the Act and/or its Charter and its Terms of Reference with the exception of the authority to grant money from NDA funds.

The duties of the Committee include the following:

- Monitoring and making recommendations on the overall performance of the NDA;
- Monitoring the implementation of strategies and policies of the NDA;
- Prioritising the allocation of capital, technical and human resources;
- Reviewing and advising the Board on the five-year corporate strategic and annual corporate plans;
- Reviewing management's delegation of authority and operational financial reports and reflecting on efficiency of the management of current assets and liabilities; and
- A decision was taken by the Board in August 2005 that the Manco should also perform the functions of a Finance Committee.

7.4.2 The Audit Committee

The Audit Committee consists of no less than four independent non-executive members and the CEO who is a non-voting (ex officio) member. The Director: Internal Audit, the Chief Financial Officer and the Auditor-General are invited to attend all meetings. and other staff members may, at the discretion of the Chairperson of the Committee, also be invited to attend meetings and be heard. No such invited attendees have voting rights.

The duties of the Committee include the following:

- Review the effectiveness of the internal control system and internal audit;
- Review risk areas of the entity's operations to be covered in the scope of internal and external audits;
- Monitor the quality and integrity of financial and risk reporting;
- Review the adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- Review any accounting and auditing concerns identified as a result of internal and external audits;
- Review the annual financial statements and recommend approval thereof by the Board;
- Review the entity's compliance with legal, accounting and regulatory frameworks;
- Review the activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the response of management to specific recommendations.

7.4.3 The Human Resources and Remuneration Committee

The Committee consists of no less than four independent non-executive members and the CEO who is a non-voting (ex officio) member. The Director: Human Resources is invited to attend all meetings and other staff members may, at the discretion of the Chairperson of the Committee, also be invited to attend meetings and be heard. No such invited attendees have voting rights.

The duties of the Committee include the following:

- Influence and approve human resources policies and strategies and monitor compliance with the Employment Equity Act, 55 of 1998;



- Make recommendations to the Board on the remuneration policy for executives and non-executives; and
- Monitor the ethical conduct of the organisation, its management and employees.

7.4.4 Projects and Programmes Screening Committee

The Projects and Programmes Screening Committee is constituted to act on behalf of the Board in discharging its duties of reviewing, screening, and recommending proposed projects, within budgeted parameters, to the Board for approval. In order to achieve this, the Committee should have access to all relevant information pertaining to projects and programmes.

The Committee shall consist of not less than four Board members appointed by the Board and the CEO who is a non-voting (ex officio) member. The Director: Projects, is invited to attend all meetings and other staff members may, at the discretion of the Chairperson of the Committee, also be invited to attend meetings and be heard. No such invited attendees have voting rights.

The Committee performs its duties and may exercise such powers as are delegated to it by the Board and/or in terms of its Charter and Terms of Reference, which include:

- Review programmes and projects and forward recommendations thereon to the Board for approval;
- Execute the policies of the NDA regarding funding of projects and programmes on behalf of the Board;
- Ensure that the approved projects / programmes are properly monitored and evaluated;
- In consultation with the internal auditors and lawyers of the NDA, initiate action in instances of breach of funding agreements by any project/ programme;
- Monitor the target funding for the year and ensure the Board receives performance reports; and
- Provide strategic direction to donors and partners in terms of programmes and undertakings.

7.4.5 Research and Development Committee

The Research and Development Committee is constituted to act on behalf of the Board in facilitating the research and development programme, for the approval by the Board. In order to achieve this, the Committee should have access to all relevant information pertaining to the Research and Development directorate.

The Committee shall consist of not less than four Board members appointed by the Board and the CEO who is a non-voting (ex officio) member. The Director: Research and Development, is invited to attend all meetings and other staff members may, at the discretion of the Chairperson of the Committee, also be invited to attend meetings and be heard. No such invited attendees have voting rights.

The Committee performs its duties and may exercise such powers of the Board as are delegated to it by the Board and/or in terms of its Charter and Terms of Reference, which include:

- Review and make proposals on NDA's policy on research and development for Board approval;
- Ensure the development of a database for monitoring the effectiveness of research projects;
- Make recommendations on proposals for research funding and projects;
- Monitor the management of the knowledge management infrastructure frame work;
- Monitor implementation plans and progress of the research and development frame work;
- Monitor the performance of research and development partnerships against agreed goals.

7.4.6 Procurement Committee

The Procurement Committee reviews and recommends the procurement policy and procedures to the Board for approval. The Committee shall consist of not less than two Board members and the CEO who is a



non-voting (ex officio) member. The Chief Financial Officer is invited to attend all meetings and other staff members may, at the discretion of the Chairperson of the Committee, also be invited to attend meetings and be heard. No such invited attendees have voting rights.

The Committee performs its duties and may exercise such powers of the Board as are delegated to it by the Board and/or its Charter and its Terms of Reference, which include:

- Review and make recommendations on the procurement policy and procedures of the NDA;
- Monitor and report on written reasons for instances where the lowest tenders to specification have not been accepted;
- Communicate with the Procurement and Tender Committee of the NDA on the implementation of procurement policies and directives;
- Monitor compliance with legal frameworks.

7.5 Record of Attendance at meetings of members of the Board and its Committees

The following schedule gives details of the attendance of members of the Board and its Committees at meetings held during the period under review:

Board Members	Board	Audit	Human Resources and Remuneration	Projects and Programmes Screening	Research and Development
Bishop Malusi Mpumlwana	4				
Ms Marcia Manong	4		4		
Mr George Chaane	3		4		
Ms Joan Daries	5			11	2
Ms Annemarie Hendrikz	5	6		12	
Ms Onica Maphai	3			3	3
Dr Temba Masilela	4		3		
Prof Tokozile Mayekiso	3		1	9	2
Ms Nontobeko Moletsane	4			10	



Board Members	Board	Audit	Human Resources and Remuneration	Projects and Programmes Screening	Research and Development
Dr Stephen Rule	5			10	2
Mr Allan Taylor	5	5			
Non Board Members					
Ms Kabelo Malapela		5			
Mr Alan Velcich		7			

7.6 Executive Committee

Whilst retaining overall accountability and subject to it, the Board has delegated authority to run the day-to-day affairs of the Agency to the CEO and management and an Executive Committee has been established for this purpose.

This Committee is constituted to assist the CEO in managing the business of the NDA subject to statutory limits and the Board's limitations on delegation of authority to the CEO. The Executive Committee assists the CEO in guiding and controlling the overall direction of the business of the NDA and acts as a medium of communication and coordination between the business units. Executive Committee representatives are required to attend Social Development Portfolio Committee briefings to answer any questions raised by Members of Parliament.

7.7 Company Secretary

The NDA has appointed a Company Secretary to assist it in addressing compliance matters, providing governance oversight, fulfilling corporate secretarial functions, identifying issues that should come to the Board's attention and ensuring that relevant matters are placed on Board Agendas for discussion. This ensures that all the relevant facts and circumstances are brought to the attention of the Board which, in any event, has unrestricted access to all company information and records.

The Members of the Board have a duty to become fully acquainted with all issues pertaining to the operations of the NDA to enable them to properly fulfill their duties. As required by the King II report, all members of the Board have access to the advice and services of the Company Secretary and are entitled to seek independent professional advice concerning the affairs of the NDA.

The Company Secretary is also responsible for the implementation of Corporate Governance and for the overall monitoring of the same.

7.8 Internal Controls

The Board is aware of the deficiencies that have existed in the past in internal controls. For this reason, it appointed KPMG auditors for a period of six months to review the systems and controls and to implement suitable risk management



systems. Furthermore, the accounting package, Great Plains, is being reconfigured to better serve the needs of the NDA and the Project Tracking System is being enhanced to better assist with the managing of projects. Also, from 1 December 2004 a qualified Chartered Accountant was appointed as the Chief Financial Officer of the NDA. Furthermore, the appointment of additional staff for the Finance and Internal Audit directorates, has been authorised.

The Board is acutely aware of its responsibility to ensure the establishment and maintenance of effective and verifiable internal risk management and control systems and the need to address past and present obstacles in this regard. Internal audits will be undertaken regularly as compliance audits to determine the compliance of projects with grant agreement conditions and the Audit Committee is tasked with the responsibility of monitoring this process and reporting to the Board.

7.9 Audited Financial Statements

The Board is responsible for the preparation and integrity of the Annual Financial Statements of the NDA. In this regard, it is noteworthy that the NDA received an unqualified audit report with emphasis of matters for the year under review. This reflects the improved situation at the NDA. Furthermore, the Board will continue to take requisite remedial action to address any deficiencies.

The financial statements are prepared in accordance with Generally Accepted Accounting Practice (GAAP) and incorporate full and meaningful disclosure as supported by reasonable and prudent judgements and estimates.

7.10 Reporting

Being cognisant of its responsibility to the State and to the public at large, the NDA is continually striving to ensure regular, transparent and effective disclosure to all stakeholders both with regard to financial and non-financial matters. Information is provided in such a manner that the user is able to gain a proper and objective perspective of the NDA.

In this regard the NDA has published a comprehensive Strategic Plan which is available to all stakeholders.

Despite the considerable progress with regard to reporting, the Board intends to strive to continuously better and improve its efforts to ensure a broader and more inclusive approach to effective communication, leading to increased stakeholder awareness and understanding of the NDA's objectives and achievements.

7.11 Auditing

Oversight of the auditing function as well as communication and liaison with the auditors and the scope of their mandate is carried out by the Audit Committee. This Committee is chaired by an independent, financially qualified individual who is not in the employ of the NDA and who is not the Chairperson of the Board. The Committee addresses matters relating to financial policies, internal controls, internal and external audit matters and such other issues as are defined in its Charter and/or Terms of Reference and as may be referred to it by the Board from time to time. It also ensures that the annual financial statements are reviewed with management and the external auditors before being referred to the Board for approval.

The Committee meets regularly with management as well as the internal and external auditors. The Director of the Internal Audit Directorate, the external auditors (being the Auditor-General) and relevant NDA officials attend Committee meetings.

7.12 Code of Ethics

The NDA has a Code of Ethics which governs and guides the Board and all staff members on matters such as conflicts of interest and conduct, and confirms the Board's intention to set the standards and values for the NDA. A copy of the Code is available on request for management and employees. Any contravention of the Code is viewed as a serious matter.



7.13 Remuneration

Members of the Board receive fees for their contributions to Board and Committee meetings. These fees are reported fully in the Annual Report.

7.14 Non-financial matters

Of particular concern to the Board has been the absence of a full time CEO, and staff in certain key management positions, resulting in a diminished pool of skills and expertise and strain on the internal capacity.

Steps have been taken to fill vacancies. A CEO has been appointed with effect from 1 June 2005 and processes to fill positions in the Finance and Internal Audit Directorates will ensure that these positions are filled by October 2005.

Steps have also been taken to remedy this situation through improving levels of responsibility, redefining job descriptions and linking effective performance measures, improving accountability of staff through defined responsibilities and other measures.

Furthermore, staff members have been put through PFMA training and additional workshops and training exercises are planned to improve productivity and instill ethical values and service delivery. A ‘whistle-blowing’ hotline has been implemented and a formal Code of Ethics has been established. The challenge remains to integrate these standards and principles enterprise-wide, to ensure uniformity of application and to monitor the effective implementation of the organisation’s business conduct policy.

Despite having taken the abovementioned remedial action, the Board will continue to monitor the situation closely in order to ensure that the NDA’s commitment to ethics, delivery and performance is maintained and improved.

7.15 Conclusion

The NDA recognises the importance of sound Corporate Governance principles and practices as essential elements for its sustainability. It also sees governance as an ongoing dynamic area which will require continuous assessment and monitoring. The Board is confident that the processes that it has initiated in this regard will assist in establishing the requisite architecture and structures to enable it to effectively monitor and maintain the requisite standards and values it has set for itself and for the organisation as a whole. Whilst no system or process is in itself a guarantee that no failures will occur, the structures that are in place and are currently being put in place will serve to reduce and minimise such occurrences, establish early warning systems and create the foundation on which to assist the NDA in achieving high-class standards in service delivery and maximising its efforts with regard to poverty alleviation.

8. Performance Information

When considering the information set out below, cognisance should be taken of the fact that certain performance results were adversely affected by budget cuts that were effected after the Strategic Plan had been developed. In particular, the budgets of the Research and Development and the Marketing and Communications Directorates and three Units in the Office of the CEO, were reduced significantly. In addition, the absence of a full-time CEO and COO and the time constraints under which the DSD envoy operated due to their other onerous commitments within the DSD, had an adverse effect, particularly with regard to the outputs of three Units in the Office of the CEO.



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
8.1 Projects and Programmes Directorate				
Support to integrated and sustainable programmes enhancing food security in identified poverty pockets	Enhanced livelihoods and food security in identified communities	7 integrated interventions per province	77 integrated projects approved by Board during financial year representing funding commitment of R92 634 363	Over commitment beyond direct funding allocation of R75m due to rollover from previous financial year
	Participation by households including women, youth, disabled and people infected or affected by HIV/AIDS	70% participation and beneficiation by identified groups	80% achievement	Improved projects assessment and targeted programming
	Improved sustainability of funded projects	Annual review of programmatic performance to show 50% sustainability of funded projects	Improved M&E to enhance sustainability on ongoing basis	Ongoing
	Support to integrated projects involving ECD and ABET in food security initiatives	30% integration of (ECD) programmes	20% support for projects integrating ECD programmes	Approved projects focused mainly on food security and economic development
	Progressive improvement from subsistence to commercial farming	Increased commercial farming	Ongoing	No variance
Facilitate participation of formerly disadvantaged groups in the mainstream economy	Provide support to existing or new income generating initiatives to improve the asset base of poor households	7 new or existing SMME's per province	An average of six new SMME projects supported per province	Support included capacity building
	Viability and growth of supported economic initiatives in tourism, manufacturing and agri-business	Commercial break – even point reached within 1 year of support	Partially achieved	Sustainability / commercial viability analysis still needs to be carried out
	Support the establishment of profitable farmers associations/ co-operatives	9 farmers associations and co-operatives established in all provinces	Partially achieved – supported six co-operatives as part of LRAD	Emphasis on strengthening institutions capacity of existing co-operatives



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
<p>All applications answered positively or rejected within four months from receipt</p> <p>60% of all Government funding awarded through call for proposals</p> <p>40% of funding directed towards a pro-active funding approach</p> <p>An IT system for monitoring and evaluation of projects, tracking of approved and finalised projects, disbursements, beneficiaries, jobs created and other key indicators per project, province and nationally.</p>	Strengthen identified institutions to provide business development support to funded projects / incubated business initiatives	3 to 5 institutions enabled to be accredited service providers	Achieved	No variance
	Assure sustainability of funded projects	Annual programmatic review of performance and poverty impact to achieve 60% sustainability of funded projects	Partially achieved	Formal study required to provide factual evidence
	Conceptualise and implement national flagship programmes in bee farming, poultry and cut-flower production	3 National programmes launched in 4 provinces	Four projects supported / launched	Consolidation of strategic partnerships with Government departments and other agencies
	Support land restitution post-settlement development activities	4 land restitution projects supported	Achieved	No variance
	Registry of all applications showing that no application takes more than four months to be adjudicated	Elimination of back log	Introduced a call for proposals with four months timeframe and committed 33% of development grant funding	A significant number of CBO's did not have the technical and institutional capacity to access funding through this approach
	Calls for proposals carried out	Introduction of Call for Proposals	Call for Proposals carried out	No variance
	Pro-active funding approach implemented	Funding directed towards a pro-active funding approach	Funding committed through pro-active funding approach	No variance
	Existence of monitoring and evaluation system as part of the expanded Project Tracking System that quarterly informs on project implementation on project level (activity implementation and results) as well as the change in key indicators on provincial and national level (beneficiaries trained, jobs created, etc)	The IT monitoring and evaluation system installed. Data regarding implementation of activities and results from all ongoing projects are being captured	PTS has been enhanced through PRAXIS intervention and the enhanced system to be fully operational in June 2005	No variance



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
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8.2 Research and Development

8.2.1 Development Policy and Dialogue

Development of policies in key sectors	Completed policy documents in key sectors	Completed documents in sectors	Only one policy document on Service Delivery Model coordinated by DSD completed Policy document on Emoluments for Volunteers in draft form	Challenges of delivery
Dialogue sessions and Advocacy Campaigns	Dialogue reports and implementation frameworks	Produce dialogue guidelines; conduct briefing sessions	Internal Dialogue on Dialogue report produced for guidelines on dialogue sessions. 8 out of 12 policy dialogue sessions held	Anticipated number of dialogue sessions not met due to late approval of budgets. As a result, critical policy dialogues on Faith-Based Organisations (FBOs), Clustering/Programme Formulation, and Monitoring and Evaluation have been deferred to the next financial year
Developed models, piloted and tested	Applicable models finalised	Applicable models piloted and tested	Completed first phase on the <i>Development of a model for supplying micro-finance to potential, existing and small, medium and micro-enterprises</i>	Delay of the completion of the second phase due to challenges experienced by service provider in meeting research study time-frames

8.2.2 Capacity Building, Monitoring and Evaluation

Learnership and Internship Programmes established and implemented	Guidelines and Implementation framework for Learnerships developed Learners and Interns recruited for Learnerships and Internships	Report on the existing internship programme Revised internship framework	Entire Capacity Building Programme transferred to Projects and Programme Directorate However, a focus on Research Capacity Development, Partnerships and Institutional linkages, Impact Assessment and Monitoring & Evaluation was maintained within the R&D Directorate	Re-alignment of a holistic Capacity Building focus with regards to other mandates of the NDA beyond grant funding No variance
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Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
	Programme Assessment Reports	Interns recruited Report	The R&D of the NDA led completed research on <i>Youth Economic Empowerment in Limpopo Province: A Search for Sustainable & Integrated Model</i> and there has been a significant skills and knowledge transfer to young researchers. A research team of 30, including 23 young researchers and NDA staff, have benefited in participating in this research study	No variance
Linkages established and maintained	Guidelines and Implementation framework	Framework document finalised	More than 60 linkages with R&D have been forged and MOU's are to be signed.	A critical linkage with the social cluster organisations including a relationship with DSD is urgently required
	Data-base of institutions and organisations	Database	Research projects commissioned to external service providers have been completed and are ongoing. These include:	No variance
	MOUs and MOAs Reports	Pilot programme	State of Giving – Strategy & Tactics (Survey part completed)	No variance
			Research Internship –Maurice Webb Race Relations Institute, Univ. of Kwazulu/Natal (ongoing)	No variance
			Child well-being research – UWC (ongoing)	No variance
OD interventions developed and implemented	Comprehensive OD Strategy and Implementation Framework and Monthly Reports	Finalised OD strategy document and Implementation reports	Transferred to Projects and Programmes Directorate under the banner of Capacity Entire Capacity Building	Re-alignment of a holistic Capacity Building focus
Monitoring, Evaluation, Impact Assessment and Benchmarking	M&E tools and systems developed and implemented	M&E Diagnostic Tools Impact and Assessment tools	Completed NDA Comprehensive Impact Assessment Research Report – Accountability	No variance



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
			Institute of South Africa	
			Completed NDA Sectoral Impact Assessment Report – African Institute of Corporate Citizenship Ongoing work on Monitoring and Evaluation. Diagnostic tools not yet completed	Lack of a senior Impact Assessment, M&E Senior Researcher has resulted in this work not being completed. Recruitment processes for an appropriate candidate to fill the position are planned to commence once the new CEO is in office.
Customer Relationships	Co-ordinated customer relations function	Strategy and plan developed and implemented	Ongoing work done by the current Personal Assistant to the Director. Request to have this function undertaken by the Research Programmes Coordinator has not materialised	A dedicated function and key performance area of the Research Programmes Coordinator, a position that has not been filled because the organogram has not been approved.

8.2.3 Information and Knowledge Management

Effective decision making assisted by a seamless information and knowledge management service	Approved Information and Knowledge Management Strategy Information and Knowledge map report Content resources Audit Professional resources centre manager recruited	Strategy in place by August 2004	Information and Knowledge Management not taken off. However, Director is in the process of writing the I&KM strategy for the NDA that will include the Information and Know-ledge map report as well as the Content resour-ces Audit of the NDA Professional resources centre manager not appointed yet	Recruitment of a qualified Information and Knowledge Management professional delayed due to budget constraints. Awaiting the approval of the organogram so that an appropriate professional can be recruited.
Time-saving and effective internal and external reporting requirements by auditors and other key players	Integrated Records and documents system	Coordinated records and documents system at National office	Integrated records and documents system not in place yet	Awaiting the approval of the organogram so that an appropriate professional can be recruited.
Efficient measurements of poverty pockets and size of social	Feasibility studies completed	First phase of the Poverty Data Centre completed	Second phase of Poverty Data Centre is ongoing	No variance



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
investment in South Africa		Impact Assessment system piloted in three regions i.e. Limpopo, Eastern Cape and KwaZulu-Natal	Feasibility study on the roll-out of Impact Assessment to remaining two regions i.e. Western Cape and Northern Cape and Gauteng, Free State and Northwest still to be conducted	
Tools and Systems developed and implemented	Data-base of interventions (social investment); Poverty Indicators Reports	Impact Assessment tools and system developed	Ongoing work was started with assistance of the EU technical assistance programme	Delays due to late approval of budgets and departure of the key EU technical assistant
Expert groups sharing human intellectual expertise, tools, ideas, practices and learning experiences on the development sector. Replicated best practices and benchmarking in poverty eradication, with the aim of avoiding wastage of resources	Number of Communities of Practice and learning networks Dialogue Series, Brown bag discussions, workshops and conferences Monthly and quarterly reports	Three Communities of Practice and Learning Knowledge networks in place i.e. Food security, Economic development and Agri-business	Provincial learning networks on ICTs for development initiated in conjunction with SANGOnet Community of Practice on Asset Base Community Driven (ABCD) Approach to Development with Universities of Fort Hare, Limpopo, Venda as well as the Coady International Institute in Canada 300 CSOs representatives, including a member of the NDA Board, students and institutions of higher learning have benefited through the ABCD workshops 5 NDA senior managers supported through CIDA grants to participate at the COADY International Institute to be part of an international learning network	Having to wait for the approval of the organogram has impacted on work started
8.3 Human Resources and Corporate Services Directorate				
Appropriate administrative orientated processes, policies and systems developed and implemented	Completed and compliant administrative system	All current policies, procedures to be reviewed, finalised and implemented	Policies, procedures reviewed finalised and implemented	No variance



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
Successful implementation and integration of performance based organisational culture	Completed change management programme system	Change management programme developed	Ongoing	Capacity constraints
Effective management of performance and development system	100% of staff on system and comply with prescripts	Comprehensive Performance Management System implemented	Inconsistent application	Organisational environment and culture structure awaiting approval
Successfully limit the attrition rate of key and strategic staff	Staff retention strategy	80% retention of staff	Achieved	Better than 95% retention achieved
Effective management of total rewards and recognition for performance	Comprehensive rewards strategy	Strategy developed and implemented	Achieved	No variance
Effectively implemented strategic Work Place Skills Plan	Training, development and assistance programme and plan implemented	Annual workplace skills plan report	60% achieved	Budget constraints and operational reasons resulted in limited implementation
Enabling and supportive work environment, employee assistance provided and sound labour relations promoted	Number of employees using Employment Assistance Programme (EAP)	Employee Assistance Programme implemented	Strategy developed and to be implemented	Budget constraints delayed implementation
	Supportive corporate services plan	Corporate services plan implemented	In progress	Supply chain management moved to Finance Directorate
	Number of grievances and disciplinary cases	Information and sessions in order to promote sound Labour relations	90%	Number of grievances and disciplinary cases has been significantly reduced
8.4 Internal Audit				
Provide management with independent assessments of the adequacy and effectiveness of systems of control	Number and extent of Internal Audit Reports	Reports on areas approved in Audit Coverage Plan for the year	Internal Audit and Due Diligence Reports as well as special investigations carried out	No variance
	Strategic risks identified and control environment determined and documented	Annual review and assessment of extent of risks and control environment	Overall risk assessment to be carried out once new Risk Manager is appointed	Awaiting appointment of a Risk Manager
8.5 CEO's Office				
8.5.1 Strategy Planning and Policy Co-ordination				
Coherent organisational strategic plan	Annual reviewed strategic plan. Annual strategic plan workshop report Quarterly reports.	Review of annual strategic plan for 2005/6	Achieved	No variance



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
Facilitate awareness about development policies through dialogue	Develop a dialogue strategy	Complete and implement relevant strategy	Achieved	No variance
Secure national, regional and international assistance for poverty eradication	Increased NDA links with international development agencies	Trusted resource for community development and poverty alleviation	Partially achieved	Due to lack of an enabling environment and a full time CEO goals were not fully met
	Participation in national, regional i.e. SADC, AU meetings and convening of national and regional fora	Regional development partner	Partially achieved	
	Strategic agreements at national and regional levels	Twelve agents at national level and 6 at SADC level	Ongoing	

8.5.2 Resource Mobilisation

Increasing the resource base of the organisation	Increased number of Partnership Agreements signed - 15 signed agreements per annum	Increased private sector support for NDA projects by 40%	The partnership agreements were initiated but not concluded.	The value add and continuation on Partnership Agreements required considerable high level engagement by a CEO, which, due to time constraints, was not possible
	Value add of MOUs to NDA core business	Better co-ordination and joint funding with Government Departments	The function on donor mobilisation is dependent on the leadership of the CEO	Due to other onerous commitments the necessary input of a CEO was not available to drive this activity
	NDA co-ordinated process of poverty eradication funding in various Government Departments and the Donor fraternity	Increase levels of bilateral donor spending on poverty eradication through NDA by 50%	No new partnerships agreements were concluded	Due to capacity constraints and the limited availability of the envoy, as well as the perceived instability of the NDA.
	NDA co-ordinated Corporate Social Investment budgets by the business community	Increase Public, Private Partnerships by 20 agreements per year	This activity was not achieved	A scoping exercise that was to be done by R&D for Corporate Social Investment could not be done due to budgetary and capacity constraints.
	Well developed business cases for projects for fundability	Re-packaged projects ready for funding by other partners	This could not be undertaken due to engagement with donors being hampered	There was perceived instability in the NDA which made engagement with potential donors a serious challenge
	Increasing NDA's links and co-operation with	3 Donor fora per annum	This was not achieved	There was perceived instability in the NDA



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
	Donors through briefings and forums			which discouraged potential donors from forging new links with the NDA.

8.5.3 Stakeholder Management

Consolidation and sustaining links with stakeholders and organs of state	Comprehensive analysis and report on stakeholder delivery in the NDA	Development and implementation of stakeholder analysis strategy	A strategy has been developed but analysis has not been done	A full time CEO is needed to decide who should be partners to the NDA
	Research report on size of development finance in Government and in private sector through Corporate Social Investment	Completed research on size of development finance in Government and private sector	This was not done	It could not be done because of budget constraints
	Establish Development Finance Institutions forum that meets regularly	Establish quarterly forum	The forum exists and its convenorship rotates. The meetings are convened on a bi-monthly basis	No variance
	Increased consultation with Civil Society Organisations	Four dialogues, seminars and consultations with Civil Society Organisations	There has been ongoing consultations with CSOs and their dialogue events have been attended	Budget was not available for the NDA to do seminars and dialogues
	Increased political enrolment	Presentation of NDA to all five relevant Ministers in the Social Cluster	Parliamentary presentations for but not with Ministers were attended.	The presentations to Ministers could not take place because of the time constraints of the envoy.
	Increased and targeted interaction with Government (Local, Provincial and National)	Finalise partnership agreement with three Government departments	Negotiated with DTI about possible partnerships around co-operatives for R10 million	No budget was available to interact or attend their meetings like AGMs
	Improved engagement on proactive engagement with Parliament and Portfolio Committee(s)	Set up Parliamentary liaison function in the NDA	No resources to support setting up of this function	No budget was available to do this
	Increased private sector interest to NDA's work	Develop private sector support by 40%	The activity depended highly on research to be done on the scope of corporate social investment	The research could not be done due to budget constraints.
	Contribute to national events and awards in the development sector	Strengthen NGO week, CBO network, and increase participation in hosting of Impumelelo awards	No NGO week or any CSO conference but supported Nedlac conference	The awards were not organised for the financial year



Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
8.5.4 Company Secretariat and Corporate Governance				
Furnishing minutes of meetings, board packs and the Annual Report. Arrange for Board and Committee meetings to take place	Production of minutes, board packs and the Annual Report. Meetings taking place	Production of minutes, board packs and the Annual Report. Meetings taking place	Mostly achieved and ongoing	Manco and Procurement meetings not held primarily because extra Board meetings were held, and time constraints
NDA meets all legal obligations	All legal obligations timeously met	Ensure NDA meets all legal obligations	Achieved where possible	NDA is involved in litigation and other legal processes resulting mainly from the events of the second half of 2003
NDA has up to date roster of all legal agreements and obligations that must be timeously met	Roster of all NDA agreements and obligations	Review all agreements and ensure compliance with any new legislation	Achieved and ongoing	No variance
Standardised legally sound agreements	Agreements available for all Directorates to use	Standardised agreements used throughout the organisation	Achieved and ongoing	No variance
Board, NDA and staff fully compliant with Corporate Governance issues	Corporate Governance Accreditation Certificate	Ensure that the NDA is awarded a corporate governance certificate and continues to comply with all Corporate Governance legislation	Partially achieved and ongoing	Compliance with all Corporate Governance issues is taking longer than anticipated

8.6 Marketing and Communications

8.6.1 Marketing

Widened the links to the NDA website via partnerships with other development agencies and Government entities	Website Maintenance:	Review of new site on six monthly basis	Website reviewed and new links to tertiary institutions, development NGO's and other partners were included	Ongoing
Corporate branding of the new office building and replicating the branding in all provincial offices	Corporate branding	National office and all provincial offices branded by end 2004	National office fully branded	Budget constraints
Updated and relevant NDA video and updating its content	NDA Corporate Video Review	Update twice a year with latest images as work gets done	One update done	Awaited new CEO's appointment
Aggressively marketed Impact Assessment report	Launch of the impact assessment report	First impact assessment report launched and disseminated via e-mail and website	Achieved	No variance
	Regional feedback sessions to key stakeholders	Feedback sessions to be held	Achieved	No variance



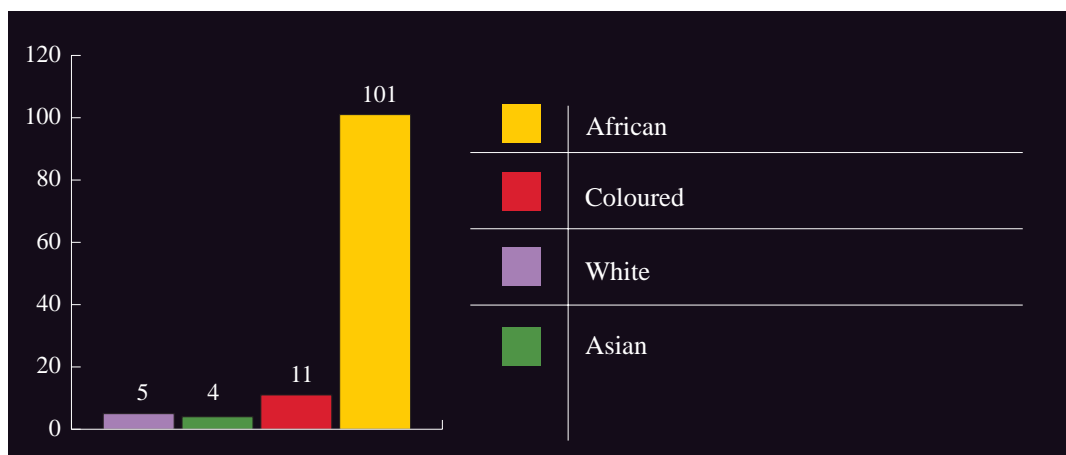
Goals	Key Performance Indicators	Target	Performance Results	Reasons for Variance
8.6.2 Media Relations				
<p>National Projects: Cut Flower Project Bee-farming project Poultry Project Land Issues Project</p> <p>Strategic meetings with editors at national and regional level</p> <p>Identifying development journalists and writers and introducing them to projects</p>	<p>Launch of national projects Media briefings National projects information brochure on concepts, vision and players</p> <p>Project visits with media</p>	<p>One national launch Five regional launches</p> <p>Three meetings a month with three visits a month by editors</p>	<p>Projects at feasibility stage 18 Projects launched</p> <p>Not achieved</p>	<p>Budget constraints</p> <p>Awaiting appointment of CEO</p>
8.6.3 Communications				
<p>Quarterly newsletter dedicated to specific regions per edition to cover inter-regional and interproject lessons and initiatives that can be learnt by other projects. This newsletter is targeted to NDA funded projects and is sent via the post utilising the PTS database</p> <p>Themed quarterly inserts covering national issues such as National projects, Research and development publications and journals; funded projects per province and general achievements by the NDA</p> <p>Strengthen and maintain open communication lines with internal stakeholders in a planned and consistent manner in accordance with the Agency's value and principles</p>	<p>NDA Newsletter: The Voice</p> <p>NDA Quarterly insert:</p> <p>Internal Communication Policy and Procedures</p> <ul style="list-style-type: none"> • Intranet • Notice boards • Staff Surveys • Downward, upward and lateral communication channels 	<p>Four editions published with each key programme featured per edition</p> <p>Expansion to include regional newspapers</p> <p>Benchmark of all internal communications tools to establish acceptance</p>	<p>Partially Achieved</p> <p>Not achieved</p> <p>Produced manuals, Notice Boards, staff survey</p>	<p>Budgetary constraints</p> <p>Project withdrawn due to budgetary constraints</p> <p>Budgetary constraints</p>



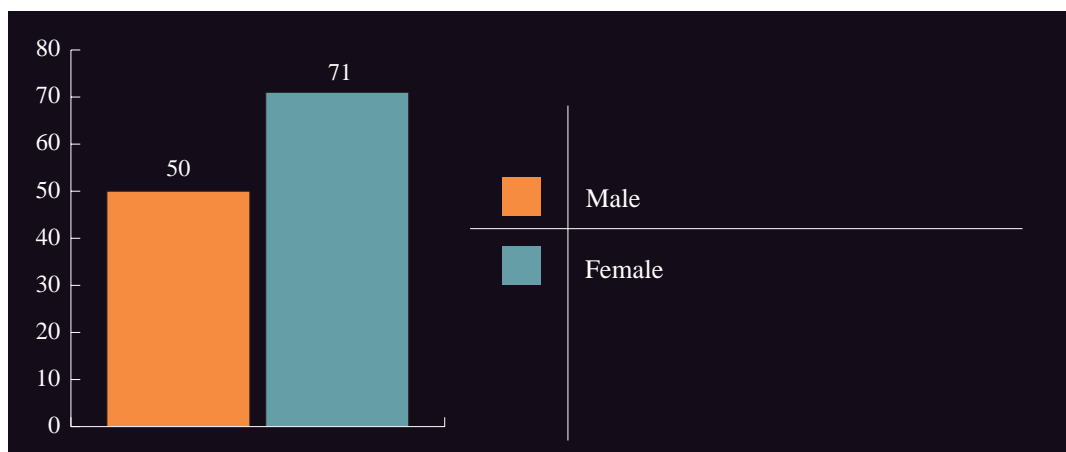
HUMAN RESOURCES PROFILE

For the period under review the NDA complied with all statutory reporting as required by legislation. Aligned with statutory reporting, the NDA is striving to embody the essence of the required legislation and is continuing to work towards its staffing structure being reflective of the equity representation of the various demarcations in relation to previously disadvantaged individuals. Although successful in the majority of the areas it identified as critical, the issue of addressing equity in relation to disabled individuals is still a challenge for the organisation. Data in relation to the organisation's current equity statistics are as follows:

Number of employees per population group

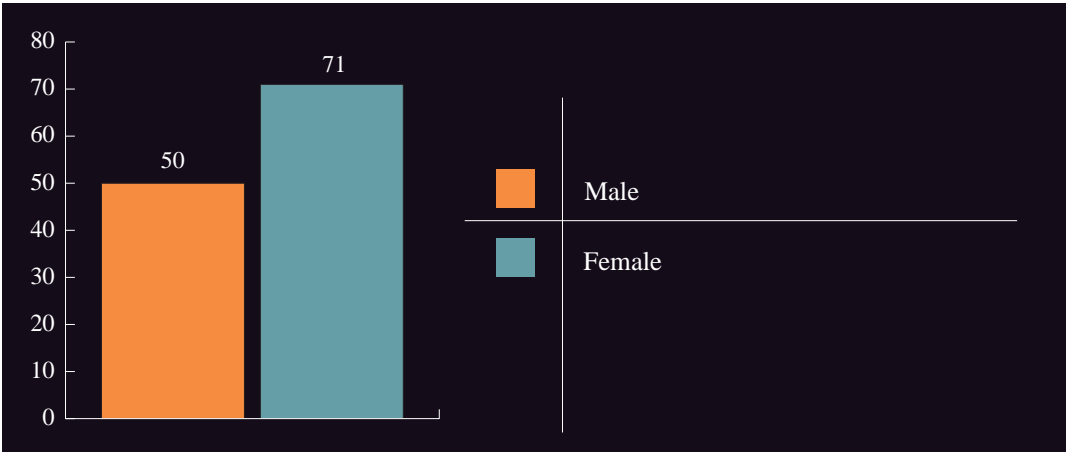


Number of employees by gender

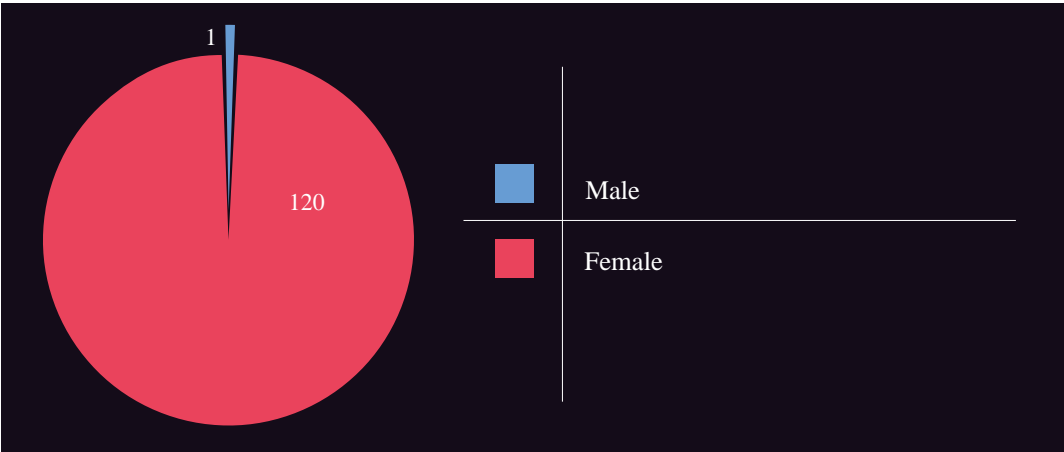




Number of female and male employees



Persons with disabilities





Occupational categories

Total number of employees per occupational category

Occupational Categories	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Legislators, senior managers	15	-	-	1	3	1	1	1	22
Professionals	-	-	-	1	-	-	-	1	2
Technicians and associate professionals	23	-	1	-	17	1	-	1	42
Clerks	8	1	-	-	35	8	2	-	55
Elementary occupations	-	-	-	-	-	-	-	-	0
Total	46	1	1	2	55	10	3	3	121

Classification by occupational category





Recruitment Profile

Recruitment by occupational categories

Occupational Bands	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Legislators, senior managers	1	-	-	-	-	-	-	-	1
Professionals	-	-	-	1	-	-	-	1	2
Technicians and associate professionals	-	-	-	-	-	-	-	-	-
Clerks	1	-	-	-	1	-	-	-	2
Elementary occupations	-	-	-	-	-	-	-	-	0
Total	2	-	-	1	1	-	-	1	5

Recruitment classification by occupational categories





Promotions profile (permanent)

Occupational Bands	Male				Female				Total
	African	Coloured	Asian	White	African	Coloured	Asian	White	
Legislators, senior managers	1	-	-	-	-	-	-	-	1
Professionals	-	-	-	-	-	-	-	2	2
Technicians and associate professionals	-	-	-	-	1	-	-	-	1
Clerks	-	-	-	-	-	1	-	-	1
Elementary occupations	-	-	-	-	-	-	-	-	-
Total	1	-	-	-	1	1	-	2	5

Terminations profile (permanent)

Legislators, senior managers	1	-	-	-	-	-	-	-	1
Professionals	-	-	-	-	-	-	-	-	-
Technicians and associate professionals	-	-	-	-	-	-	-	-	-
Clerks	-	-	-	-	1	1	-	-	2
Elementary occupations	-	-	-	-	-	-	-	-	-
Total	1	-	-	-	1	1	-	-	3

Annual Salary Analysis

Total Staffing Costs

Staffing costs	April 2004 to June 2004	July 2004 to September 2004	October 2004 to December 2004	January 2005 to March 2005	Annual Total
Salaries	4544128	4803760	4669680	4696493	18714061
Travel Allowance	567106	567140	558556	563556	2256358
Overtime	0	0	0	1173	1173
Medical Aid	534111	518893	499691	523561	2076256
13th Cheque	347240	370717	368914	375538	1462409
UIF	30575	29899	29065	29670	119209
Leave payout	57493	933	209725	11537	279688
Acting allowance	7722	7069	4121	7751	26663
Provident fund	894939	937148	930839	940781	3703707
Cost to company	6983314	7235559	7270591	7150060	28639524

Annual salary analysis by gender

Gender	Number of staff	Average cost per individual	Annual Total
Male	50	291417	14570882
Female	71	198150	14068642
Total	121	-	28639524



REPORT OF THE AUDIT COMMITTEE

FOR THE YEAR ENDED 31ST MARCH 2005

We are pleased to present our report for the financial year ended 31st March 2005.

GENERAL

The National Development Agency Audit Committee's function is primarily to assist the Accounting Officer in discharging his responsibilities relative to the Public Finance Management Act, Act Number 1 of 1999, as amended. The Audit Committee Charter provides clear terms of reference for the Audit Committee, and sets out specific responsibilities as delegated by the Accounting Officer, to the Audit Committee.

During the year under review the Audit Committee consisted of four members. The Committee is obliged to meet at least four times per annum. In the year under review the Committee met seven times and the following table shows the number of meetings attended by each Committee member.

Name of member	Number of meetings
Mr A Velcich (Appointed Chairperson on 28 February 2004)	7
Ms A Hendrikz (Appointed 28 February 2004)	6
Mr A Taylor (Appointed 28 February 2004)	5
Ms K Malapela (Appointed 17 May 2004)	5

AUDIT COMMITTEE RESPONSIBILITY

The Audit Committee reports that it has complied with its responsibilities arising from section 38 (1)(a) of the PFMA and Treasury Regulation 3.1.13. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged all its responsibilities as contained therein.

EFFECTIVENESS OF INTERNAL CONTROL

The Audit Committee co-ordinates and monitors the activities of the Internal Audit function. Through this, the Committee is able to report on the effectiveness of the internal control systems and to assess whether the Internal Audit Directorate is fulfilling its roles effectively and efficiently.

In the conduct of its duties, the Audit Committee has, inter alia, reviewed the following:

- The effectiveness of the internal control systems;
- The effectiveness of the internal audit;
- The risk areas of the NDA's operations to be covered in the scope of internal and external audits;
- The adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- Any accounting and auditing concerns identified as a result of internal and external audits;
- The NDA's compliance with legal, accounting and regulatory frameworks;
- The activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the response of management to specific recommendations; and
- Where relevant, the independence and objectivity of external auditors.



The Internal Audit function is currently being managed in-house while external service providers are utilised to audit NDA funded projects. In addition, an external service provider, Ngubane and Company undertook a review of the NDA's internal controls. The Internal Audit Directorate undertook a risk assessment exercise during the 2002/2003 financial year. The outcome of this exercise indicated that it was essential to appoint a Risk Manager to assist with and oversee the quality, integrity, and reliability of the organisation's corporate accountability and associated risk management. The process of appointing a new Risk Manager is underway and it is anticipated that the position will be filled by October 2005.

The systems of the internal control are in place as required by the PFMA. Various reports of the Internal Audit Directorate have not reported on significant or material non-compliance in respect of policies and procedures. As evidenced by the Auditor-General's report, improvements in the internal control system are necessary, including the strengthening of controls in funding processes and the Committee has noted the deficiencies highlighted in the Auditor-General's report. However, it is pleasing to be able to report that there has been a significant improvement in the controls in the organisation during the year under review which resulted in the NDA receiving an unqualified audit opinion with emphasis of matters. In addition, steps are currently being taken to further improve the controls over these processes and to address the emphasis of matters included in the Auditor-General's audit report. The Committee has also noted management's commitment to resolve and address the weaknesses highlighted and reiterates its commitment to assist the Accounting Officer and management in their endeavours to successfully further improve the organisation's internal controls.

The Audit Committee is aware of breaches of controls, as reported by the Auditor-General, which breaches could expose the Agency to certain risks. The Audit Committee has taken action to correct these breaches of controls. Other than the breaches of controls mentioned, nothing has come to the attention of the Audit Committee to indicate that a material breakdown in the functioning of the internal controls, procedures and systems has occurred during the year under review.

The Audit Committee recognises that Corporate Governance is a dynamic area and, as such, its systems of Corporate Governance are reassessed on an on-going basis to ensure that they comply with best practices and continue to be relevant to the business of the NDA as it evolves.

The Audit Committee acknowledges that the Agency's going concern status is dependent on the continued support of the Department of Social Development. The Audit Committee concurs that the adoption of the going concern premise in framing the Annual Financial Statements is appropriate.

EVALUATION OF THE ANNUAL FINANCIAL STATEMENTS

The Audit Committee has: -

- Reviewed and discussed with the Auditor-General and the Acting Accounting Officer, the audited financial statements to be included in the Annual Report;
- Reviewed the Auditor-General's management letter and management's responses;
- Reviewed the accounting policies and practises;
- Evaluated the Audited Financial Statements to be included in the Annual Report and, based on the information provided to the Audit Committee, considered that the said statements comply in all material respects with the requirements of the PFMA and the South African Statements of Generally Accepted Accounting Practice (GAAP).

The Audit Committee has noted and accepts the conclusions of the Auditor-General on the Annual Financial Statements of the National Development Agency for the year ended 31 March 2005.



COMMITTEE AND SENIOR MANAGEMENT CHANGES

Ms K Malapela was appointed to the Audit Committee in May 2004 and I would like to take this opportunity to formally welcome her.

In August 2003 Mr L Gopane, the Director: Internal Audit, resigned and since then the Internal Audit Manager has run the Directorate in an acting capacity. The process of employing a new Director: Internal Audit is underway and it is anticipated that the position will be filled by October 2005. The fixed term contract of Mr F Cassim, the acting Finance Director, was extended to the end of September 2004 and Mr Moitswadi Mofokeng, a qualified Chartered Accountant, was appointed as the full time Chief Financial Officer with effect from 1 December 2004. In addition, staff from KPMG were contracted to maintain the Agency's accounting function for a six month period during the year.

I would like to thank my colleagues for making themselves available to serve on this Committee and for the significant contribution that they have made throughout a challenging year. As an Audit Committee, we rely heavily on the Company Secretary and his staff and we are indebted to them for their friendly and efficient service. We are also grateful to staff in the Finance and Internal Audit Directorates for their support and assistance and, in particular, for the role they played in improving the accounting systems and controls at the NDA.

A Velcich
Chairperson of the NDA Audit Committee

Date: 12 August 2005



ANNUAL FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2005





REPORT BY THE BOARD ON THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

This report is presented in terms of Treasury Regulation 28.1.1 of the Public Finance Management Act, Act No. 1 of 1999, as amended, and is focused on the financial results and financial position of the National Development Agency. Information pertaining to the National Development Agency's state of affairs, its business and performance against pre-determined objectives are disclosed elsewhere in the Annual Report. The prescribed disclosure of emoluments in terms of Treasury Regulation 28.1.1 is reflected in note 9 of the Annual Financial Statements.

The Board acknowledges that it is responsible for the preparation and integrity of the Annual Financial Statements and related information included in the Annual Report. In order for the Board to discharge these responsibilities, as well as those bestowed on it in terms of the Public Finance Management Act and other applicable legislation, it has developed, and maintains a system of internal controls.

The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as the Board's policies and procedures. Monitoring of these controls includes a regular review of their operations by the Board and independent oversight by an audit committee.

The Financial Statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and incorporate disclosure in line with the accounting philosophy of the Board and the requirements of the Public Finance Management Act. The Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Board believes that the National Development Agency, as an extension of Government that is dependent on continued Government funding, will be a going concern in the year ahead and has, for this reason, adopted the going concern basis in preparing the Annual Financial Statements.

The Annual Financial Statements, as set out on pages 61 to 78, were approved by the Board on 23 August 2005 and are signed on its behalf by:

Chairperson of the Board

Chief Executive Officer

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS OF THE NATIONAL DEVELOPMENT AGENCY

FOR THE YEAR ENDED 31 MARCH 2005

1. AUDIT ASSIGNMENT

The Financial Statements as set out on pages 61 to 78, for the year ended 31 March 2005 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 11 of the National Development Agency Act, 1998 (Act No. 108 of 1998). These Financial Statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting authority. My responsibility is to express an opinion on these Financial Statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with Statements of South African Auditing Standards. 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, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

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

3. AUDIT OPINION

In my opinion, the Financial Statements fairly present, in all material respects, the financial position of the National Development Agency at 31 March 2005 and the results of its operations and cash flows for the year then ended, in accordance with generally accepted accounting practice and in the manner required by the Public Finance Management Act, 1999 (Act No. 1 of 1999).

4. EMPHASIS OF MATTERS

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

4.1 *Write back of projects previously committed*

Included in projects committed as disclosed in note 15 is an amount of R12 853 077 relating to projects that have been reassessed by management as being projects that should be written back. Management is awaiting the approval of the Board to write back this amount.

4.2 *Budget for 2005/06*

The budget for 2005/06 was submitted one month prior to the commencement of the 2005/06 financial year whilst section 53(1) of the Public Finance Management Act requires the budget to be submitted to the executive authority for approval six months prior to the commencement of the financial year.



4.3 Forensic investigation

The former chief executive officer and the chief operating officer of the Agency were placed under cautionary suspension due to alleged mismanagement. The Minister of Social Development commissioned a forensic investigation into the alleged mismanagement. The suspended chief executive officer resigned on 30 September 2004. The Board is currently acting on the findings of the forensic investigation.

4.4 Key reconciliations

The following financial management and internal controls processes were not functioning effectively during the year under review:

- Reconciliations of creditors control account were not performed.
- Reconciliation of fixed assets control accounts with the fixed asset register due to incorrect initialisation of the computer software.
- Bank account reconciliations.

4.5 Payroll reconciliation

I could not obtain satisfactory explanations for a difference of R97 025 by which the payroll account in the general ledger exceeded the payroll schedule for May 2004.

4.6 Project Tracking System

Management has discontinued the use of the Project Tracking System (PTS) for financial reporting purposes due to the information on PTS not being reliable. This is because PTS is not timeously updated.

5. APPRECIATION

The assistance rendered by the staff of the National Development Agency during the audit is sincerely appreciated.

JE van Heerden for Auditor-General

Pretoria

31 July 2005



AUDITOR - GENERAL

INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	<i>Note</i>	2005 R	2004 R
Revenue	4	125 587 590	103 283 000
Other income	5	1 957 205	9 118 650
Total income from operations		127 544 795	112 401 650
Operating expenditure		156 227 498	153 795 533
Accommodation and travel		1 440 491	1 952 213
Audit fees		510 840	630 868
Board fees	9	308 169	457 000
Committed poverty eradication projects	6	90 180 382	69 871 815
Project support costs	6	7 265 356	34 901 143
Consulting and professional fees		12 575 522	1 290 168
Depreciation	7	1 550 803	1 247 281
Operating leases - offices		1 693 961	2 545 282
Operating leases - equipment		1 140 915	1 000 875
Repairs and maintenance		367 755	2 593 550
Printing and stationery		441 659	786 808
Seminars, workshops and conferences		974 579	1 151 103
Software support		600 766	1 386 950
Staff costs	9	31 005 863	30 506 229
Telephone and faxes		1 858 902	1 710 741
Other expenditure		4 311 535	1 763 507
Deficit from operations		(28 682 703)	(41 393 883)
Investment income	8	13 831 372	20 519 767
Net (deficit)/surplus for the year		(14 851 331)	(20 874 116)





BALANCE SHEET

AS AT 31 MARCH 2005

	<i>Note</i>	2005 R	2004 R
Assets			
Non-current assets			
Property, plant and equipment	10	2 063 030	3 767 072
Current assets		259 894 616	261 817 797
Cash and cash equivalents	11	241 347 911	223 194 719
Cash and cash equivalents – European Community	12	15 066 058	36 613 114
Accounts receivable	13	256 413 969 3 480 647	259 807 833 2 009 964
Total assets		261 957 646	265 584 869
Funds and liabilities			
Funds	21.3	100 903 539	115 754 870
Development fund	22	46 562 054 49 842 188	66 222 087 69 192 816
Projects fund		4 499 297	(19 660 033)
Administration fund			
Current liabilities	14	161 054 107	149 829 999
Accounts payable	15 & 22	5 653 733 150 824 400	7 538 973 123 355 841
Committed projects	16	4 575 974	18 935 185
Interest payable – European Community			
Total funds and liabilities		261 957 646	265 584 869

STATEMENT OF CHANGES IN FUNDS

FOR THE YEAR ENDED 31 MARCH 2005

	<i>Note</i>	Development fund (See note 3.1) R	Projects fund (See note 3.2) R	Administration fund (See note 3.3) R	Total R
Balance at 1 April 2003		66 222 087	86 175 224	(15 768 325)	136 628 986
Net deficit for the year		-	-	(20 874 116)	(20 874 116)
Funding for poverty eradication projects	4	-	87 790 550	(87 790 550)	-
Committed poverty eradication projects	6	-	(104 772 958)	104 772 958	-
Balance at 31 March 2004		66 222 087	69 192 816	(19 660 033)	115 754 870
Net surplus (deficit) for the year		-	-	(14 851 331)	(14 851 331)
Funding for poverty eradication projects					
- Government	4	-	93 058 850	(93 058 850)	-
Funding for poverty eradication projects					
- European Union	4	-	16 197 317	(16 197 317)	-
Committed poverty eradication projects	6	-	(99 531 756)	99 531 756	-
Transfer between funds 2003/04		(19 660 033)	-	19 660 033	-
Refund from Government funded projects		-	86 106	(86 106)	-
Transfer between funds 2004/05		-	(29 161 145)	29 161 145	-
Balance at 31 March 2005		46 562 054	49 842 188	4 499 297	100 903 539





CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2005

	<i>Note</i>	2005 R	2004 R
Cash (utilised)/generated by operations	17	(17 538 883)	(63 661 860)
Investment income	8	13 831 372	20 519 767
Net cash (outflow)/inflow from operating activities		(3 707 511)	(43 142 093)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(141 917)	(2 254 869)
Proceeds from disposal of property, plant and equipment		455 564	46 334
Net cash outflow from investing activities		313 647	(2 208 535)
Net increase/(decrease) in cash and cash equivalents		(3 393 864)	(45 350 628)
Cash and cash equivalents at beginning of year		259 807 833	305 158 461
Cash and cash equivalents at end of year		256 413 969	259 807 833

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



1. Accounting policies

1.1 Principal accounting policies

The financial statements incorporate the principal accounting policies set out below, which are consistent with those adopted in the previous financial year.

1.2 Basis of preparation

The financial statements are prepared in accordance with, and comply with, South African Statements of Generally Accepted Accounting Practice, and the Public Finance Management Act, Act No. 1 of 1999, as amended. The financial statements are further prepared in accordance with the going concern principle using the historical cost basis, except for money market unit trusts which are valued at fair value.

1.3 Property, plant and equipment

Property, plant and equipment, comprising of computer equipment, equipment and furniture, is stated at cost less accumulated depreciation and any accumulated impairment losses. Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is charged on the straight-line basis over the estimated useful lives of assets. The estimated maximum useful lives of property, plant and equipment are as follows:

Computer equipment	33,33% p.a
Equipment	16,67% p.a
Furniture	16,67% p.a

Maintenance and repairs, which neither materially add to the value of assets nor appreciably prolong their useful lives, are charged against income. Leasehold improvements, software and minor asset items are also expensed directly against income.

The surplus or deficit on the disposal of property, plant and equipment is the difference between the net disposal proceeds and the carrying amount of the asset. Surpluses and deficits are recognised in the income statement.

1.4 Impairment

The carrying amounts of all assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated as the higher of net selling price and value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment been recognised in prior years.

1.5 Leases

Operating leases

Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.6 Financial instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets for which fair value approximate carrying value

Fair values of financial assets carried at cost, including cash, deposits with banks, short term receivables and accrued interest are considered to approximate their respective carrying values due to their short-term nature.

Financial assets where fair value differs from cost

Money market unit trusts are carried at their estimated fair value. Quoted market prices, where available, are used to determine the fair value of trading instruments. If quoted prices are not available, fair values are estimated by using pricing models, quoted prices of assets with similar characteristics or discounted cash flows.

Financial liabilities for which fair value approximate carrying value

Fair values of accounts payable and accrued liabilities are considered to approximate their respective carrying values due to their short-term nature.

Impairment of financial instruments

In the event the value of any financial instruments value being permanently impaired, the carrying value of the instrument will be adjusted to reflect the realisable value of the investments as determined.

Impairment of financial instruments are reviewed on an annual basis, impairment charge is involved in the net income or loss in the period in which the impairment has arisen. In instances where previous impairment losses are reversed, changes previously recognised as expenses are included as income in net income or loss in the period in which the required reversals are identified.

Offset

Where a legally enforceable right of offset exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



1.7 Revenue

Revenue consists of grants and is recognised when it is probable that future economic benefits will flow to the entity and these benefits can be measured reliably.

1.8 Interest

Interest is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity.

1.9 Provisions

Provisions are recognised when the entity has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of discounting to present value is material, provisions are adjusted to reflect the time value of money, and where appropriate, the risk specific to the liability.

1.10 Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Gains and losses arising on translation are credited to or charged against income.

1.11 Employee benefits

Post-employment benefits

Retirement

The entity contributes to a defined contribution plan. Contributions to defined contribution funds are charged against income as incurred.

Medical

No contributions are made by the entity to the medical aid of retired employees.

Short and long-term benefits

The cost of all short-term employee benefits, such as salaries, bonuses, medical and other contributions, is recognised during the period in which the employee renders the related service.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The entity recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without the possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call and money market unit trusts, all of which are available for use by the entity unless otherwise stated.

1.13 Comparatives

Comparative figures have been restated, where necessary, to conform with changes in presentation in the current year.

	2005	2004
	R	R

2. Public sector practices and policies

2.1 Inter-relationship with National Government

The National Development Agency operates as a public entity within the influence sphere of the National Department of Social Development. In line with prevailing South African Government practices the National Development Agency is not obliged to reimburse the National Department for time spent by its officials on matters pertaining to the National Development Agency. The extent of this involvement is not quantifiable and has, consequently, not been disclosed in the financial statements.

3. Funds under administration

3.1 Development fund

It represents funds provided by the Independent Development Trust to assist the National Development Agency in meeting its objectives. The funds can only be utilised in terms of the conditions of the original grant.

3.2 Projects fund

It represents funds not yet committed to specific development projects at year-end. The fund is build up from annual grants received from Government, excluding the 15% portion set aside for administrative expenditure. The capital can only be utilised for projects which have been pre-approved by the Board of the National Development Agency.

3.3 Administration fund

It represents funds available for future administrative expenditure in order to meet the National Development Agency's objectives. The fund is built up by allocating 15% of the annual grant received from National Government to it, as well as net income earned on cash and cash equivalents.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



	2005 R	2004 R
4. Revenue		
Grants received to fund poverty eradication projects		
National Department of Social Development (85% of R109,481,000 Grant)	93 058 850	87 790 550
Grant received to fund administration expenditure		
National Department of Social Development (15% of R109,481,000 Grant)	16 422 150	15 492 450
	109 418 000	103 283 000
European Union Interest made available for Projects	16 106 590	-
	125 587 590	103 283 000
5. Other income		
Write back of previously committed projects	-	9 106 969
Write back of incorrect trade creditor balances	902 986	-
Profit (Loss) on sale of property, plant and equipment	106 408	11 681
Refunds from projects previously funded	86 106	-
Write back of payroll creditor balances	760 008	-
Rent deposit refunds from landlord	47 697	-
	1 957 205	9 118 650
6. Committed poverty eradication projects		
Projects committed to in current year	89 421 449	69 871 815
Correction of incorrect entries in Projects Bank Account and Projects Committed Funds Account	758 933	-
	90 180 382	69 871 815
Programme support expenditure	7 265 356	34 901 143
- Accommodation	474 811	1 324 534
- Car hire	1 591 085	1 406 853
- Air travel	617 856	1 231 641
- Subsistence and travel	228 918	528 258
- Service provider costs	4 352 685	30 409 857
	97 445 738	104 772 958

Programme support cost decreased significantly due to the following:

- Programme support cost has been reclassified as expenditure incurred by Regional and Project Managers as a result of project visits.
- Service provider costs relating to projects were previously included in programme support costs and it has now been reclassified as Consulting and Professional Fees.
- The late approval of the 2004/05 budget resulted in conservative spending.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

7. Depreciation

	2005 R	2004 R
Computer equipment	1 203 565	963 511
Equipment	65 820	39 323
Furniture	281 417	244 447
	<u>1 550 803</u>	<u>1 247 281</u>

8. Investment income

Total interest received	18 407 346	25 118 144
Interest payable to European Community	(4 575 974)	(5 093 833)
Fair value adjustment on money market unit trusts	-	495 456
	<u>13 831 372</u>	<u>20 519 767</u>

9. Salaries and allowances paid to members of the Board and executive management

9.1	31 March 2005 – Board members	Appointment date	Termination date	Fees for services as Board member	Basic salary	Performance bonus	Contributions to Retirement, Medical and Life Cover Benefits	Total
				R	R	R	R	R
Members of the Board								
	Ms N Moletsane	05/12/2003	-	32 500	-	-	-	32 500
	Bishop M Mpumlwana	05/12/2003	-	24 500	-	-	-	24 500
	Mr G Chaane	05/12/2003	-	27 000	-	-	-	27 000
	Ms J Daries	05/12/2003	-	44 000	-	-	-	44 000
	Ms A Hendrikz	05/12/2003	-	48 000	-	-	-	48 000
	Ms M Manong	05/12/2003	-	32 500	-	-	-	32 500
	Prof T Mayekiso	05/12/2003	-	35 000	-	-	-	35 000
	Dr S Rule	05/12/2003	-	44 000	-	-	-	44 000
Audit Committee – Independent members								
	Mr A Velcich (Douglas & Velcich)	30/10/2002	-	14 169	-	-	-	14 169
	Ms K Malapela (Ngubane & Co)	17/05/2004	-	6 500	-	-	-	6 500
Total				<u>308 169</u>	-	-	-	<u>308 169</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



9. Salaries and allowances paid to members of the Board and executive management (continued)

9.2 31 March 2005 – Executive management	Appointment date	Termination date	Basic salary R	Performance bonus R	Contributions to Retirement, Medical and Life Cover Benefits R	Total R
Mr MDK Mthembu Chief Executive Officer	01/05/2001	30/09/2004	261 594	-	165 695	427 289
Mr DP Zwane Chief Operating Officer	01/07/2002	31/08/2005	376 735	-	257 432	634 167
Mr M Mofokeng Chief Financial Officer	01/12/2004	-	143 714	-	67 173	210 887
Ms B Masango Director Marketing	01/11/2000	-	317 746	-	303 455	621 201
Mr DD Willcox Company Secretary	01/07/2002	-	369 726	-	83 176	452 902
Dr PL Makhubela Director Research and Development	30/09/2003	-	407 157	-	223 864	631 021
Mrs N Antonis Director HR and Corporate Services	01/07/2003	-	383 444	-	172 065	555 509
Mr S Plaatjie Senior manager Strategy and Policy	08/07/2003	-	341 122	-	135 601	476 723
Mr MR Mogano Director Projects	05/05/2003	-	393 402	-	253 561	646 963
Mr MFE Cassim Acting Director Finance	01/09/2003	30/09/2004	231 075	-	-	231 075
Mr MR Ntshingila Acting Director Internal Audit	01/09/2003	-	239 604	-	156 347	395 951
Total			3 465 319	-	1 818 369	5 283 688

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

9. Salaries and allowances paid to members of the Board and executive management (continued)

9.3 31 March 2004 – Board members	Appointment date	Termination date	Fees for services as Board member	Basic salary	Performance bonus	Contributions to Retirement, Medical and Life Cover Benefits	Total
			R	R	R	R	R
Prof R September	17/09/1999	04/12/2003	-	144 000	-	-	144 000
Rev M Esau	17/09/1999	04/12/2003	39 000	-	-	-	39 000
Prof P Mohanoe	17/09/1999	04/12/2003	56 500	-	-	-	56 500
Ms P Modise	17/09/1999	04/12/2003	39 000	-	-	-	39 000
Ms D Mokoena	17/09/1999	04/12/2003	36 500	-	-	-	36 500
Ms N Moletsane	05/12/2003	-	46 000	-	-	-	46 000
Bishop M Mpumlwana	05/12/2003	-	10 500	-	-	-	10 500
Mr G Chaane	05/12/2003	-	10 500	-	-	-	10 500
Ms J Daries	05/12/2003	-	10 500	-	-	-	10 500
Ms A Hendrikz	05/12/2003	-	10 500	-	-	-	10 500
Prof T Mayekiso	05/12/2003	-	10 500	-	-	-	10 500
Dr S Rule	05/12/2003	-	10 500	-	-	-	10 500
Mr A Taylor	05/12/2003	-	7 000*	-	-	-	7 000*
Ms M Manong	05/12/2003	-	10 500	-	-	-	10 500
Human Resources and Remuneration Committee – Independent member							
Mr C Ramatsui	01/07/2000	04/12/2003	2 500	-	-	-	2 500
Audit Committee – Independent members							
Mr A Sello	01/05/2001	13/12/2003	5 000	-	-	-	5 000
Mr A Velcich	30/10/2002	-	8 000	-	-	-	8 000
Total			313 000	144 000	-	-	457 000

* The amount paid to Mr A Taylor was subsequently refunded to the NDA

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



9. Salaries and allowances paid to members of the Board and executive management (continued)

9.4 31 March 2004 – Executive management	Appointment date	Termination date	Basic salary R	Performance bonus R	Contributions to Retirement, Medical and Life Cover Benefits R	Total R
Mr MDK Mthembu Chief Executive Officer	01/05/2001	30/09/2004	641 872	-	157 145	799 017
Mr DP Zwane Chief Operating Officer	01/07/2002	-	506 575	-	115 400	621 975
Mr SG Stewart Chief Financial Officer	15/07/2002	31/05/2003	333 917	-	13 984	347 901
Mr LDR Gopane Director Internal Audit	01/12/2000	31/08/2003	612 767	-	28 782	641 549
Ms B Masango Director Marketing and Communications	01/11/2000	-	451 685	-	83 414	535 099
Mr DD Willcox Company secretary	01/07/2002	-	427 698	-	68 357	496 055
Dr PL Makhubela Director Research and Development	30/09/2003	-	237 018	-	24 627	261 645
Mrs N Antonis Director HR and Corporate Services	01/07/2003	-	234 641	-	65 130	299 771
Mr S Plaatjie Senior manager Strategy and Policy	08/07/2003	-	242 420	-	60 309	302 729
Mr MR Mogano Director Projects	05/05/2003	-	344 256	-	63 853	408 109
Mr MFE Cassim Acting Director Finance	01/09/2003	30/09/2004	336 528	-	-	336 528
Mr MR Ntshingila Acting Director Internal Audit	01/09/2003	-	191 457	-	34 691	226 148
Total			4 560 834	-	715 692	5 276 526



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005

10. Property, plant and equipment

	Depreciation rate %	Cost R	Accumulated depreciation R	Carrying amount R
31 March 2004				
Computer equipment	33,33	4 191 522	(1 909 834)	2 281 688
Equipment	16.67	329 904	(93 976)	235 928
Furniture	16.67	2 278 259	(1 028 803)	1 249 456
		6 799 685	(3 032 613)	3 767 072

Reconciliation of carrying amounts:

	Computer equipment R	Equipment R	Furniture R	Total R
Carrying amount 1 April 2003	1 851 100	119 546	823 491	2 794 137
Additions during the year	1 428 752	155 705	670 412	2 254 869
Disposals during the year	(34 653)	-	-	(34 653)
Depreciation during the year	(963 511)	(39 323)	(244 447)	(1 247 281)
Carrying amount 31 March 2004	2 281 688	235 928	1 249 456	3 767 072

	Depreciation rate %	Cost R	Accumulated depreciation R	Carrying amount R
31 March 2005				
Computer equipment	33,33	4 107 988	(3 025 661)	1 082 327
Equipment	16.67	335 877	(144 215)	191 662
Furniture	16.67	1 970 679	(1 181 639)	789 040
		6 414 544	(4 351 515)	2 063 030

Reconciliation of carrying amounts:

	Computer equipment R	Equipment R	Furniture R	Total R
Carrying amount 1 April 2004	2 281 688	235 928	1 249 456	3 767 072
Additions during the year	23 459	23 128	95 330	141 917
Disposals during the year	(19 255)	(1 574)	(274 329)	(295 158)
Depreciation during the year	(1 203 565)	(65 820)	(281 417)	(1 550 803)
Carrying amount 31 March 2005	1 082 327	191 662	789 040	2 063 030

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



11. Cash and cash equivalents

	2005 R	2004 R
Cash on hand	6 000	3 733
Call and current accounts	152 345 780	127 611 521
Money market unit trusts	88 996 131	95 579 465
	<u>241 347 911</u>	<u>223 194 719</u>

12. Cash and cash equivalents – European Community

In terms of the financing agreement between the European Community and the Government of the Republic of South Africa, the National Development Agency must keep separate financial records on the utilisation of the grant.

The remainder of the grant is invested as follows:

Money market unit trusts	-	36 558 127
Call and current accounts	15 066 058	54 987
	<u>15 066 058</u>	<u>36 613 114</u>

13. Accounts receivable

Employee related advances	15 419	62 765
Other receivables	3 465 228	1 947 199
	<u>3 480 647</u>	<u>2 009 964</u>

14. Accounts payable

Employee related accruals	2 038 508	2 588 558
Other payables	3 615 225	4 950 415
	<u>5 653 733</u>	<u>7 538 973</u>

15. Committed projects

It represents funds allocated and committed to specific projects and programmes for which contracts have been entered into and which await cash payments in terms of agreed upon payment cycles.

Opening balance	123 355 841	152 059 134
Committed poverty eradication projects (see note 6)	97 077 775	104 772 958
Cash disbursements in terms of committed projects	(69 609 216)	(133 512 251)
Write backs – Government projects	-	-
	<u>150 824 400</u>	<u>123 355 841</u>



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16. Interest payable – European Community

In terms of the financing agreement between the European Community and the Government of the Republic of South Africa, the grant given by the former is to be held in an interest-bearing account. Interest accruing on such funds can only be used with the prior written approval of the European Community and until such approval has been obtained against a workplan, such interest is not at the disposal of the National Development Agency.

	2005 R	2004 R
Opening balance	18 935 185	13 841 352
Interest accrued in current year	1 747 379	5 093 833
Release of interest to fund approved work plan	(16 106 590)	-
	<u>4 575 974</u>	<u>18 935 185</u>

17. Note to the cash flow statement

Surplus (Deficit) from operations	(28 682 703)	(41 289 718)
Adjusted for non-cash flow items:		
Depreciation of property, plant and equipment	1 550 803	1 247 281
Profit on disposal of property, plant and equipment	(160 408)	(11 681)
Operating deficit before changes in working capital	(27 292 308)	(40 054 118)
(Increase)/decrease in accounts receivable	(1 470 683)	(1 172 274)
Increase/(decrease) in accounts payable	(1 885 240)	1 209 993
(Decrease)/increase in interest payable to European Community	(14 359 211)	(5 093 833)
(Decrease)/increase in committed projects	27 468 559	(28 739 294)
Cash (utilised)/generated by operations	(17 538 883)	(63 661 860)

18. Financial risk management

Interest rate risk

Interest rate risk is the risk that the value of a financial asset will fluctuate due to movements in market interest rates. The entity is exposed to interest rate risk as certain investments are held in money market unit trusts. The risk of any negative fluctuations in fair value is not actively being managed by the entity.

Credit risk

Credit risk is the risk that the counter-party to a financial asset will default on its obligation, in part or in total, thereby causing loss to the entity. This risk is being managed by the entity by only investing funds at large reputable financial institutions in the Republic of South Africa.

Currency risk

Currency risk is the risk that the value of a financial asset or liability will fluctuate due to changes in foreign exchange rates. The entity is exposed to currency risk

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2005



Currency risk (continued)

as a foreign currency denominated grant is receivable from the European Community. This risk is not actively being managed by the entity.

19. Taxation

No provision has been made for taxation as the National Development Agency is exempt from tax in terms of Section 30 of the Income Tax Act 1962 as amended.

20. Operating leases

31 March 2004

Total future minimum lease payments under non-cancellable operating leases.

R Not later than 1 year	R Between 2 and 5 years	R Later than 5 years
1 749 512	4 786 818	-

31 March 2005

Total future minimum lease payments under non-cancellable operating leases.

R Not later than 1 year	R Between 2 and 5 years	R Later than 5 years
1 749 512	3 037 306	-

21. Contingent liabilities

21.1 Guarantee

A bank guarantee for an amount of R235 000 has been issued by Standard Bank as a continuing covering security for the payment of monies due by the National Development Agency, in respect of lease of premises at Erf 2537, 122 De Korte Street, Braamfontein.

21.2 South African Revenue Services

The South African Revenue Services (SARS) has reassessed NDA VAT returns for the period May 2003 to February 2004. SARS have indicated that they will raise an assessment of R1,126,776 to the NDA. SARS claims that NDA has claimed VAT on non-vatable items. NDA is awaiting expert opinion on this matter.

21.3 Surrendering of surplus funds

In terms of Section 53(3) of the Public Finance Management Act the National Development Agency, as a non-business Schedule 3 public entity, may not accumulate any surpluses without the prior written approval of National Treasury. The National Development Agency has applied to retain these funds from National Treasury to achieve its strategic objectives. Consequently, National Treasury may have claims against certain of these accumulated funds should the negotiations be unsuccessful.

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FOR THE YEAR ENDED 31 MARCH 2005

21.4 European Union

The financing agreement between the European Union (EU) and the NDA stipulates that EU funded projects will be liable to the EU for any ineligible expenditures as defined by the EU. Should the projects fail to repay any of these ineligible expenditures the NDA will be liable for such expenditures.

As at 30 June 2005 an amount of R2 543 743 was still payable by EU funded projects to EU in respect of ineligible expenditures.

22. Breakdown of grants received and utilised for poverty eradication

	National Department of Social Development R	Gauteng Department of Social Development R	European Community R	Poverty Relief Programme Fund R	Total R
Projects fund					
Balance 1 April 2004	71 990 172	13 309 234	(16 106 590)	-	69 192 816
Grants received in current year	93 058 850	-	16 197 317	-	109 256 167
Refunds received from projects funded	86 106	-	-	-	86 106
Transfer to Administration Fund	(29 161 145)	-	-	-	(29 161 145)
Committed to projects in current year	(95 088 344)	(4 352 685)	(90 727)	-	(99 531 756)
Direct project funding	(92 634 363)	-	-	-	(92 634 363)
Project support costs	(2 453 981)	(4 352 685)	(90 727)	-	(6 897 393)
Balance 31 March 2005	40 885 639	8 956 549	-	-	49 842 188
Committed Projects					
Balance 1 April 2004	87 428 311	-	34 927 530	1 000 000	123 355 841
New commitments in current year	92 634 363	4 352 685	90 727	-	97 077 775
Cash disbursements	(43 260 752)	(4 352 685)	(21 995 779)	-	(69 609 216)
Direct project funding	(40 806 771)	-	(21 905 052)	-	(62 711 823)
Project support costs	(2 453 981)	(4 352 685)	(90 727)	-	(6 897 393)
Balance 31 March 2005	136 801 922	-	13 022 478	1 000 000	150 824 400

GLOSSARY

ABET	–	Adult Basic Education and Training
ABSA	–	ABSA Bank
AU	–	African Union
CBOs	–	Community-based Organisations
CCS	–	Centre for Civil Society, University of Natal
CEO	–	Chief Executive Officer
CODATA	–	Committee on Data for science and technology
CSI	–	Corporate Social Investment
CSOs	–	Civil Society Organisations
CSIR	–	Council for Scientific and Industrial Research
DBSA	–	Development Bank of South Africa
DME	–	Department of Minerals and Energy
DMSSA	–	Data Management Services of South Africa
DOL	–	Department of Labour
DPLG	–	Department of Provisional Local Government
DPSA	–	Disabled People of South Africa
DSD	–	Department of Social Development
DTI	–	Department of Trade and Industry
ECD	–	Early Childhood Development
EU	–	European Union
FBOs	–	Faith-Based Organisations
FCSA	–	Franklin Covey South Africa
HSRC	–	Human Sciences Research Council
GTG	–	Gauteng
IDP	–	Integrated Development Plan
IDT	–	Independent Development Trust
IPD	–	Institute of Participatory Development
ISRDP	–	Integrated Strategy Rural Development
KING II	–	The Second King Report released in March 2002
KZN	–	KwaZulu-Natal
MINMEC	–	Council of Ministers for Social Development (Minister and Members of the Executive Council)
M&E	–	Monitoring and Evaluation
NDA	–	National Development Agency
NEDLAC	–	National Economic Development and Labour Council
NEPAD	–	New Partnership for Africa's Development
NGOs	–	Non-Government Organisations
NIEP	–	National Institute for Economic Policy
NRASD	–	National Religious Association for Development
PFMA	–	Public Finance Management Act
PIMS	–	Personal Information Management System
PPS	–	Projects and Programmes Screening Committee
PWD	–	Public Works Department
RFP	–	Request for Proposals
SADC	–	Southern African Developing Countries
SAGA	–	South African Grant Making Association
SALGA	–	South African Local Government Authority
SANGOCO	–	South African Non-Government Organisations Coalition
SANGONet	–	South African Non Governmental Organisations Network
SMMEs	–	Small, Micro and Medium Enterprises
STATSSA	–	Statistics South Africa





GLOSSARY

TNDT	–	Transitional National Development Trust
UNDP	–	United Nations Development Programme
UNICEF	–	United Nations Children’s Fund
URP	–	Urban Renewal Programme
USAID	–	United States Aid
WC	–	Western Cape
WSSD	–	World Summit on Sustainable Development

ADMINISTRATION AS AT 31 MARCH 2005

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Bishop M Mpumlwana (Chairperson)
Ms M Manong (Deputy Chairperson)
Mr G Chaane
Ms J Daries
Ms A Hendrikz
Ms O Maphai
Dr T Masilela
Prof T Mayekiso
Ms N Moletsane
Dr S Rule
Mr A Taylor

MANAGEMENT COMMITTEE

Bishop M Mpumlwana (Chairperson)
Ms M Manong (Deputy Chairperson)
Ms N Moletsane
Dr S Rule
Mr A Taylor

PROJECTS AND PROGRAMMES SCREENING COMMITTEE

Ms N Moletsane (Chairperson)
Ms J Daries
Ms A Hendrikz
Ms O Maphai
Prof T Mayekiso
Dr S Rule

AUDIT COMMITTEE

Mr A Velcich (Chairperson)
Ms A Hendrikz
Mr A Taylor
Ms K Malapela

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Ms M Manong (Chairperson)
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Prof T Mayekiso

RESEARCH AND DEVELOPMENT COMMITTEE

Dr S Rule (Chairperson)
Ms J Daries
Ms O Maphai
Prof T Mayekiso

PROCUREMENT COMMITTEE

Mr A Taylor (Chairperson)
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