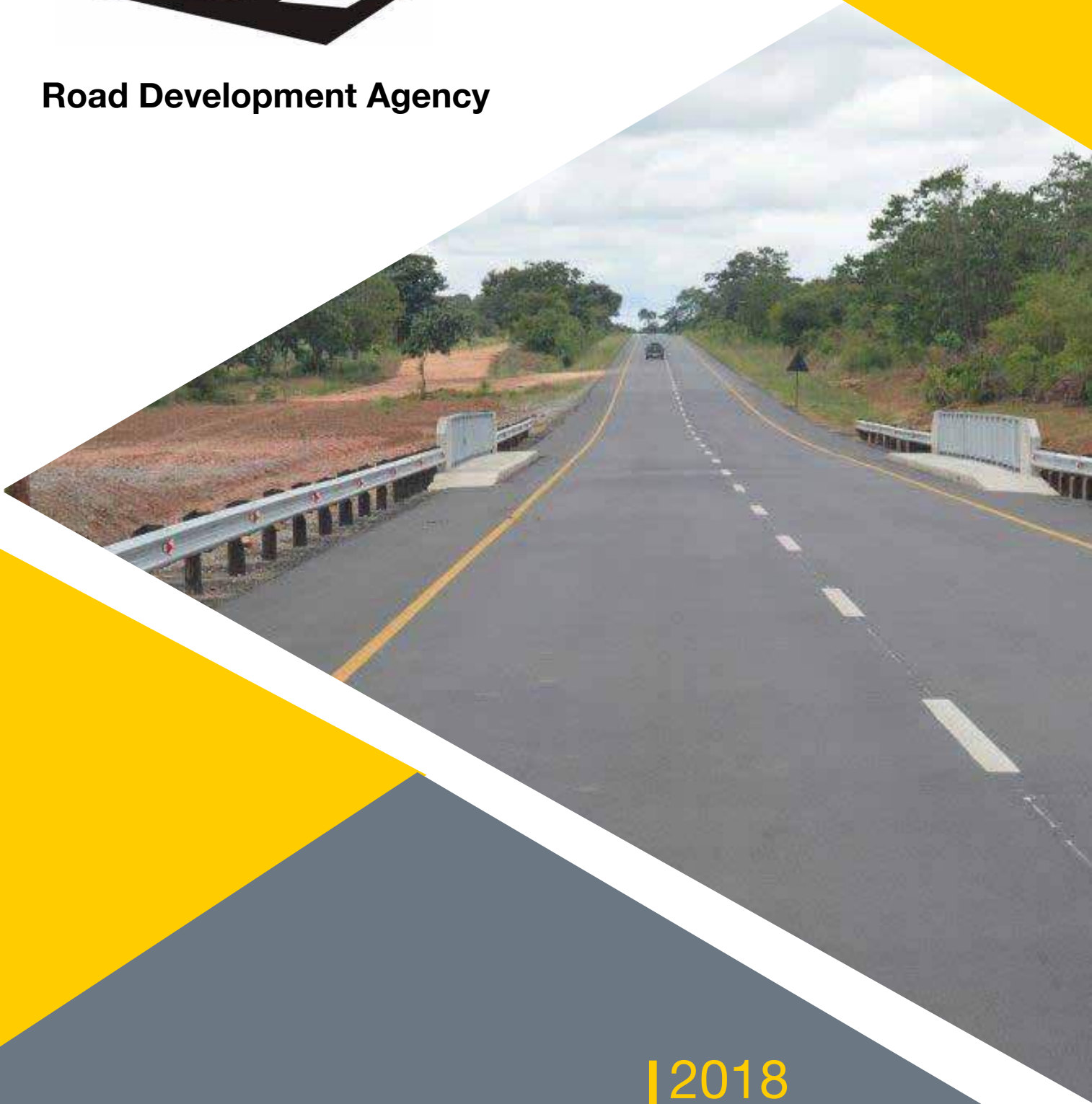




Road Development Agency



**2018
Annual
Report**

ROAD DEVELOPMENT AGENCY-VISION, MISSION & CORE VALUES

OUR VISION

To be the leading model Road Agency in the developing world, that is providing a world class Core Road Network

OUR MISSION

To provide a World Class Core Road Network

CORE VALUES



1.0 ABOUT THE ROAD DEVELOPMENT AGENCY 2018 ANNUAL REPORT

The 2018 Annual Report is an account of the Road Development Agency (RDA)'s performance in the year. Since its establishment, the Agency has continued to contribute to the social and economic development of Zambia. The RDA commenced its operations in 2006 and is responsible for the care and maintenance of the entire classified road network of 67,671km of roads. However, owing to the vast size of the network, and limited resources, the RDA has concentrated its efforts on a rationalised network of 40,454km deemed as the Core Road Network (CRN). The CRN is defined as the *“the barest minimum network which when improved will spur economic development and contribute to poverty reduction”*

RDA was established by the Public Roads Act No. 12 of 2002 with the following specific functions:

“To provide for the care, maintenance and construction of public roads in Zambia; to regulate maximum weights permissible for transmission on roads; and to provide for matters connected with and incidental to the foregoing”.

The Tolls Act Number 14 of 2011 also mandates the Agency to provide for the operation of toll roads; provide for the charging and collection of tolls; provide for private sector participation in the tolling of roads among others. It is against this backdrop that RDA appointed the National Road Fund Agency (NRFA) as a lead Tolls Agent through the provisions of the Tolls Act to administer and implement the National Road Tolling programme.

PRINCIPAL FUNCTIONS

The principal functions of RDA are to plan, manage and coordinate the entire road network in Zambia with the following specific functions:

- i. Carrying out routine and emergency maintenance of public roads;
- ii. Conducting feasibility studies for the development, maintenance and improvement of the road network in Zambia;
- iii. Recommending to the Minister the appointment of any person or institution as a road authority as well as provide technical assistance to the road authorities;
- iv. Receiving and considering reports from road authorities on their activities and preparing quarterly and consolidated annual reports;
- v. Preparing and reviewing terms of reference and guidelines for road authorities including budget guidelines;
- vi. Making recommendations in relation to siting of buildings on roadsides;
- vii. In consultation with the National Road Fund Agency, recommending to the Minister funding for development of new roads;
- viii. In consultation with the owners of property served by an estate road and the National Road Fund Agency, determine the proportion of the cost of construction and maintaining an estate road to be borne by such owners;
- ix. Preparing and awarding contracts and certifying works for public roads;
- x. Reviewing design standards and classification of roads and traffic signs;
- xi. Planning and co-ordinating the road network in the country; and
- xii. Enforcing axle load control.

RDA Annual Reports are meant to keep the various stakeholders of the Agency such as the Government, the RDA Board of Directors, employees of the Agency, members of parliament and other elected representatives, contractors, consulting engineers, road users, media, trade union, road sector agencies, non-governmental organisations, traditional leaders, private organisations, co-operating partners, public organisations among others informed about the performance of the Agency annually.

For additional information about RDA, readers can visit our website at: <http://www.rda.org>.

[zm/](#).

Contents of the Report

Contents of the Report are in Eight (8) sections. The Chairperson of the RDA Board and the Director and Chief Executive Officers' statement highlight the achievements of the Agency at strategic and operational level respectively. An executive summary that condenses the major activities of the Agency in 2018. Section four of the Report presents major highlights related to financial and programme/project performances. Under Programme and project performances, emphasis is made as regard to key project interventions undertaken by the Agency which include routine and periodic maintenance, construction, upgrading and rehabilitation works.

Accessing the Report

The 2018 RDA Annual Report is available on our website <http://www.rda.org.zm/> or can be obtained upon request from Email: rda_hq@roads.gov.zm.

RDA 2018 at a Glance

Lusaka Roads 400 Project-Phase 2 completion, %	Chingola- Solwezi Road, Completion, Km	Turnpike-Chikankata-Lot 1
100	168	38.5Km Works contract signed
Link Zambia 8000 programme surfacing works, Km	Routine Maintenance, Km	Periodic Maintenance Cumulative completion, Km
36	8,119.20	668.79
Research and Development Activities, No.	Staff Establishment, No.	2018 RSAWP Budget, K' 000
17	419	8,660,314.68
Internal Revenue, K 'Million		Gazetted and Core Road Network, Km
29.49		67,671
Paved TMD Road Network-Good Condition, %	Link Zambia 8000 Cumulative, %	Sub-contracting, Cumulative value, K' Billion
87	16	1.2
Road Condition for Paved Urban Roads	Major Projects Surfacing, Km	Road Condition for Primary Feeder Roads
	36	
TMDs completion %	Zambia Township Roads Completion, %	Axle Load Compliance, %
	37	

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LIST OF ACRONYMS

7NDP	Seventh National Development Plan
AfDB	African Development Bank
C400	Copperbelt 400 Project
CFI	Contractor Financed Initiative
CRN	Core Road Network
DMMU	Disaster Management and Mitigation Unit
EIB	European Investment Bank
GRZ	Government of the Republic of Zambia
IRCP	Improved Rural Connectivity Project
JICA	Japanese International Co-operation Agency
L400	Lusaka 400 Project
LRAs	Local Road Authorities
LZ8000	Link Zambia 8000
MHID	Ministry of Housing and Infrastructure Development
MoF	Ministry of Finance
NCC	National Council for Construction
NPSA	National Pension Scheme Authority
NRFA	National Road Fund Agency
OPRC	Output and Performance Based Road Contracts
PPPs	Public Private Partnerships
PZ2000	Pave Zambia 2000
RDA	Road Development Agency
RMS	Road Maintenance Strategy
RSAWP	Road Sector Annual Work Plan
SADC	Southern African Development Community
TMD	Trunk, Main and District

SECTION 1

BOARD CHAIRMAN'S FOREWORD



I am delighted to present the 2018 Annual Report for Road Development Agency (RDA). The Agency made significant strides in the implementation of its Projects and this resulted in the general improvement of the overall condition of the road network in the country.

This report gives an account of the performance of the RDA for the year 2018 in line with the Agency's mandate which is to plan, manage and coordinate the road network in the Country.

Cognisant of the role that RDA plays in the socio-economic development of the country, the Agency continued implementing key road infrastructure Projects that includes Link Zambia 8000 Programme; Improved Rural Connectivity Project (IRCP); National Road Tolling Programme (NRTP); Acrow Bridge Programme; Kazungula Bridge Project; Lusaka 400 (L400); Zambia Township Road Project (ZTRP); Pave Zambia 2000 Project; and Various Rehabilitation and Maintenance Projects as key components in ensuring that economic growth of the country is stimulated.

The projects are all meant to transform Zambia into a truly land-linked country by upgrading to bituminous standard key roads countrywide. However, due to budgetary constraints, the Link Zambia 8000 Programme had not been concluded in the year under review and this

prompted the implementation period to be extended up to 2021. Similarly, the Pave Zambia 2000 Project had faced funding challenges with only the Copperbelt, and Lusaka Provinces having had running contracts as opposed to the targeted countrywide roll-out whose progress stood at 22 per cent. The 2018-2022 Pave Zambia Strategic Plan is premised on phasing of works over an extended construction period. The paradigm shift in the implementation plan will also include the production plant for pavers proposed to be transferred to the Ministry of Youth, Sport and Child Development.

Despite the austerity measures introduced in the year 2018 by the government, the Agency remained resolute in achieving its objectives and continued to build on its past achievements. Projects that were at 80 percent and above as well as those of strategic importance continued while on the other hand projects with progress less than 80 percent were re-scoped to gravel standard and implemented using the Output Performance Based Road Contracts (OPRC).

It is gratifying to note that the Agency during the period under review conducted a workshop under the theme **Enhancing Participation in the Construction Industry**. Road sector partners and other stakeholders attended this important workshop. Those that attended the meeting included: National Medium and Small-Scale Contractors, the Association of Building and Civil Engineering Contractors, the Zambia Women in Construction, Engineering Institution of Zambia, and Association of Consulting Engineers.

Others were the Zambia Institute of Architects, and Quantity Surveyors Registration Board, sub-contractors and main contractors among others.

This was a good platform for contractors and other stakeholders to address the challenges in implementing the sub-contracting policy such as:

- Fronting;

- Resistance by main contractors to engage the sub-contractors;
- Inability to perform by sub-contractors;
- Funding on most of the projects;
- Large volumes of sub-contractors (especially in lower NCC grades) as compared to available works;
- High cost of construction equipment coupled with lack of adequate resources (e.g. ready capital); and
- high cost of borrowing.

It was later resolved that a Technical Committee be formed that would be led by the National Construction Council (NCC). Other members of the technical team included NRFA and RDA. The Technical Team constituted was an all-encompassing multi sectoral group to fully implement the 20% sub-contracting policy in the construction industry.

To reduce the pressure on the Treasury, the Agency explored various financing options for projects. The major options considered were the Public Private Partnership (PPP) and the Contractor Facilitated Initiative (CFI). Under the PPP Model of financing, RDA continued negotiations with preferred concessionaires for the various projects which include; the Ndola to Kasumbalesa Road, Lusaka to Chirundu Road, the Solwezi to Chingola Road and the Integrated Tolling Solutions.

Substantial progress has been made on some other major projects such as the Kazungula Bridge, a multinational project being undertaken by the governments of Botswana and Zambia whose estimated completion is June 2020. I am delighted to report that the completion of this bridge will bring about immense social and economic benefits to both countries and the SADC region in general. It was also such a pleasure to play host to three Heads of State Mr Edgar Chagwa Lungu of Zambia, Sir Seretse Ian Khama of Botswana and President Emmerson Mnangagwa of Zimbabwe who visited the construction site in March, 2018 in order to appreciate the works.

On the other hand, the Agency in collaboration with the Disaster Management and Mitigation Unit (DMMU) dealt with emergency works on roads and drainage structures. The major

emergency works during the year under review were; Msuzi culvert comprising two barrels of 3.5m diameter Armco steel pipes located at Km 172km on the Chipata to Lundazi Road (M12) was washed away on December 22, 2018. The Zambia Army was engaged to install a 27m span Bailey bridge. Other emergencies included the approach embankment to the Lunzua bridge on the Mbala to Nakonde Road which was washed away in February 2019. A total of K 2.42 million was released for the installation of a Bailey bridge.

The other major wash away happened in February 2018 at Lufune in Mpika District. A culvert was washed away about 25km from Mpika towards Chinsali. NRFA released K 3.7 million for the works on July 24, 2019. By December, 2018 traffic was using temporary diversion.

Sections on the T2 Great North Road at Vitondo, Kapililonga, Ilendla and Lukulu River were damaged resulting in the disruption of traffic. The NRFA disbursed K 3.3 million towards the repairs of these sections. In addition, five (5) culverts on the T2 were repaired at a cost of K 699,000.00

The Board has been upbeat by supporting initiatives to achieve quality service delivery to the public. The Quality Control Core Team (QCCT) was re-constituted from respective departments. The purpose of the QCCT is to spearhead the implementation of 5S and other improvement of initiatives of systems and processes.

The RDA continued the process of formulating the New Strategic Plan (2019-2021) in collaboration with the Management Development Division MDD of Cabinet Office.

The 3-year plan would be finalised in 2019. The plan would define the objectives and framework for the formulation of actions and evaluation of outcomes. The Plan would provide a framework for developing, implementing and monitoring projects that are critical and would contain forward-looking initiatives geared towards the attainment of the revised vision, mission and core values for the Agency. This is a blueprint document that all employees will have to embrace and own in order to achieve the desired outcomes.

In the year under review, we partnered with

our sister Agency the National Road Fund Agency NRFA in producing and transmitting TV programmes – MYROAD on the ZNBC TV1. The content mainly focused on road projects in the country.

Lastly, it is worth noting that the achievements of the Agency could not have been made without the dedication and commitment of every member of staff in the Agency. A word of thanks, therefore, goes to these dedicated employees who continue to promote the functions of the Agency while upholding its core values.

The Board now looks forward specifically to the performance of the Agency in implementing the 2019 Road Sector Annual Work Plan (RSAWP) and the 2019 – 2021 Strategic Plan.

Let me on behalf of my colleagues on the Board of Directors thank all our stakeholders for their unwavering support to the Agency and thank management for the forward-looking initiatives for the coming financial year.



MR. SAMUEL MUKUPA

BOARD CHAIRPERSON

ROAD DEVELOPMENT AGENCY

DIRECTOR & CHIEF EXECUTIVE OFFICER'S REPORT



On behalf of management and staff, I have the pleasure of presenting this statement to review the Agency's performance for the year ended 31st December, 2018.

The report highlights key activities undertaken by the Road Development Agency (RDA) as mandated in the Public Roads Act No.12 of 2002.

An efficient road transport system is an essential pre-condition for general economic development. I wish to highlight some of our major accomplishments in 2018.

It is important to mention from the onset that all the achievements could not have been possible had it not been for the staff efforts, dedication, loyalty and commitment. The success of the Agency is built on the collective efforts of all.

It is worth noting that we did not relent but displayed the tenacity, perseverance and collective wisdom in all our work despite the major challenge of poor cash flow and insufficient funds to contractors leading to delays in work progress on some of our projects.

It is integral to our sense of purpose as an Agency to make sure that what we do has a positive impact. Each person takes pride in the delivering to the best of their abilities, working together and drawing on the unique strengths of each individual in order to achieve more as a team.

Through this report I take great pleasure and pride in presenting and celebrating our achievements, as well as looking forward to a

new time of challenge and opportunity.

During this period under review, some of the notable achievements included; The signing of the works contract on November 22, 2018 with Messrs. China Henan International at a contract sum of K195.69 Million for the 38.5km Kafue (Turnpike) to Chikankata Turn Off full rehabilitation works under Lot 1.

On the other hand the rehabilitation of the Chinsali to Nakonde road in whose works contracts for both Lot 1 which is 103 kilometres from Chinsali to Isoka section at a contract sum of K785.77 Million and Lot 2 which is 107 kilometres from Isoka to Nakonde including the urban section of the road to the border with Tanzania.

On both occasions works would commence in the first quarter of 2019.

This is all in an effort of improving the road condition of the North-South Corridor (NSC) which is a section of international routes: The Trans-Africa Highway. The North-South Corridor is a joint COMESA/EAC/SADC aid for trade initiative, the primary aim of which is to reduce the transport costs along this priority corridor.

RDA is also overseeing the preparatory activities for various rehabilitation projects on the North-South Corridor section. Other projects the Agency is overseeing include; rehabilitation of the Mpika to Chinsali Road; rehabilitation of the Serenje to Mpika Road and upgrading to Dual Carriageway of the Lusaka to Ndola via Kapiri Mposhi among other projects.

Overseeing the implementation of the Improved Rural Connectivity Programme (IRCP) a project being supported by the World Bank was yet another momentous achievement for RDA. The IRCP project is aimed at improving rural road accessibility for communities in selected areas in Zambia, strengthen institutional capacity for sustainable management of rural roads, and respond promptly and effectively to an eligible crisis or emergency.

The government of the Republic of Zambia contracted a credit of Two Hundred Million United States Dollars (US\$200 million) from the World Bank, to facilitate the rehabilitation and

maintenance of selected rural roads across the country.

The project has two components, the first being for the actual works of rehabilitation and maintenance of roads, and the second being for institutional capacity building to the road sector player institutions.

The procurement process of the works for the two (2) Packages for Central Province had reached an advanced stage in December 2018.

We are delighted to report that during the period under review the Agency received 131 prefabricated modular arrow steel panel bridge components of the Acrow Bridge Project from the Acrow Corporation of America.

In addition to the supply of the bridges, the programme provides the extensive training of local engineers and technicians in the assembly, installation and maintenance of these critical infrastructure assets.

The bridges are designed to contribute to the repair and modernisation of Zambia's rural infrastructure and provide better access to schools, medical clinics and other basic goods and services.

The Agency implemented the "Make Zambia Clean, Green and Healthy Campaign" throughout the year 2018 by keeping the premises clean through its work force. This is in line with the call made by His Excellency the President of the Republic of Zambia Mr Edgar Chagwa Lungu. The re-launch of the campaign

was aimed at promoting and making cities, towns, villages and public institutions maintain a clean, healthy, safe living and working environment to foster prosperity in the nation.

In conclusion I wish to highlight that the year 2018 ended on a high note when the Engineering Institution of Zambia (EIZ) recognized and awarded the Agency with the award of Best Engineering Road Tolling Project and the Best Innovative Financing of a Road project award. In addition, RDA scooped an award at the 2018 Zambia International Trade Fair and two awards at the 2018 Zambia Agriculture and Commercial Show. This was an endorsement of the strides the Agency is making to improve its performance under the current austerity economic environment and that its efforts are being recognized. Awards are important in that they re-position and repackage an organization's corporate brand.

As I end my sincere thanks goes to everyone who took the time to contribute their valuable input to the report. I hope that you enjoy reading it.



ENG. ELIAS MWAPE

**DIRECTOR AND CHIEF EXECUTIVE OFFICER
ROAD DEVELOPMENT AGENCY**

SECTION 2

ABOUT THE ROAD DEVELOPMENT AGENCY

WHO WE ARE

The Road Development Agency (RDA) was established by the Public Roads Act No. 12 of 2002 with the following specific functions:

“To provide for the care, maintenance and construction of public roads in Zambia; to regulate maximum weights permissible for transmission on roads; and to provide for matters connected with and incidental to the foregoing. The Agency also became the Toll Authority in 2011 following the enactment of the Tolls Act no. 14 of 2011 which made the Agency responsible for charging and collecting toll fees on the Zambian road network.”

The Toll Act No. 14 of 2011 also mandates the Agency to provide for the operation of Toll Roads, provide for the charging and collection of tolls, provide for private sector participation in the tolling of roads including appointing toll collecting agents, among others. It is against this background that RDA appointed the National Road Fund Agency (NRFA) as the Lead Tolls Agent through the provision of the Tolls Act to administer and implement the National Road Tolling Programme (NRTP).

The RDA commenced its operations in 2006 and is responsible for the care and maintenance of the entire classified road network of 67,671 km of roads. However, owing to the vast size of the network, and limited resources, the RDA has concentrated its efforts on a rationalized network of 40,454km deemed as the Core Road Network (CRN). The CRN is defined as the *“the barest minimum network which when improved will spur economic development and contribute to poverty reduction”*.

PRINCIPAL FUNCTIONS

The principal functions are to plan, manage and coordinate the entire road network in Zambia with the following specific functions:

- I. Carrying out routine and emergency maintenance of public roads;
- II. Conducting feasibility studies for the development, maintenance and improvement of the road network in Zambia;
- III. Recommending to the Minister the appointment of any person or institution as a road authority as well as provide technical assistance to the road authorities;
- IV. Receiving and considering reports from road authorities on their activities and preparing quarterly and consolidated annual reports;
- V. Preparing and reviewing terms of reference and guidelines for road authorities including budget guidelines;
- VI. Making recommendations in relation to siting of buildings on roadsides;
- VII. In consultation with the National Road Fund Agency, recommending to the Minister funding for development of new roads;
- VIII. In consultation with the owners of property served by an estate road and the National Road Fund Agency, determine the proportion of the cost of construction and maintaining an estate road to be borne by such owners;
- IX. Preparing and awarding contracts and certifying works for public roads;
- X. Reviewing design standards and classification of roads and traffic signs;
- XI. Planning and co-ordinating the road network in the country; and
- XII. Enforcing axle load control.

WHO GOVERNS US

3.1 Committee of Ministers

The Committee of Ministers on the Road Maintenance Initiative issues policy through a Committee of Permanent Secretaries. The composition of the Committee during the year under review included:



Hon. Ronald Chitotela
Minister of Housing and Infrastructure
Development
(Committee Chairperson)



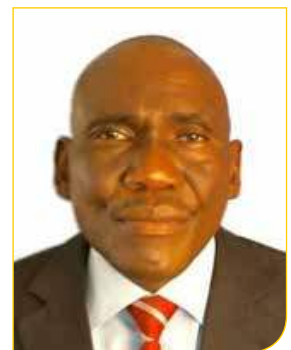
Hon. Brian Mushimba
Minister of Transport and
Communications



Hon. Brian Mushimba
Minister of Local Government



Hon. Margret Mwanakatwe
Minister of Finance



Hon. Charles Banda.
Minister of Tourism and Arts



Hon. Michael Katambo
Minister of Agriculture and
Cooperatives



Hon. Richard Musukwa
Minister of Mines and Minerals
Development



Hon. Given Lubinda
Minister of Justice

3.2 Committee of Permanent Secretaries

In the year 2018, the Committee of Permanent Secretaries included:



Eng. Charles Mushota
PS - Ministry of Housing & Infrastructure Development
(Committee Chairperson)



Eng. Misheck Lungu
PS-Ministry of Transport
and Communications



Mr. Amos Malupenga
PS-Ministry of Local
Government



Dr. Emmanuel Pamu
PS-Ministry of Finance



Rev. Howard Sikwela
PS-Ministry of Tourism



**Brig. Gen Emeldah
Chola**
PS-Ministry of Mines and
Minerals Development



Mr. Julius Shawa
PS-Ministry of Agriculture
and Cooperatives

3.3 RDA Board Members

In the year 2018, RDA Board Members included:



Mr. Samuel Mukupa
(Board Chairperson)



Eng. Yamfwa D. Mukanga
Engineering Institution of Zambia



Eng. Charles Mushota
PS - Ministry of Housing & Infrastructure Development



Eng. Misheck Lungu
PS-Ministry of Transport and Communications



Mr. Amos Malupenga
PS-Ministry of Local Government and Housing



Dr. Emmanuel Pamu
PS Budget and Economic Affairs
-Ministry of Finance



Mr. Likando Kalaluka SC,
Attorney General
Ministry of Justice



Dr. Mutaba A Mwali
Zambia Chartered Institute of Logistics and Transport



Mrs. Nellie Namwila
Zambia National Farmers Union



Mr. Filipo Zulu
National Science and Technology Council



Mathew Ngulube
National Council for Construction



Mr. Fresco Mumbi
Ministry of Agriculture and Cooperatives



Dr. Andrew Chilufya
Ministry of Tourism & Arts



Eng. Wallece Mumba
National Road Fund Agency



Mr. Zindaba Soko
Road Transport and Safety Agency



Eng. Elias Mwape
(Board Secretary)

WHO LEADS US

3.4 RDA Executive Management

In the year 2018, RDA Executive Management consisted:



Eng. Elias Mwape
Director and Chief Executive Officer



Eng. Dickson Ndhlovu
Director – Planning and Design



Mr. Titus Chansa
Director – Procurement



Eng. George Manyele
Director – Construction and Rehabilitation



Eng. William Mulusa
Director – Road Maintenance



Eng. Christopher Kapasa
Ag. Director – Commercial & Technical Services



Eng. Kapembwa Mulenga
Director – Finance



Mr. Elias Mwila
Director – Human Capital and Administration



Mrs. Mukupa Musonda
Director-Legal Services



Mr. Masuzyo Ndhlovu
Director – Communication & Corporate Affairs



Mr. Anderson Mwape
Director - Audit & Risk Assurance

3.5 RDA Departments

In the year 2018, RDA internal departments and their key functions were:

Central Administration		
<p>The Central Administration is headed by the Director and Chief Executive Officer. The department also consist the Monitoring and Evaluation Unit which is involved in project monitoring, evaluation and assessment of the performance of Consultants and Contractors.</p>		
Communications & Corporate Affairs	Planning and Design Department	Procurement Department
<p>The Department is responsible for strategic planning, publicity, information and stakeholder management.</p>	<p>The Department is responsible for planning, design, research and development.</p>	<p>The Department is responsible for the procurement of goods, works and services.</p>
Construction and Rehabilitation	Road Maintenance	Commercial and Technical Services
<p>The Department is responsible for construction, rehabilitation and upgrading works.</p>	<p>The Department is responsible for road maintenance works.</p>	<p>The Department is responsible for axle load control, commercial and mechanical activities.</p>
Finance	Human Capital and Administration	Legal
<p>The Department is responsible for financial management and reporting.</p>	<p>The Department is responsible for staff management and development.</p>	<p>The Department provides legal services to the Agency.</p>
Audit and Risk Assurance	Regional Offices	Local Road Authorities
<p>The Department assist RDA Management in the effective discharge of their responsibilities.</p>	<p>The regional offices are responsible for the care and maintenance of road networks in the regions.</p>	<p>LRAs are responsible for care and maintenance or roads within their jurisdictions.</p>

SECTION 4

FINANCIAL AND PROGRAM PERFORMANCE

4.1 Financial Performance

4.1.1 Implementation of the 2018 Annual Work Plan

The road sector fund is managed by the National Road Fund Agency (NRFA) on behalf of the road sector agencies. NRFA is mandated to administer and manage resources for road works. The resources include local funding from GRZ in the form of Road Tolls, Fuel Levy and Other Road User Charges and from Multi-lateral Development Banks (MDBs) such as the World Bank, European Investment Bank (EIB), Exim Bank of China, African Development Bank and various Cooperating Partners such as the European Union and the Japanese International Cooperation Agency (JICA) among many others.

Table 1: 2018 RSAWP Budget Sources

Fund Source	2018 Budget K'000	Percentage (%)
External (Loans and Grants)	3,429,600.00	40
Local - GRZ Roads	3,466,714.68	40
Contractor Facilitated Initiative	1,419,000.00	16
Private Public Partnership	345,000.00	4
Grand Total	8,660,314.68	100

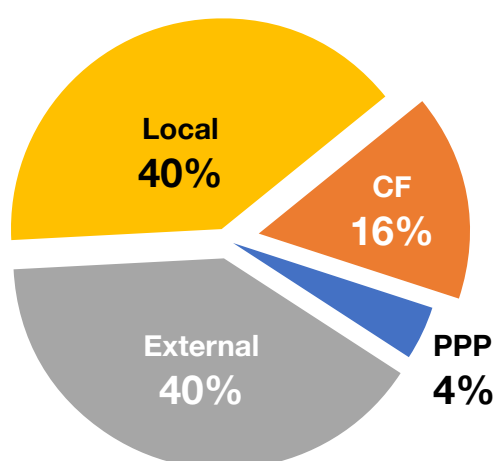


Figure 1: 2018 AWP Funding by Source

During the year under review, the budgetary allocation in the RSAWP was K8.66 billion comprising 40 percent local resources and 60 percent from external support. External funding was in the form of loans and grants to the Zambian Government for various road infrastructure from Multi-lateral Development Banks (MDBs) such as the World Bank, European Investment Bank (EIB), Exim Bank of China, African Development Bank and various Cooperating Partners such as the European Union and the Japanese International Cooperation Agency (JICA) among many others. Details of funding in 2018 are shown in Table 1 and Figure 1.

4.1.2 2018 Budget Performance

The 2018 RSAWP budget performance is shown in Table 2 for local and external funds. The Table also outlines in detail the budget performance for the year 2018 under local resources. Further, the table indicates the budgeted funds, receipts and the total expenditure.

Table 2: 2018 RSAWP Budget, Receipts and Expenditure

No.	Funding Source	Budget (K' Million')	Receipts (K' Million')	Expenditure (K' Million')	% Receipts Vs Budget	% Expenditure Against Receipts
1	Local resources	3,466.71	3,792.13	3,792.13	109	100
2	External Sources	5,193.60	3,341.23	3,341.23	64	100
3 Total		8,660.31	7,133.35	7,133.35		

Source: NRFA, 2018

Local and External Receipts

The 2018 RSAWP had a total allocation of K8.66 billion comprising funding from both local and external sources. Overall K7.1 billion was received from both external and local resources. Receipts from external resources were K3.3 billion out of the budgeted K5.2 billion. A total of K3.8 billion was received from GRZ under local resources.

Expenditure from Local and External Receipts

During the year under review, local receipts and expenditure were at 109 and 100 per cent respectively. Only 64 percent of external receipts were received in full and were expended in the year under review.

4.1.3 Revenue Collected on behalf of Government

During the year under review, the Agency continued to carry out various activities to improve revenue within the Agency. These included: revenue collection, and reconciliation from asset disposal process; assessment of old and disused mechanical items that required disposal in all the provinces and districts countrywide; updating the billboard inventory to maintain a stable database; disposal process for crusher plants and accessories; development of the commercial strategic document to guide the strategic plan; and the disposal process for the remaining vehicles from the 2017 motor vehicle sales exercise, second round.

The Agency had a higher revenue collection in 2018 compared to 2017. The increase in revenue collection of about 67 percent could be attributed to a significant increase in abnormal load vehicle fees and an increase in quarry royalties for supply of aggregates for road construction. In 2018 about K29.49 million was collected on various activities compared to K17.65 million collected in the year 2017.

4.2 Program Performance

4.2.1 Performance by Intervention

RDA is determined to continue with its efforts to enhance performance on the care, maintenance, and construction of the road network in Zambia and to regulate maximum weights permissible on roads. This also affirms the need to achieve a performance dashboard based on operational deliverables and annual targets to enhance organizational and sectorial achievements. This is achieved through various road interventions and activities. During the year under review, performance enhancement continued under routine and periodic maintenance, road upgrading works, rehabilitation and through various major and urban road projects.

Rehabilitation, Construction and Upgrading

During the period under review, 36Km surfacing works were recorded under the Link Zambia 8000 project. Similarly, 36km was surfaced on other major projects in 2018.

Additionally, substantial progress was recorded on the construction of the Daniel Munkombwe in Choma, Michael Chilufya Sata along the Ndola Kitwe Road and Kafulafuta Toll Plazas. Overall Physical Progress at the end the 2018 was 90% for Daniel Munkombwe, 91% for Kafulafuta. The Michael Chilufya Sata Toll site was fully completed and is now operational.

Periodic Maintenance

During the year under review, the cumulative progress achieved on periodic maintenance road projects on Trunk, Main and District roads stood at 667 km out of a total distance of 1,468 Km.

Routine Maintenance

A total distance of 8,119 km of both paved and unpaved roads were under routine maintenance as at 31st December 2018.

SECTION 5

OUR ROAD NETWORK

5.1 Zambian Road Network

5.1.1 Gazetted and Core Road Network

The total Gazetted Road Network in Zambia is about 67,671 km of which 40,454 km comprises the Core Road Network (CRN) which is defined as “the barest minimum network which when improved will spur economic development and contribute to poverty reduction”. The CRN consists Trunk, Main and District (TMD), Urban, and Primary Feeder roads as shown in Table 3.

Table 3: Core and Non-Core Road Network in Zambia

Type of Road	Length (Km)	Paved (Km)	% Paved	Responsibility
Core Road Network				
Trunk (T)	3,116.00	3,024.00	97.05%	RDA
Main (M)3,701.00		2,885.00	77.95%	RDA
District (D)	13,707.00	2,111.00	15.40%	RDA
Urban	5,597.00	2,055.00	36.72%	RDA
Primary Feeder Roads (PFR)	14,333.00	32.00	0.22%	RDA/LRAs
Sub Total	40,454.00	10,107.00	24.98%	
Estimated Non-Core Road Network				
Secondary Feeder Roads (SFR)	10,060.00			RDA/LRAs
Tertiary Feeder Roads (TFR)	4,424.00			RDA/LRAs
Park Roads	6,607.00			RDA/DNPW
Community Roads	5,000.00			RDA/LRAs
Other Roads	1,126.00			RDA/LRAs
Total	27,217.00			
Total	67,671.00	10,107.00		

RDA has delegated some roads to LRAs and the Department of National Parks and Wildlife under the Ministry of Tourism and Arts which is now responsible for about 6,600Km of National Park Roads.

5.1.2 Road Reserve Management

RDA has experienced an increase in the number of road infringements in the past few years. Road encroachments and infringements have consequences on the project delivery. The Agency spends extra costs on compensation of Project Affect Persons in addition to time lost while preparing for compensation of such people. To mitigate these negative effects, RDA has embarked on various activities such as sensitization programme on ZNBC Television as well as radio.

SECTION 6

ACTIVITIES IN 2018

6.0 RDA Activities in 2018

6.1 Planning, Design and Research & Development

In 2018, planning was key to achieve the functions and objectives of the Agency. We continued to plan for the development, maintenance and care of our CRN. In the year under review, the Agency continued to prepare solicitation documents for various projects approved in the 2018 RSAWP. The aim for this was to continue accelerating infrastructure development for economic growth as outlined in the 7NDP.

We undertook, the following critical activities in our planning processes during the period under review:

- Drafting of the 2019 Road Sector Annual Work Plan;
- Necessary input in the Procurement of PPPs for major Trunk Corridors;
- Preparatory works for the Mpika to Chinsali Road (EIB);
- Preparatory works towards the Development of Climate Resilient Standards and Codes for the Transport Sector in Zambia;
- Preparatory activities for the procurement of selected projects under Contractor Facilitated Initiative (CFI)
- Preparatory works for upgrading various road projects to bituminous standard under the Link Zambia 8000 Programme.

6.1.1 Our Plans for the Year 2019

Preparation of the 2019 Road Sector Annual Work Plan (RSAWP)

The 2019 RSAWP was presented and approved by Parliament on December 4, 2018. The total road sector budget for 2019 was K6.45 billion comprising K2.01 billion Local Resources (31 percent), K2.91 billion External Resources (45 percent), K1.01 billion Contractor Financing (16 percent) and K521.50 million PPPs (8 percent). Of the K2.01 billion local resources, K1.57 billion (inclusive of K488.00 million NAPSA loan repayment and K102.00 million for the National Road Tolling Programme) was allocated to the RDA. The Road Transport and Safety Agency (RTSA), Ministry of Local Government (MLG), were allocated K173.56 million, K150.42 million, K110.00 million and K2.02 million respectively. Further, K0.076 million was allocated to Debt Servicing for non-statutory debt. The Ministry of Housing and Infrastructure Development (MHID) and Ministry of Transport and Communications were each allocated ZMW 1.16 million for sector policy coordination. The budgetary ceilings provided in the Medium-Term Expenditure Framework (MTEF) for the year 2019 stood at K2.01 million representing a 42 percent reduction compared to the 2018 ceiling.

The approach taken in selecting priorities for 2019 RSAWP was based on the August 5, 2018 Board Resolution regarding the Strategies for the Implementation of Projects which placed emphasis and prioritised revenue generation, projects with counterpart funding, projects with over 80 percent

physical progress, maintenance projects, Axle Load control and debt servicing.

Projects on the North South Corridor

Planning for improvement works on the North South Corridor continued in the year 2018. The Livingstone to Nakonde Road forms part of the North South Corridor which is a joint COMESA/EAC/SADC Trade initiative corridor. The primary aim of the initiative is to reduce the transport costs along this priority Corridor which links the port of Dar-es-Salaam in Tanzania to the Copper-belt (Southern Democratic Republic (DR) of Congo and Northern Zambia) and connects to the Southern ports of South Africa at the port of Durban. The Corridor system, with its spurs, services eight countries in the region- Tanzania, DR Congo, Zambia, Malawi, Botswana, Zimbabwe, Mozambique, and South Africa. RDA is overseeing the preparatory activities for various rehabilitation projects on the North South Corridor section. The projects include the following:

1. Rehabilitation of the Chinsali to Nakonde Road;
2. Rehabilitation of the Mpika to Chinsali Road;
3. Rehabilitation of the Serenje to Mpika Road;
4. Rehabilitation of the Kafue to Mazabuka; and
5. Upgrading to Dual Carriageway of the Lusaka to Ndola via Kapiri Mposhi.

Rehabilitation of the Chinsali to Nakonde Road

The GRZ and the African Development Bank (AfDB) signed a loan agreement for the financing of the Rehabilitation of the Chinsali-Nakonde Road (North South Corridor) on January 28, 2016 amounting to USD243.00 million (ADB Loan of USD193.00 Million and AGTF Loan of USD50.00 Million). The project consists of the following four components:

Component 1: Civil Works;

Component 2: Consultancy Services;

Component 3: Institutional Support and Capacity Building; and

Component 4: Resettlement and Compensation.

The total project cost is estimated at USD256.00 million. The project will be financed by ADB (AfDB window), with the leveraging of a new financing instrument – the Africa Growing Together Fund (AGTF), and GRZ counterpart funding. Table 4 indicates the breakdown of the project cost.

Table 4: Sources of Funds on Chinsali-Nakonde Road

No.	Source of Funds	Amount (USD)
1	African Development Bank	193,000,000.00
2	Africa Growing Together Fund	50,000,000.00
3	Government of the Republic of Zambia	12,759,313.00
Total		255,759,313.00

The civil works component has been split into two Lots and the works contracts for both Lot 1 and 2 were signed during the year under review with Messrs China State Engineering Corporation and Messrs China Railway Seventh Group respectively. The implementation period of the project is 40 months. The contractors on both Lots have commenced mobilization and setting up of their camps.

Resettlement Action Plan on the Project for the Rehabilitation of the Chinsali to Nakonde Road

A total of K 26.45 million has been disbursed by GRZ for compensation and resettlement of about 1300 Project Affected Persons (PAPs). By the end of 2018, K10.3 million had been paid out to about 570 PAPs under both Lots from Chifumu to Nsanamwenje via Isoka covering a total distance of about 80km along the corridor.

The compensation and resettlement are in line with the requirements, guidelines and preconditions for project commencement for the AfDB. About K19.00 million is yet to be paid out in the remaining areas from Chinsali to Chifumu and Nsanamwenje to Nakonde under Lot 1 and 2 respectively. The beneficiaries also included community institutions such as churches and people within the vicinity of the road project.

Rehabilitation of the Mpika to Chinsali Road

The RDA and EIB signed a Cooperation Agreement for the financing of the rehabilitation of the Mpika to Chinsali Road amounting to Euro110.00 million. The loan agreement for the Euro110.00 million was signed between the Government and EIB on August 7, 2018. It is worth mentioning that the European Union's (EU) Investment and Technical Assistance grant of EUR72.75 million was also approved to support the Great North Road (T2) upgrade project. The grant agreement for the Euro72.75million is expected to be signed within the first quarter of 2019. Procurement of the various project components is expected to commence once the grant agreement is signed.

Rehabilitation of the Serenje to Mpika Road

The GRZ in August 2016 officially requested for funding for the rehabilitation of the Serenje to Mpika Road from the AfDB. AfDB undertook a preparatory mission in October 2016 followed by an appraisal mission in September 2017. An expedited update of the summary of the Environmental and Social Impact Assessment Report was prepared in August 2017 to facilitate Public disclosure of the project 120 days before submission to the AfDB Board. The project was submitted to the AfDB Board in December 2017 and Communication of the outcome of the AfDB Board Meeting is being awaited. The AfDB pledged USD200.00 million to the project.

Upgrading of The Lusaka To Ndola Via Kapiri Mposhi Road to Dual Carriageway

The Public Private Partnership (PPP) Council of Ministers in December 2016 granted authority to change the procurement method for the Lusaka to Ndola Road project from a PPP to Engineering, Procurement, Construction plus Finance (EPC+F). Messrs China Jiangxi Corporation submitted an EPC+F bid in February 2017. Following the evaluation of the bid, the contract was signed on May 31, 2017 at a total sum of US\$1,245.78 million with a duration of 48 months. The project was launched by His Excellency the President of the Republic of Zambia Mr. Edgar Chagwa Lungu on September 8, 2017. Negotiations for the Financing Agreement have reached an advanced stage.

During the year under review, the Design Review and Construction Supervision services were signed between the RDA and Messrs. Nicholas O'dwyer on May 8, 2018 in readiness for the commencement of the works. Messrs. Nicholas O'dwyer made a presentation to RDA on September 20, 2018 of their findings on the Preliminary Design Report submitted by the Contractor.

Public Private Partnership (PPP) and Contractor Facilitated Initiative

PPPs are becoming an innovative way to attain infrastructure development in the world as they reduce fiscal pressure on National Treasuries. In 2018, RDA continued to explore this model to finance road infrastructure. In 2018, the following projects were considered under the PPP Model

of financing projects:

- Ndola to Kasumbalesa Road, Lusaka to Chirundu Road, the Solwezi to Chingola Road and the Integrated Tolling Solutions; and
- Kasomeno to Mwenda.

Contractor Financed Initiative

Under CFI approach, the Agency signed contracts for the following projects:

- the Mbala to Kasaba Bay Road, Maamba to Batoka Road, Shibuyungi Roads;
- Airport roundabout to KKIA and Airport roundabout to Luangwa Bridge; and
- Kabwe to Piccadilly Circus to Mkushi Road.

However, in view of the economic stabilisation programme, the Ministry of Finance intends to limit the number of projects that can be implemented using this approach in the medium term in order to maintain the country's debt within sustainable levels.

Nacala Road Corridor development Project Phase IV - Mwami/Mchinji One Stop Border Post

During the period under review, the Agency coordinated the preparatory activities for the procurement of an OSBP at Mwami in Zambia and Mchinji in Malawi under the Nacala Road Corridor Development Project Phase IV. The contract for the Design Review and Supervision for the project was signed on August 26, 2017. During the year under review, the Works Contract was signed with Messrs. China State Construction at a contract sum of US\$8.53 million. However, there is a financing gap on the project of approximately US\$4.00 million arising from the difference in the budgeted amount for the project and the contract sum.

Development of Climate Resilient Infrastructure Standards and Codes for the Transport Sector in Zambia

During the year 2018, RDA continued to oversee the implementation of the project for the Development of Climate Resilient Standards and Codes for the Transport Sector in Zambia financed by the Nordic Development Fund (NDF). The project is aimed at systematically integrating climate resilience in the road transport sub-sector design and management process at policy level in Zambia. The project also aims at developing climate-resilient infrastructure standards and norms, which are to be incorporated into all relevant documents, construction and maintenance guidelines and tools. The contract was signed on June 20, 2017 and the consultant commenced the services on July 14, 2017.

In 2018, the consultant completed and submitted the report for Activity 1 - Vulnerability Assessment on July 12. The Consultant also commenced Activity 2 – Training following the approval of the Vulnerability Assessment Report on October 2, 2018. Consultative workshops were held in August 2018 and December 2018.

6.1.2 Design and Research Activities

Quality Control Testing and Failure Investigation

Investigation tests on the failure of the following works were conducted:

- Independent investigations on the premature failure of the Great East Road (GER) T4 Lot 1: Luangwa Bridge to Nyimba;

- Investigations on the premature failure on L400 Phase I road (MA 005) in Makeni area;
- Pedicle road quality control with National Road Fund Agency;
- Upgrading of Mbiya road in Northmead under Livonia construction; and
- Chiwoko toll plaza (Katete) and Kamiza toll plaza Nyimba.

Environmental and Social Management Operations

The Environmental and Social Management Unit under the Design Unit carried out the following major activities during the period under review:

- Participation in the scoping meetings held at Mazabuka, Nega Nega, Kafue and Makeni on 5th, 6th, 12th and 13th April 2018 for the proposed construction of the Lusaka and Kafue Bypass road from Mazabuka to the T2 road;
- Participation in the Joint Technical Committee and the Joint Steering Committee meetings for the construction of the Mwami/Mchinji OSBP from 11th to 13th April 2018;
- Participation in the Environmental and Social compliance monitoring of the climate resilience roads from 25th -27th April 2018 in Itezhi Itezhi district of Southern Province;
- Community sensitization activities were undertaken in Samfya, Mwense, Kawambwa, Mansa and Milenge districts of Luapula Province from 30th April to 7th May 2018 and in Zimba, Kalomo, Monze, and Choma districts of Southern Province from 20th to 25th May 2018 respectively, under the Improved Rural Connectivity Project (IRCP);
- Preparation of comments on the draft Resettlement Action Plan for Chembe-Matanda-Katuta road (Security road) and access roads in Chembe district of Luapula Province on 28th May 2018;
- Participation in the kick-off meeting for the provision of Consultancy Services for the construction of the Lusaka to Ndola dual carriageway that was held on 4 June 2018;

Research and Development Projects

The following activities were undertaken by the Research and Development (R&D) Unit in 2018:

- Four (4) collaborative agreements with other organisations in the form of Memoranda of Understanding;
- Engagements with promoters of non-conventional soil stabilisers;
- Two (2) in-house activities for the training and operationalization of the FWD and GPR.
- Three (3) individual in-house research activities.
- One (1) Conference activity for 8th Africa Transportation Technology Transfer Conference.

Research on non-conventional products has continued. Arrangements are underway to commence works once the costs are concluded and the weather is favorable.

The Unit undertook training on the use of the Falling Weight Deflectometer the Ground Penetrating Radar Equipment. A trial survey using the Radar equipment was conducted by the RDA team.

The following in-house research projects are on-going:

- the study on the unit costs of roads; and
- Phase II on the unit costs of roads project to delineate the factors impacting unit costs in Zambia is currently underway.

6.2 Bridges and Crossings

As part of our mandate to provide a sustainable and reliable road network, RDA ensures that bridges and crossings in the Country are constructed and maintained to acceptable standards.

Kazungula Bridge Project

The Kazungula Bridge Project was packaged into 3 packages in consideration of the attractive scale to bidders, quality, progress and technical characteristics. In particular, the OSBP packages were considered potential areas of investment for contractors from Botswana and Zambia.

Package 1 – Construction of Bridge and Approach Ramps

During the period under review the project overall physical progress increased from 41 percent to close to 74 percent against a time lapse of 95 percent. The initial delays on payments which affected progress were expected to be stabilised with support from both the Zambian and Botswanan Governments during the First quarter of the year 2019.

Package 2 – OSBP - Botswana

During the period under review progress increased from 65 percent to close to 94 percent against a planned of 96 percent.

Package 3 – OSBP - Zambia

Works commenced on June 19, 2017 and are expected to be completed by December 16, 2019. During the period under review the overall progress increased from 7 percent to close to 51 percent against a planned progress of 66 percent.

Construction of the Mwami/Muchinji One Stop Border Post (OSBP), Works Package 2 - Zambia OSBP Facilities.

The contract for the Mwami-Muchinji OSBP was awarded to China State Construction Engineering Corporation Ltd, and the Consultant is SMEC International Ltd. The Contract Sum is K102.37 million. The Contract Commenced on December 5, 2018 and the Intended Completion Date is May 28, 2020. During the period under review the Contractor commenced with mobilisation.

Rehabilitation of 270m Kafue Hook Bridge

The contract for the Rehabilitation of 270m Kafue Hook Bridge was awarded to China Henan International Group of Company (CHICO) and the Consultant is Kiran and Musonda Associates.

The physical progress stands at 38 percent against the planned 89 percent. No significant progress was achieved in 2018.

Acrow Bridge Project

During the year under review, procurement documents for 107 bridges in Lusaka, Central, Northern and North Western Provinces were submitted to EXIM Bank USA for their review and approval. As of December 26, 2018 RDA, had received the approval certificates for 93 out of the targeted 135 bridge sites.

Further, the procurement process for the construction of ten (10) Acrow Bridges in Eastern Province of Zambia commenced. The tender closed on December 21, 2018 and the contract is expected to be signed in February 2019.

The ACROW Bridge Project involves the installation of prefabricated bridges on the feeder road network to improve connectivity and accessibility. The total cost of the project is estimated at US\$73.78 million and is financed by EXIM Bank USA.

Weighbridges

Weighbridges play a vital role in the preservation of the road asset by limiting the maximum permissible weights on the roads. Therefore, they assist to delay costly re-construction and rehabilitation of roads in Zambia by protecting public roads from damage that would have been as result of overloaded vehicles. Weighbridges assist the Agency in controlling the maximum weights permissible for transmission on Public Roads through Axle Load Controls. During the year under review, to sustain Axle Load controls, the Agency continued with the construction of weighbridges across the country.

The progress on construction of Weighbridges was at different stages for various Project Sites in the year under review as follows:

- **Mumbwa Weigh Bridge:** Physical progress stood at 94 percent.
- **Kafue Weighbridge:** During the period under review, the project was substantially completed. The only outstanding works are changing the single deck to a Multi Deck at the old Kafue Weigh Bridge;
- **Chongwe Weighbridge:** The physical progress of works stands at 30 percent against time lapse of 73 percent.
- **Solwezi Weighbridge:** During the period under review Physical Progress was estimated at 21 percent against a time lapse of 66 percent.

6.3 Procurement Operations and Activities

The Procurement responsibility of the Agency involves early integration of the procurement activities in the planning process to enhance project achievement. In the year under review, the Agency focused on the specific procurement of activities under the 2018 RSAWP. In the year under review, key procurement activities included procurement of road construction, upgrading and rehabilitation works, periodic and routine maintenance works, procurement of goods, consulting and non-consulting services and procurement works for bridges.

6.3.1 Procurement of Works

During the year under review, eleven (11) procurement processes commenced through International Competitive Bidding, five (5) was through Open National Bidding, five (5) were through Direct Bidding and nine (9) through Limited bidding. Table 5 and Table 6 indicate a summary of key works tenders advertised, awarded and contracts signed in 2018.

Table 5: Status of works advertised in 2018

No.	Description	Method of bidding	Closing date	Status
1	Tender for the Construction of a Toll Plaza at Manyumbi between Kabwe and Kapiri-Mposhi along T002 road	Limited Bidding	23 -Mar-18	Contract Awarded
2	Tender for the Construction of 88.3km of township road under Pave 2000 in Muchinga Northern and Central province	Direct Bidding	27-April-18	Contract Awarded
3	Tender for the Construction of Mumbi Mfumu Bridge in Kasama Northern province	Direct Bidding	27-April-18	Contract Awarded
4	Tender for the Construction of Chinsali Nakonde Road Project lot 1 & 2	International Competitive Bidding	20-April-18	Contracts Awarded
5	Tender for the Construction of Mwangala Bridge in Chadiza Eastern Province	Limited Bidding	4-May-18	Contract Awarded
6	Tender for Performance-based Ancillary Road Works on the M4 Road from Sabina to Mufulira and D469 Road from Luanshya to Mpongwe in Copperbelt Provinces	Limited Bidding	20-April-18	Contract not yet signed
7	Tender for the Engineering Design, Procurement and Construction of 284Km of the Kasempa to Mumbwa Road to Bituminous Standard Including the Construction of Two Major Bridges at Lubungu and Kashiya	Direct Bidding	10 – Aug - 18	Contract not yet signed
8	Rehabilitation of T001, Section Between Turnpike and Chikankata Turn-Off (38.5km) - Lot 1 (Package 4) – North-South Corridor	International Competitive Bidding	28 – Sept - 18	Contract Awarded
9	Output and Performance-Based Road Contract for Design, Rehabilitation, Improvement, Routine and Periodic Maintenance Works of PACKAGE 1: CENTRAL PROVINCE (Mkushi District)	International Competitive Bidding	19 – Oct - 18	Under Evaluation
10	Output and Performance-Based Road Contract for Design, Rehabilitation, Improvement, Routine and Periodic Maintenance Works of PACKAGE 2: CENTRAL PROVINCE (Chibombo/Mumbwa Districts)	International Competitive Bidding	19 – Oct - 18	Under Evaluation
11	Tender for the Paving of Selected Low Traffic Volume Urban Roads Using Segmented Concrete Blocks in Kawambwa District of Luapula Province	Limited Bidding	05-Oct -18	Under Evaluation
12	Tender for the Rehabilitation of 36.8km Chilanga Access Roads in Chilanga District Of Lusaka Province	Limited Bidding	21 – Sept - 18	Contract Awarded
13	Tender for the Routine Maintenance of Selected Bridges on Trunk, Main and District Roads in Copperbelt Province	International Competitive Bidding	28-Sep-18	Under Evaluation
14	Tender for the Routine Maintenance of Selected Bridges on Trunk, Main and District Roads in Northern Province	International Competitive Bidding	28-Sep-18	Under Evaluation
15	Tender for the Routine Maintenance of Selected Bridges on Trunk, Main and District Roads In Southern Province	International Competitive Bidding	28-Sep-18	Under Evaluation
16	TENDER FOR THE CONSTRUCTION OF THE 4-SPAN 120m LONG COMPOSITE BRIDGE ACROSS MVUVYE RIVER IN NYIMBA DISTRICT OF EASTERN PROVINCE	International Competitive Bidding	26-Oct-18	Contract not yet signed
17	Tender for the Construction of the Sub-Structures and Assembly of the Prefabricated Steel Acrow Panel Bridges	Open National Bidding	30-Nov-18	Under Evaluation

The Agency awarded seventeen (17) works contracts valued at K1,635.22 million and USD 1,494.68 million from procurement proceedings that had started within 2018 and earlier. Some of the key contracts awarded are shown in Table 6.

Table 6: Status of Key works contracts awarded

No	Description	Contractor	Contract Amount
1	Design and Upgrading to Dual Carriageway of the Kenneth Kaunda International Airport (KKIA) Road (9Kms), Upgrading to Dual Carriageway of a 35Kms Section of T004 From Lusaka (Junction to the KKIA) to Chongwe, Construction of 20Kms Urban Roads in Chongwe District, Rehabilitation and Widening of Remaining Section of the T004 from Chongwe to the Luangwa Bridge (Approximately 220kms)	AVIC International Holding Corporation,	US\$402,442,800.00
2	Contract No. RDA/CE/LB/001/18: For the Construction of a Toll Plaza at Manyumbi Between Kabwe And Kapiri-Mposhi along T002 Road	Luvias Investments Limited	K24,627,091.57 and USD345,528.55
3	RDA/CE/DB/011/017: Contract for the Engineering Design and Upgrading of Mwenda Via Kawambwa to Kapampi (153km) Including 28km Of Chipili Township Road and 16km of Kala Marine Base in Luapula Province of Zambia	Anhui Shui'an Construction Group Corporation Zambia Limited	USD382,288,978.66
4	NO.RDA/CE/DB/001/18: Contract for the Design and Construction of the road from Mazabuka to T2 In Zambia (Lusaka and Kafue Bypass)	China National Complete Engineering Corporation	US\$216,031,800.00
5	Contract No.RDA/CE/DB/012/2017 : Upgrading Of 47km Of Mansa Matanda, 194km Of Chembe Via Chipete to Katunta (Security Road) And 17km of access roads to Chembe District and two concrete Bridges Across Mansa And Luamfumu Rivers In Luapula Province	China Geo Engineering Corporation	USD382,288,978.66
6	Construction/Rehabilitation and Paving of the Access Roads leading to the Umutomboko Traditional Ceremony Arena in Mwansabombwe District in the Luapula Province -Contract No.: RDA/CE /LB/011/18 - Lot 1	Kennix Limited	K10,595,896.31
7	Construction/Rehabilitation and Paving of the access roads Leading to the Umutomboko Traditional Ceremony Arena in Mwansabombwe District in the Luapula Province - Contract No.: RDA/CE /LB/011/18-LOT 2	Frog Enterprises Limited	K13,529,648.89
8	Contract for the Construction of the Chinsali – Nakonde Road Rehabilitation Project (North – South Corridor):Lot 1 Chinsali - Isoka Road Section (Km 0 - Km 103)	Messrs China State Construction Engineering Corporation Limited	K784,279,480.62
9	Contract for the Construction of the Chinsali – Nakonde Road Rehabilitation Project (North – South Corridor) Lot 2 Isoka – Nakonde Road Section (Km 103 - Km 210) In Muchinga Province	Messrs. China Railway Seventh Group Co. Limited	(K713,664,926.91
10	Tender for the Construction of 88.3km of township road under Pave 2000 in Muchinga Northern and Central province	Nyoni Projects (Zambia) Limited in Association with Nyoni Projects (PTY) Limited	USD 111, 286, 400.42
11	Tender for the Construction of Mwangala Bridge in Chadiza Eastern Province	Build Trust Construction Limited	K 49,682,406.18
12	Tender for the Supply, Fabrication and Erection of Canopy at the Livingstone Toll Plaza, Southern Province	Ingenuity Technical Services	K828,730.10
13	Tender for the Water Supply and External Lighting at the Livingstone Toll Plaza, Southern Province	Kamwiza Supplies & Contractors Limited	K999,362.22

No	Description	Contractor	Contract Amount
14	Construction Works for the Paving of Alleys Along Selected Service Lanes in Lusaka Central Business District, Lusaka Province of Zambia Lot 5	TIBZ Construction Limited	K4,932,359.13
15	Upgrading of the Samora Macheal Airport Road (4km) in the Northern Province	China CAMC Engineering Co. Ltd	K32,078,862.69
16	Rehabilitation of T001, Section Between Turnpike and Chikankata Turn-Off (38.5km) - Lot 1 (Package 4) – North-South Corridor	China Henan International Corporation Group Company Limited	K195,686,758.89
17	Tender for the construction of the 4-span 120m long composite bridge across Mvuvye river in Nyimba district of eastern province	Anhui Shuian Construction	K74,520,324.20

6.3.2 Procurement of Consultancy Services

Procurement of Twenty-five (25) new consultancy services were commenced in 2018. Seven (7) were open international selection (OIS), three (3) were open national selection (ONS), three (3) were limited selection (LS), three (3) were single source selection (SSS), and nine (9) were international Expressions of Interest (EOI).

Table 7 indicates a summary of key consultancy service tenders offloaded and their status at the end of the year.

Table 7: Status of Selected Consultancy Services

No.	Description	Date of first date	Closing Date	Procurement Method	Status
1	Expression of Interest for the Consultancy Services for The Technical Audit of the Nacala Road Development Project Phase IV (Mwami/Mchinji Zambian Side One-Stop-Border-Post)	12-Apr-18	27-Apr-18	OIS	RFP issued to short-listed Consultants. Technical evaluation underway
2	Expression of Interest for the Consultancy Services for The Monitoring And Evaluation of the Nacala Road Development Project Phase IV (Mwami/Mchinji Zambian Side One-Stop-Border-Post)	12-Apr-18	27-Apr-18	OIS	RFP issued to short-listed Consultants. All shortlisted Consultants did not submit proposals
3	Expression of Interest for the Consultancy Services For the HIV/AIDS, STIs and Gender Sensitization under the Nacala Road Development Project Phase IV (Mwami/Mchinji Zambian Side One-Stop-Border-Post)	12-Apr-18	27-Apr-18	OIS	RFP issued to short-listed Consultants. Technical evaluation underway
4	Consultancy Services for the Design Review and Construction Supervision of the Road from Mazabuka to T2 (Lusaka And Kafue Bypass)	06-Mar-18	13-Apr-18	ONS	Contract awarded to Bari Zambia Ltd. Draft contract awaiting AG clearance
5	Consultancy Services for the Technical Assistance (Advisory) to the Road Development Agency for the Construction of approximately 321km of the Lusaka to Ndola Dual Carriageway, (T002/T003) including the Bypass Roads in Kabwe and Kapiri Mposhi and 45km of the Luanshya-Fisenge-Masangano Road	19-Mar-18	20-Apr-18	ONS	Technical evaluation completed, awaiting RDAPC authority to open Financial Proposals

No.	Description	Date of first date	Closing Date	Procurement Method	Status
7	Consultancy Services for the Techno – Economic Study, Detailed Engineering Design and Tender Document Preparation for the Upgrading of 110km of the Itezhi Tezhi to Mumbwa in Central Province	23-Mar-18	20-Apr-18	SSS	Contract awarded to Zulu Burrow Consulting Ltd
8	Consulting Services for the Design Review and Construction Supervision for the Upgrading of approximately 100km of Roads in the Lusaka South Multi-Facility Economic Zone (LSM-FEZ)	2-May-18	1-Jun-18	LS	Contract awarded to Kaplum and Associates Ltd. Draft contract awaiting AG clearance
9	Expression of Interest for the Consulting Services for the Design Review and Monitoring /Supervision of Output and Performance Road Contracts (OPRC) Package 1 in Mkushi District and Package 2 in Chibombo District in Central Province under the Improved Rural Connectivity Project (IRCP)	27-Apr-18	11-May-18	OIS	RFP issued to short-listed Consultants. Tender is closing on 8 th February 2019
10	Expression of Interest for Consulting services for undertaking of the Rural Road Maintenance Strategy Study under the Improved Rural Connectivity Project (IRCP)	27-Apr-18	11-May-18	OIS	Evaluation completed, awaiting World Bank No Objection to the proposed shortlist
11	Consulting Services for the Design and Construction Supervision of the Rehabilitation of Feeder Roads (50 km) off T-2 to an All-Weather Gravel Standard Road under the Chinsali-Nakonde Road Rehabilitation Project (North-South Corridor)	18-May-18	29-Jun-18	OIS	Contract awarded to Lea Associates South East Asia Pvt. Ltd. Draft contract awaiting clearance from AfDB
12	Consulting Services for: Consultancy Services for the Development of a Strategic Road Sector Investment Program III Bankable Document (ROADSIP III) Under the Chinsali-Nakonde Road	29-May-18	13-Jul-18	OIS	Technical evaluation completed, awaiting No Objection from AfDB to open Financial Proposals
13	Consultancy Services for the Provision of Road Safety Inputs for the Chinsali – Nakonde Road Rehabilitation Project (North – South Corridor) – T2	7-Jun-18	20-Jul-18	OIS	Combined Technical and Financial evaluation underway
14	Expression of Interest for the Development and Enhancement Of The Zambia Highway Management System (HMS)	21-Jun-18	9-Jul-18	OIS	RFP issued to short-listed Consultants. Tender is closing on 1 st March 2019
15	Expression of Interest for the Design Review, Monitoring and Supervision of Output and Performance Road Contracts (OPRC) Package 3 in Nyimba/Petauke Districts and Package 4 in Petauke/Sinda/Katete/Chadiza/Vubwi Districts in Eastern Province under the Improved Rural Connectivity Project (IRCP)	21-Jun-18	9-Jul-18	OIS	Evaluation completed, awaiting World Bank No Objection to the proposed shortlist

No.	Description	Date of first date	Closing Date	Procurement Method	Status
16	Consulting Services for the Design Review and Construction Supervision of the Spot Improvement Works on M11 - Ngabo - Musemu Road (R352/R354) (40 Km) in Namwala District in the Southern Province	29-Jun-18	3-Aug-18	LS	Contract awarded to ASCO Zambia Ltd
17	Expression of Interest for Consulting Services for the Supervision of T1 Road between Turnpike and Chikanakata Turn-off (38.5km) - Lot 1 (Package 4) on the North -South Corridor	20-Jul-18	3-Aug-18	OIS	RFP issued to short-listed Consultants. Technical evaluation underway
18	Consultancy Services for the Design Review and Construction Supervision of the Upgrading to Bituminous Standard of 214km of D286 Road from Manyinga to Mwinilunga Including 4km of Urban Roads in North Western Province	16-Aug-18	14-Sep-18	LS	Contract awarded to Kaplum and Associates Ltd.
19	Consulting Services For the HIV/AIDS, STIs and Gender Sensitization under the Nacala Road Development Project Phase IV (Mwami/Mchinji One-Stop Border Post)	10-Aug-18	21-Sep-18	OIS	Technical evaluation completed, awaiting No Objection from AfDB to open Financial Proposals
20	Consulting Services for the Technical Audit of the Nacala Road Development Project Phase IV (Mwami/Mchinji One-Stop Border Post)	10-Aug-18	21-Sep-18	OIS	Technical evaluation completed, awaiting No Objection from AfDB to open Financial Proposals
21	Consultancy Services for the Construction Supervision for the Rehabilitation of the Livingstone to Sesheke Road (M10), Lot 2 from km 65 to km 162	28-Sep-18	26-Oct-18	SSS	Contract awarded to Ng'andu Consulting Ltd. Draft contract awaiting AG clearance
22	Consulting Services for the Construction Supervision of the Rehabilitation of the Kafue Mazabuka Road (T2) in Southern Province - Lot 1 - (North - South Corridor) Kazungula Bridge Project Package 4	10-Oct-18	23-Nov-18	OIS	Technical evaluation underway
23	Expression of Interest for the Technical Audit of the Chinsali-Nakonde Road Rehabilitation Project (North-South Corridor)	12-Oct-18	31-Oct-18	OIS	Evaluation completed, awaiting No Objection from AfDB for the proposed shortlist
24	Consulting Services for the Design Review and Construction Supervision for the Upgrading of 277Km of Chipata to Vubwi to Chadiza (D804/R276) and Chipata to Chadiza to Katete (D128, RD593, D127,D125M, T6) Roads in Eastern Province	23-Oct-18	30-Nov-18	SSS	Evaluation underway
25	Consulting Services for Monitoring & Evaluation under the Nacala Road Development Project Phase IV (Mwami/Mchinji One-Stop Border Post)	16-Nov-18	28-Dec-18	OIS	No proposals received. All shortlisted Consultants did not submit proposals

Twelve (12) consultancy services contracts totalling K85.21 million and US\$1.93 million were awarded in 2018 from procurement proceedings that had started within 2018 and earlier.

6.4 Local Empowerment and Job Creations

20 Percent Subcontracting and Citizens Economic Empowerment

The RDA complied with the Citizen Economic Empowerment Commission (CEEC) Act provisions by categorizing tenders on preferential and reserved schemes to empower Zambians. Further, where applicable, RDA ensured that 20 percent subcontracting was a mandatory requirement on all major tenders advertised. The 20 percent Sub-contracting Policy is only applicable to all civil works exceeding K30.00 million. Contracts below the K30.00 million thresholds are reserved for citizen-owned, citizen-influenced and citizen empowered companies in line with the Citizen Economic Empowerment (Preferential Procurement) Regulations of 2011.

The specific objectives of the Sub-contracting Policy are to:

- I. Empower Zambian Citizen-owned construction firms;
- II. Create sustainable local contracting capacity; and
- III. Upgrade Zambian Citizen-owned Companies and Firms from NCC Grade 6 through to Grade 1.

The Agency has setup a database to capture all information on sub-contractors and names of nominated sub-contractors who have been assigned to the main Contractors for immediate engagement on the works. During the period under review 372 No. sub-contractors were nominated. The number of subcontractors who are participating or earmarked to be engaged in road construction activities now stands at 968.

Details of the current subcontracting status are shown in Table 8 while some Subcontract Agreements were being finalised by the end of the year 2018.

Table 8: Status of 20% Sub-contracting as at December 2018 on selected projects

No	Project	No of Sub Contractors	Value of Works Contract (K)	Value of Subcontract (K)	%
1	Link Zambia	369	9,224,382,288.97	634,122,138.75	6.8
2	L400		\$348,293,745.00	\$ 8,833,181.54	2.5
3	Copperbelt Urban Roads/C400	166			
4	Other Projects		5,518,945,118.03	500,365,137.53	9.1
Totals			18,571,075,664.56	1,231,563,941.40	6.6

6.5 Construction, Upgrading and Rehabilitation Works

RDA is committed to Government's strategic objective to improve the socio-economic status of the country and in the year 2018, the Agency continued to construct, rehabilitate and upgrade various road projects across the country. This included projects under the Link Zambia 8000 Programme, Pave Zambia 2000 Project involving both construction and rehabilitation projects.

Under construction and rehabilitation, key interventions aimed at improving the public road network included the following categories:

- **Construction:** These works encompass the construction of new roads, bridges and highways on new alignments from earth to gravel or bituminous standard. These are engineered structures and roads;
- **Rehabilitation:** These are works carried out to renew the road and comprise amounts of reconstruction, re-working of the base and sub-base, application of heavy overlays, surface dressing; and

- **Upgrading:** These works involve upgrading the standard of existing roads and the surfacing material from either earth to gravel standard or gravel to bituminous standard and expansion and dualling of roads.

6.5.1 Link Zambia 8000

The Link Zambia 8000 Programme is an accelerated road construction programme aimed at transforming Zambia from a landlocked country into a truly land-linked country in Southern Africa. The Programme involves upgrading to bituminous standard of approximately 8000 km of roads thereby linking districts and provinces throughout Zambia.

The Agency continued to administer various projects under the Link Zambia 8000 programme. In 2018, Forty-Four (44) civil works contracts, representing approximately 5,103 Km were under implementation under the programme. During the period under review, 36Km surfacing works were recorded. This means the cumulative total surfaced roads open to traffic to date is now at 815Km out of 5,103 Km under implementation.

Table 9: Summary Progress of Link Zambia 8000

Progress	2017 Cum (%)	2018 (%)	Cum to Date (%)
Physical Progress for Active Projects	12	1	13
Overall Physical Progress	14.81	0.77	15.6
Financial Progress for Active Projects	9	5	14
Overall Financial Progress	13.90	2.43	16

6.5.2 Status of Selected Link Zambia 8000 Projects

Upgrading of 158km of Kawambwa-Mushota-Luwingu Road

In 2018 only works on Ng'ona Culvert which was washed away in the 2017/2018 rainy season progressed to 85 percent at the end of the year 2018. Works on some sections which only had been surfaced with the first seal have also been completed.

Upgrading of 115km of R231 Matumbo to Luangwa River- Lot 2

A total of 46 Km has been surfaced on the project for the Upgrading and Re-alignment of R231 from Great North Road at Matumbo to Luangwa Bridge (115 Km) Road, in Muchinga Province of Zambia- Lot 2. Progress remained at 81 percent against the time lapse of 87 percent during the period under review.

Upgrading of the Road T3, Kitwe to Chingola Dual Carriageway

During the period under review 22km of the North Bound Carriageway was surfaced. The total percentage completion of the works is currently at 98 percent against a revised time lapse of 90 percent.

Upgrading of Chipata-Chadiza-Katete (Chanida)

The Works have stalled due to suspension of Works as a result of non-payment. To date, the Contractor has surfaced 24.00Km of the 140Km under the contract. No physical progress was recorded during period under review. Physical Progress is estimated at 30 percent against the revised time lapse of 85 percent.

Upgrading of RD149 & D151 Chongwe - Katoba

The Contract for the Upgrading of RD149 and D151 from Great East Road at Chongwe District Hospital to Katoba Basic School (48.5 km) including D150 From Great East Road at CC Farms to RD149 (12.5 Km) Road – Lot 1 in Lusaka Province is ongoing, though there are no activities since 2016 due to cash flow challenges.

Upgrading of D769 Mumbwa/Itezhi Tezhi Junction -Itezhi Tezhi

During the period under review the Contractor recorded 36.06km of double surface dressing to make the overall total of 41Km. A further, 21Km has been surfaced to single seal. Physical Progress is estimated at 66 percent against revised time lapse of 83 percent.

Upgrading D365 Monze-Niko

Surfacing remains at a cumulative total of 33Km to date. The overall physical progress remains at 45 percent, against a time lapse of 85 percent. The Delays on this project are due to poor cash flow.

Kalabo to Sikongo to Angola Bordergate

The project for Kalabo Sikongo to Angola Border gate is being financed jointly by the Kuwait Fund for Arab Economic (KFAED), the Arab Bank for Economic Development in Africa (BADEA), the OPEC Fund for International Development (OFID), and the Saudi Fund for Development (SFD), and the Government of the Republic of Zambia.

The Contractor suspended works on October 14, 2017 due to cash flow constraints arising from delayed payment. At the close of the period under review the Contractor was owed over K215.00 Million in unpaid Interim Payment Certificates for the works done. GRZ is owing K127.00 Million out of the total unpaid K 215.00 Million. No surfacing works were recorded in the period under review.

Upgrading of 122km of Kawambwa to Mporokoso road in Northern and Luapula Provinces

The Contractor for the project for Upgrading of 122km of Kawambwa to Mporokoso road in Northern and Luapula Provinces commenced works based on the 15 percent financing Agreement which was signed in the last quarter of 2017. The project did not record any progress on surface dressing during the period under review. The Contractor has commenced works with overall physical progress standing at 2 percent by close of the year under review. The Revised Intended Completion Date is July 23, 2021.

Concluding Remarks on Link Zambia 8000 Programme

Since its introduction, initial performance on the Link Zambia Projects has been around 260 Km per annum. However, there has been a reduction on this performance in the last three years. This is attributed to the poor cash flow and the constrained budget allocations in the RSAWP. If steady and adequate performance is to be achieved, there is a need to mobilize adequate resources in the coming RSAWPs.

6.5.3 Major Construction, Rehabilitation and Upgrading Projects

During the period under review, the Agency undertook some major construction, rehabilitation and upgrading projects. Below are selected major projects:

Chingola to Solwezi Road (T5) – Lot 1

About 3km of surfacing was achieved during the period under review to bring the project to completion. As of December 31, 2018, the project was under the Defect liability Period and commissioning of the Toll Plaza is expected in January 2019.

Chingola to Solwezi Road (T5) – Lot 2

During the period under review the project for rehabilitation of Chingola to Solwezi Road (T5) – Lot 2 recorded 6Km surfacing and is substantially complete.

Chingola to Solwezi Road (T5) – Lot 3

During the period under review 13km surfacing was recorded on the project for rehabilitation of Chingola to Solwezi Road (T5) – Lot 3. Physical Progress was at 95 percent against the planned 98 percent. The outstanding works include widening of Solwezi Bridge to accommodate the extension of the Dual Carriageway to Mitech junction.



Figure 2: Construction works along Chingola Solwezi road

Chinsali-Nakonde Road: Lot 1 Chinsali-Isoka Road Section (Km 0+000 to Km 103)

The Contract for rehabilitation of Chinsali-Nakonde Lot 1 from Chinsali to Isoka was awarded to China State Construction Engineering Group at a Contract Sum of K857.21 million. The Consultant is Civil and Planning Group Ltd. The Contractor received partial payment of the Advance request (AfDB portion) and has commenced with mobilization.

Chinsali-Nakonde Road: Lot 2 Isoka-Nakonde Road Section (Km 103 to Km 210)

The Contract for rehabilitation of Chinsali-Nakonde Lot 2, from Isoka to Nakonde was awarded to China Railway Seventh Group Ltd at a Contract Sum of K778.78. The Consultant is Civil and Planning Group Ltd. The Contractor received partial payment of the Advance request (AfDB portion) and has commenced with mobilization.

Rehabilitation of road T1, section between Turnpike-Chikankata turnoff (38.5Km), Lot 1 (Package 4 - North South Corridor)

The Contract for rehabilitation of 38.5Km of the road T1, section between Turnpike and Chikankata turnoff was awarded to China Henan International Corporation Group Co. Ltd at a Contract Sum of K195.69 million. The project is being funded by the African Development Bank (AfDB) under the Kazungula Bridge Project. Physical works are expected to commence in 2019. The AfDB approved approximately US\$35.00 million towards the cost of construction and supervision services. The works contract was signed on November 22, 2018.

Rehabilitation of road T1, section between Chikankata turnoff to Mazabuka, Lot 2

Further, AfDB expressed interest to finance the works for Lot 2 – Chikankata Turnoff to Mazabuka and RDA commenced updating the solicitation documents in readiness for submission to the Bank for a No Objection to commence the procurement process. The solicitation documents are planned to be submitted for approval on January 16, 2019. AfDB is expected to revert with feedback before the end of January 2019.

(OPRC) Contract - Kalomo, Dundumwezi, Ngoma, Itezhi Tezhi, Namwala

The Contractor (China State Engineering Corporation) for the Improvement to Climate Resilient Standards of Strategic Roads in the Kafue River Basin, Output and Performance Road Based (OPRC) Contracts - Kalomo, Dundumwezi, Ngoma, Itezhi Tezhi, Namwala project commenced works in August 2017. The contract will run for 5 years with 2 years rehabilitation and remaining 3 years for maintenance. The Progress of Works on Links 1 & 2 are at 74 percent, while Link 3 & 4 rehabilitation works are at 100 percent Completion.

The Lots are proceeding into maintenance phase after issuance of Take-Over Certificates.

Upgrading of M10 Sioma-Nangweshi

The Contract for the Construction/Upgrading of 38 Km of Sioma-Nangweshi Road (M10) in the Western Province stood at a physical progress of 25 percent against the time lapse of 85 percent up to the time the works were suspended. A total 8Km of the first and second seals had been completed. During the period under review works stalled due to non-payment of the Advance Payment and IPCs certified for works done.

Contractor suspended the works due to cash flow constraints since May 2016.

Upgrading of Pedicle Road

During the period under review, 9km surface works were done. Physical progress is at 92 percent against time lapse of 92 percent. Extension of time up to April 2019 was granted to include the 10km of repairs to the old road up to Mwanawasa Bridge.

6.5.4 Progress on the Construction of Toll Plazas

The overall physical progress for the Construction of Toll Plazas between Ndola and Kitwe, Kafulafuta and Choma as at the end the 2018 stood at 90 percent for Choma, 91 percent for Kafulafuta. The Michael Chilufya Sata Toll site was completed and is now operational.

The Construction of the Toll Plaza at Garneton between Kitwe and Chingola along T003 Road on the Copperbelt Province was awarded to Messrs. Copperfield Mining Services. Progress is estimated over 98 percent against a time lapse of 100 percent.



Figure 3: Completed Michael Chilufya Sata Toll Plaza along the Ndola - Kitwe Road

6.6 Maintenance and Emergency Works

Maintenance works

RDA's road maintenance activities are categorised in three main activities. Periodic Maintenance, Routine Maintenance and Emergency Works.

Periodic Maintenance: Periodic Maintenance activities are carried out over several years through a recurrent or capital budget and may include: Preventive activities such as Slurry seal, Fog seal and Rejuvenation, Resurfacing activities such as Surface dressing and a thin overlay. Others are thick overlays and spot reconstruction. These are works carried out after a specified maintenance period has been attained, say once in 7 years and include works such as gravelling, resealing, overlay.

Routine Maintenance: routine work activities are carried out each year on a recurrent budget set in the RSAWP and include: Cyclic works which involve vegetation control, clearing of drains and culverts, line markings and; Reactive works (pothole patching and edge repair) mainly influenced by traffic and environmental loading. Routine maintenance works are mainly executed through Performance Based Contracts where payments to contractors are based on their performance against set targets. They are paid on a monthly basis. These works are also intended to improve and preserve road safety, improve the road environment while providing job opportunities to locals in the vicinity of project areas.

Emergencies: These are unplanned works carried out in reaction to adverse weather conditions that may disrupt the road network with related infrastructure such as culverts, bridges and embankments.

6.6.1 Periodic Road Maintenance Works

RDA is responsible for the implementation and supervision of Periodic Maintenance Projects, some Urban Roads Rehabilitation Projects, Routine Maintenance of Trunk, Main and District Roads, Feeder Roads Rehabilitation Projects, Emergency/Force Account Works and maintenance of bridges.

Implementation of the Road Maintenance Strategy

To accomplish road maintenance, the RDA initiated the Road Maintenance Strategy (RMS) whose aim is to set up a pathway for the provision of maintenance activities on the Core Road Network (CRN). The RMS is geared towards ensuring that there is timely implementation and improved quality of maintenance on the CRN, which will enhance the life span of roads and related infrastructure.

The Agency has since completed the review of the RMS and the Road Maintenance Manuals have been prepared and will be ready for implementation once approved by the Board.

Road Maintenance Projects

During the year under review, there were several contracts under road maintenance that the Agency undertook. As at December 31, 2018, some projects were on-going while others had been terminated. The Agency had 247 on-going Routine Maintenance Contracts in all the Provinces valued at K471.27 Million and covering a total distance of 8,119.20 km of both paved and unpaved roads.

There were about ten (10) periodic maintenance road projects that were being undertaken by the Agency in the period under review. These were

- Ndola – Kitwe Dual Carriageway on the Copperbelt Province;
- Kasama Chambeshi Lot 2 in Northern Province;
- Vyamba Chinakila in Northern Province and Mutanda Kasempa road in North Western Province;
- Solwezi Mwinilunga Lot 1 and 2 in North-Western Province;
- Kabwe - Chibombo in Central Province;
- Linda - Kafue including U8 Chanyanya Road in Lusaka Province
- Holding Maintenance of Mazabuka – Turnpike road (T1) in Southern Province;
- Livingstone – Sesheke (Lot 2) (M10); and
- Completion of Livingstone – Sesheke (M10) Lot 1.

Ndola – Kitwe Dual Carriageway on the Copperbelt Province

The project for the Periodic Maintenance of the Ndola – Kitwe Dual Carriageway was substantially completed in 2018.

On-Going Road Projects under Periodic Maintenance

Of the eleven (11) periodic maintenance projects two (2) were terminated in the period under review. These were Solwezi Mwinilunga Lot 1 which was terminated due to insufficient funds. However, as part of CRS, RDA partnered with First Quantum Mineral complete the remainder of 25Km section. The other project terminated was the Kabwe – Chibombo road projects which was terminated to pave way for upcoming Lusaka Ndola dual carriageway.

Table 10 shows the cumulative progress achieved on various on-going and terminated road projects under periodic maintenance, as of 31st December 2018.

Table 10: Ongoing Road Projects under Periodic Maintenance

No.	Road Name	Contract Length (km)	Progress as at 31 st December 2018 (Km)	Progress as at 31 st December 2018 (%)
1	Ndola-Kitwe Dual Carriageway (T3)	135	135	98%
2	Completion of Livingstone – Sesheke Lot 1 (M10)	115	58	50%
3	Livingstone – Sesheke Lot 2	97	0.5	5%
4	Chambeshi Bridge-Kasama	217	9.6	4%
5	Vyamba Chinakila Road	43	33	85%
6	Mutanda Kasempa Road	30	12	50%
7	Solwezi Mwinilunga road Lot 1	136.6	100	77%
8	Solwezi Mwinilunga road Lot 2	151.8	9.41	22%
9	Kabwe to Chibombo (T2)	30	0	0%
10	Linda – Kafue Estate Road	104	41	40%
11	Mazabuka – Turnpike	70	33	40%

Overall Progress on Periodic Maintenance

During the year under review, the cumulative progress achieved on periodic maintenance road projects on Trunk, Main and District roads stood at 668.79 km out of a total distance of 1,467.90Km.

Table 11 summarizes the overall progress made on periodic maintenance works of TMDs on a quarterly basis in the year 2018.

Table 11: Progress on Periodic Maintenance Projects

No.	Classification	Total Contract Distance (km)	Cum. progress in Km (3rd QTR '18)	Progress in Km (4th QTR '18)	Cum. progress in Km (4th QTR '18)	% Progress as at 31 st Dec. 2018
1	Trunk	773.90	510.29	11.90	522.19	67%
2	Main	560.00	93.10	0.5	93.60	17%
3	District	134.00	53.00	0.00	53.00	40%
Grand Total		1,467.90	656.39	12.40	668.79	46%

Poor cash flow arising from delayed payments have continued to be the biggest challenge on all periodic maintenance projects. The cumulative physical progress on TMDs roads under periodic maintenance was 46 percent by the end of December 2018.

Maintenance of Urban Road Projects

During the period under review, several urban roads projects were undertaken in Lusaka, Copperbelt and Central provinces. However, no urban Road Projects were completed in 2018. A number of urban road projects were still ongoing as shown in the Table 12.

Table 12: Ongoing urban roads projects

No.	Road Name	Contract Length (km)	Progress as at 31st December 2018 (Km)	Progress as at 31st December 2018 (%)
1	Kabwe/Kapiri Mposhi Urban Roads	78	43	54%
2	Lusaka Urban Roads (L400) Phase II	146	168.60	115%
3	Zambia Township Roads (Lot 1)	152	56.57	37%



Figure 4: Completed Section of the Great North Road under the L400 Project

Zambia Township Roads

The contract for Zambia Township Roads was awarded to AVIC International. The scope of works includes: Engineering design, rehabilitation and construction/upgrading of selected roads including construction of grade separated junction walkways and street lighting targeting approximately 416Km. Construction of 306Km was launched in 2017 leaving 110Km to be undertaken under phase II. Lot 1 comprise towns such as; Chingola, Kitwe and Mufulira urban roads (152Km) and Lot 2 comprises Ndola, Kalulushi and Luanshya urban roads (154Km). The project aimed at improving the condition of the road network and enhancing connectivity on the Copperbelt is expected to enhance mobility, reduce traffic congestion, reduce travel times and vehicle operating costs for the road users.

During the year under review, substantive progress of works was recorded under the Zambia Township Roads. As at 31st December 2018 37% progress was achieved.

Lusaka 400 (L400) - Phase II

After completion of Phase I of the L400 road project, the second phase of the project started on June 15, 2017. Approximately 146Km of roads were expected to be constructed at a total cost of US\$241.18. At the end of 2018, a total of 168.6Km of roads had been constructed representing 115 percent Physical progress. The increased scope has been as a result of changes in the design and consequently, cost savings. The savings were used to construct an additional 22km.

Feeder Road Rehabilitation

Rehabilitation and maintenance of 223 km of Feeder Roads in Nalolo District of Western Province of Zambia

In the period under review, the rehabilitation of feeder roads in Nalolo District of North Western Province continued. The works are being carried out by the Zambia National Service at the contract sum of K230.70 million. As at 31st December 2018, the overall progress stood at 22 percent.

Periodic Maintenance of approximately 52km of Agricultural Feeder Roads in Mungwi District in Northern Province

The Contractor, Springbok Zambia Limited is on site and has done 52km of Roadbed preparation and 10 Km of gravelling. The physical progress by the end of 2018 stood at 19 percent.

Periodic Maintenance of approximately 50km of Agricultural Feeder Roads in Kaputa District Northern Province

The contract was signed in November 2018 between the RDA and A Plus Management Services, however works have not commenced. The on-going feeder road projects are summarized in Table 13.

Table 13: On-going Feeder Roads Projects

No.	Road Name	Contract Length (km)	Progress as at 31 st Dec. '18 (km)	Progress as at 31 st Dec '18 (%)
1	223 km of Feeder Roads in Nalolo	223.00	48.00	22%
2	Agricultural Feeder Roads in Mungwi	52.00	10.00	19%
3	50 Km of Agricultural Feeder Roads in Kaputa	50	0.00	0%

6.6.2 Routine Maintenance Works

In 2018, the Agency had 247 on-going Routine Maintenance Contracts in all the Provinces valued at K471.27 Million and covering a total distance of 8,119.20 km of both paved and unpaved roads.

6.6.3 Emergency and Force Account Works

During the year under review, the Agency, in collaboration with the Disaster Management and Mitigation Unit (DMMU) and Zambia Defence Forces, worked on various emergency works on roads and drainage structures.

In addition to the Emergency works, the Agency, through Regional Managers, was carrying out various Force Account Projects throughout the country. As at 31st December 2018, the Agency had running Force Account Works with a total value of K452.28 million.

Finalising re-instatement of three washed away sections on the Batoka – Maamba road (D775) in Southern Province

Works have been substantially completed and completion of gabion boxes, protection works and surfacing of the carriageway is awaiting release of outstanding funds.

Finalising re-instatement of a failed section of the Luangwa – Feira Road (D145) in Lusaka Province

Works were in the Defect Liability Period in 2018. Cracks were observed on the benched surface of the mountain and the entire repaired section is being monitored on a regular basis. The procurement of a consultant to undertake detailed investigations has stalled due to non-availability of funds.

Msuzi Culvert on Chipata – Lundazi Road (M12)

The wash away occurred on 22nd December 2018. The structure was washed away by flush floods. The Zambia Army has been engaged to install a 27m span Bailey bridge and have since mobilised to site. Funds amounting to K3.08 million have been released for the works. The works are expected to be completed in January 2019.

Other Emergencies

Other emergencies occurred on the road network with main ones being serious damages to sections of the deteriorated Chinsali-Nakonde road (T002) at Vitondo, Kapililonga and Ilendela, and damage to a section of the same road at Lukulu River. The estimated repair cost is K0.60 and K0.88 million respectively. The Regional Office has already received K0.32 and K0.88 million respectively for the two bridges. Repair works had already started as at the end of the year 2018.

Additionally, replacement of Ngona Armco culverts with permanent concrete box culverts on Kawambwa-Mbereshi road which was washed away in April 2018 stood at 80 percent completion. Portal frames have been laid and backfilled. Works have stalled as K5.00 million is required to complete the outstanding works. Motorists are using the temporal detour constructed at the time of the washaway.



Figure 5: Completed Temporal bridge on Luangwa Matumbo Road

6.6.4 Improved Rural Connectivity Project

The IRCP is a World Bank supported Government initiative aimed at improving rural accessibility in Zambia by providing better road infrastructure and strengthening institutional capacity in the road sector. The project targets 15,000km of Primary Feeder Roads covering all ten (10) Provinces and is in line with the 2015 – 2024 Road Maintenance Strategy (RMS). The projects are being co-financed by the World Bank and the Government of the Republic of Zambia.

During the year under review, the procurement process for works Contractors for two (2) Packages in Central Province reached an advanced stage in December 2018. By the end of the year 2018, the RDA was awaiting a No Objection from the Bank to sign the contracts.

The procurement process for packages in Eastern, Luapula and Northern Provinces are expected to be advertised in January 2019 after the World Bank confirms the available resources. It is expected that the contracts for these regions will be signed by April 2019 and works are expected to commence in 2019.

6.7 Axle Load Control, Mechanical, Commercial and Investment Services

6.7.1 Axle Load Control

During the period under review, the Agency continued to enforce the Public Roads (Maximum Weights of Vehicles) Regulations (Statutory Instrument (SI) No. 76 of 2015) by ensuring that Maximum Weights of Vehicles that use Public Roads in the country were monitored. All Heavy Goods Vehicles (HGV) of 6.5 tons and above Gross Vehicle Mass (GVM) were expected to be within the allowable axle and GVM weight and dimensional limits as provided in the Regulation and the Public Roads Act.

The objective of Axle Load Control are:

- i. To protect public roads from damage caused by overloaded vehicles; and
- ii. To reduction the risks of traffic accidents on public roads caused by over wide and lengthy vehicles.
- iii. Sensitization of the public and transporters on the dangers of overloading and the benefits of good road network

Fixed Weighbridges

During the period under review, the Agency operated five (5) fixed weighbridges across the country namely; Kapiri-Mposhi, Mpika, Kafue, Livingstone and Kazungula. The Solwezi and Kafulafuta and Mwami weighbridges were not operational during the year under review due to ongoing rehabilitation works. Two (2) more new weighbridges, namely; Chongwe and Mumbwa Weighbridges, were still under construction during the period under review.

Portable Weighbridges

The Agency has two teams that operate portable weighbridges. They are in Lusaka and Copperbelt provinces. The mobile weighbridges are used to check laden vehicles in areas where there are no fixed weighbridges particularly in townships. In the year 2018, twelve (12) major operations from each Mobile Inspectorate Team were planned to be carried out in the Copperbelt, Northern, Luapula, North-Western, Eastern, Central, Western and Lusaka.

Vehicle Traffic Statistics (VTS)

During the period under review, a total of 532,316 Heavy Goods Vehicles were weighed out of which 8,614 were found to be overloaded. There is a decrease in traffic of about 9.64% in the year 2018 when compared to the year 2017. Table 14 shows the vehicle statistics for the year ending 31st December 2018/2017.

Table 14: Motor vehicle loading statistics in 2018 and 2017

MOTOR VEHICLE STATISTICS FOR 2018				MOTOR VEHICLE STATISTICS FOR 2017			
Month	No. of Vehicles weighed	No. of overloaded vehicles	Compliance %	Month	No. of vehicles weighed	No. of overloaded vehicles	% Compliance
Jan	50,111	728	98.55	Jan	45,539	935	97.95
Feb	49,952	658	98.43	Feb	50,200	807	98.39
March	42710	724	98.26	March	53,911	855	98.41
April	48433	733	98.48	April	48,644	779	98.41
May	46,273	750	98.38	May	48,797	760	98.44
June	42184	712	98.31	June	48948	753	98.46
July	43,594	755	98.27	July	43,803	718	98.36
Aug.	50,453	872	98.27	Aug.	51,325	915	98.23
Sept	47,872	873	98.18	Sept	49,724	850	98.29
Oct	42,673	726	98.3	Oct	48,003	777	98.38
Nov	48,297	793	98.35	Nov	50,459	793	98.43
Dec	19,764	290	98.54	Dec	49,731	868	98.25
Total	532,316	8,614	98.38	Total	589,084	9810,	98.43

6.7.2 Commercial and Investment Activities

During the year under review, the Agency carried out a few commercial activities to boost its revenue collection. These include:

- Asset disposal process;
- Updating the billboard inventory by undertaking inspections on the Road reserve within the TMDs to maintain a stable database was done countrywide;
- The disposal process for the 2018 first phase of Motor vehicle was also completed;
- Following the Board's adoption, the following were being implemented:
 1. The proposal for the development of the Telecoms duct services on road reserves for TMD roads was approved by management for implementation as a revenue stream;
 2. To drive the input on the cost implications and the licensing regulatory requirements for telecoms duct services product implementation proposition.
- The National outdoor (Billboard) policy was concluded. This was spearheaded by the ministry of local Government. The policy is aimed at resolving the jurisdictional challenges on billboard management as well as the legal framework impasse.
- The Agency compiled a list of all its properties countrywide with a view of targeting the viable

properties for development of Business proposals or business cases for investment; and

- The Agency is also carrying out a survey and title deeds status on its properties through Consultancy Services.

Quarry Royalty Revenue

During the year under review, a total of K2.77 million was collected from quarries representing an increase of about 8.3 percent when compared to the 2017 revenue. The revenue would have even been higher if there was no reduction in construction activities countrywide which resulted in low demand for quarry aggregates.

6.7.3 Mechanical Services

Through its Mechanical Services Unit, the Agency also manages its stone quarries, Mobile Plants, Motor Vehicle fleet and pontoons. During the year under review, we developed tools for monitoring motor vehicle repairs and tyre changes; Conducted an audit for all RDA Tom Cards users; Introduced and conducted first periodic (fourth nightly) inspections for all motor vehicles in the fleet to check road worthiness and monitor service history and also to capture unreported accidents statistics.

Quarry Section

RDA has recorded a drop in the number of stone quarry in 2018 as shown in Figure 6.

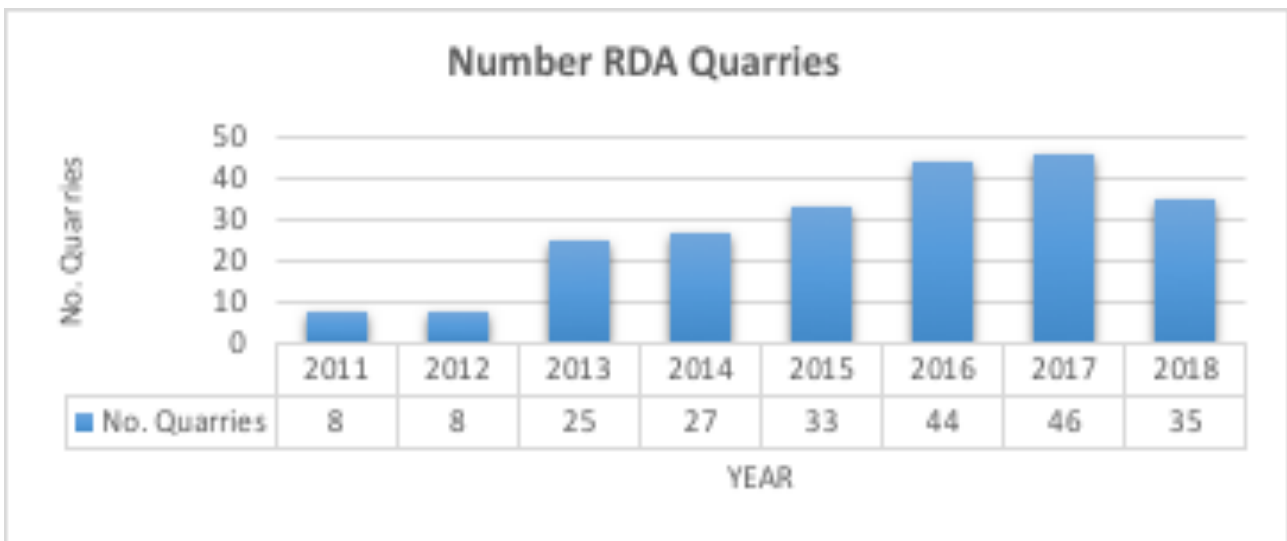


Figure 6: Graph showing the trend of RDA Stone Quarry from 2011 to 2018

At the end of the year 2018, there were a total of thirty five (35) RDA owned quarries of which only five (5) were active. These were the Chamilala and Ngwenya of Eastern Province, Kafue Quarry in Lusaka, Luombe in Northern Province and Machenje in Southern Province.

Pontoons

The Engineering Services Corporation Limited continued to manage pontoon operations on behalf of the Agency as a Road Authority during the year 2018.

SECTION 7

HUMAN CAPITAL AND CORPORATE AFFAIRS

7.1 Human Capital and Administration

7.1.1 Human Capital and Development

Staff Establishment and training

The Agency had a total of 419 employees as at December 2018 against the approved establishment of 857. This represented a recruitment rate of 49 percent. Table 15 shows the number of employees in 2018 in accordance with categories and management level.

Table 15: RDA Employment Status in 2018

Category	Male	Female	Total
Executive Management	10	1	11
Management	91	28	119
Union	223	66	289
Total	324	95	419

During the period under review, training activities reduced due to the implementation of cost saving measures. As at 31st December 2018, a total number of 26 employees received short term job relevant training in areas including Procurement and Bridge Maintenance, Human Resources and Management Skills and PPPs.

The Agency also sponsored employees to attend summits and forums under their respective professional institutions such as Engineering Institute of Zambia (EIZ), Zambia Institute of Human Resources Management (ZIHRM), Zambia Institute of Certified Accountants (ZICA) and Zambia Institute of Purchasing & Supply (ZIPS).

A total amount of K0.98 million was spent on capacity building as at 31st December 2018 against a budget of K1.50 million representing 65.3 percent.

In terms of long-term training, a total of 25 staff were on RDA full sponsorship in the period under review, whilst a total of 6 had successfully completed their studies.

The Agency continued its collaboration with the Japanese International Co-operation Agency (JICA), which sponsored four (4) Engineers to study Masters Degrees in Japan under its Internship Programmes of Africa Business Education Initiative for the Youth. One out of the four students successfully completed his studies as at 31st December 2018 whilst the rest continued with their studies.

Industrial Relations and Staff Welfare

During the period under review negotiations with the Union for the pending 2017 Salary negotiations were successfully concluded and the Memorandum of Collective Agreement for 2018 was signed and operationalised.

In the year under review, the Agency revised the Disciplinary Code and Grievance Procedure. The codes came into effect on 1st November 2018 following its approval by the RDA Board.

Information Communications and Technology

The Agency continued to administer and manage its Information, Communication and Technology, Library & Registry services and General Administration. The following activities were conducted under the ICT Unit during the year under review:

- Procurement of Sophos Antivirus: During the period under review, the Agency procured 380 licenses for Sophos Antivirus consisting of 20 licenses for Servers and 360 licenses for Computers, Laptops and tablets. The Antivirus has been installed at RDA-HQ and would be rolled out to all provincial offices and weighbridges in January 2019.
- Renewal of ICT System Licenses: The Agency renewed the following licenses; Cyberoam Security System; EpayXplo QlessClient Software; NetApp Backup Storage System; and SSL Certificate for Outlook.

Library and Registry

To enhance communication with various stakeholders, the Agency maintained its Library and registry facilities. The Library and Registry is the nerve centre of the Agency's information sharing and communication structures.

The Agency continued to manage its information resources such as project documents and official correspondence by way of receiving, processing, storage, retrieval and circulation both internally and externally. In the year under review, we had a total of 8,606 incoming mails and 5,433 outgoing mails.

Implementation of KAIZEN Activities

The Agency continued with the implementation of KAIZEN Activities through its work force. The essence of the activities is to improve internal and external operations of the Agency. This was done through various KAIZEN Teams and Quality Control Circles. The Agency also continued to collaborate with Kaizen Institution of Zambia. The institute offered technical assistance through training and on-site visits.

The KAIZEN Secretariat organised an Internal KAIZEN Conference on 5th January 2018 to pick the best performing teams that would represent RDA at the 2018 KAIZEN National Conference. Eight (8) KAIZEN teams made presentations. The best deserving teams were; Best KAIZEN Team: Team Value for Money (Audit and Risk Department), Second Best KAIZEN Team: Team Bupilo (Registry and Library), and Third Best KAIZEN Team: Team Maintenance (Maintenance Department). Team Value for money and Team Bupilo represented the Agency at the National Kaizen Conference that was held on 15th February 2018 at the Mulungushi International Conference in Lusaka.

The Agency developed the Agency-wide 5S Policy on 30th October 2018 as a follow up of M&E Policy that was approved by the Board in August of 2014. This Policy is in line with the "Keep Zambia Clean, Green and Health" campaign that was re-launched by the Republican President. It also in line with the 7NDP under the Economic Diversification and Job Creation Pillar seeks as part of its strategy to "Improve Production and Productivity." The Board of Directors approved the Agency-wide 5S Policy during the year under review.

The KAIZEN Institute of Zambia (KiZ) conducted a sensitisation meeting for Directors and Quality Control Core Team on 27th December 2018 on KAIZEN and 5S fundamentals for Management which include:

- KAIZEN Introduction;
- 5S Basics;
- 5S for Management;
- 5S Advance; and
- QCC Fundamentals and HOUSHIN KANRI/NICHIJYO KANRI.

Preparation of the strategic plan (2019-2021)

During the period under review, and with assistance from Cabinet Office, Management Development Division, the Agency advanced in the preparation of the Strategic Plan for the period 2019 to 2021. The preparations leading to the review of the expired RDA strategic Plan only commenced after the 7th National Development Plan was launched.

7.2 Communications and Corporate Affairs

The Department of Communications and Corporate Affairs is the interface between the Agency and the various stakeholders. The department is charged with the responsibility of planning, implementing and monitoring communication programmes and activities.

The department also disseminates information on the Agency, its mission, vision, shared values and activities using a variety of media.

7.2.1 Key Corporate Activities Undertaken in the year 2018

TOUR OF ROAD PROJECTS

The President of the Republic of Zambia His Excellency Mr Edgar Chagwa Lungu inspected road projects under the Zambian Township roads on the Copperbelt that covered Chingola and Kitwe on the 21st August, 2018 and the Lusaka 400 road projects on the 15th September, 2018.

The Minister of Housing and Infrastructure Development Hon. Ronald Chitotela Inspected roads in Mansa and Kawambwa imploring contractor's country-wide to execute quality works in their pursuit to meet the set deadline. The Minister also inspected works on 122 kilometer Kawambwa-Mporokoso road which is being upgraded from gravel to bituminous standard.

The RDA Board Chairman Mr Samuel Mukupa undertook various media tours across the country. The purpose of the tours was to appreciate the progress and challenges being faced in the execution of the works.

The projects toured were:

- (i) Road projects visited in Southern Province and Western Province included the Kafue Hook Bridge, Mongu-Tapo-Kalabo and Sikongo road, Livingstone – Sesheke - Kazungula, Kazungula Bridge Projects;and
- (iii) Tour of road projects in Eastern Province and Muchinga Province included the Nacala Corridor - the Great East Road from Luangwa River to Mwami – Border Post, Chipata-Lundazi Road, Lundazi-Chama Road, Chama - Matumbo Road and Mulilansolo - Safwa Road.

Other provinces the chairman toured included:

- Northern Province and Luapula Province; and

- Copperbelt, Northwestern and Central Provinces.

During the tour it was observed that most road projects had stalled due to erratic funding, but the Chair assured the contractors and consultants that funding would improve and most works would resume. Some traditional leaders met commended the RDA for the works done so far such as the Mansa-Luwingu road, Mporokoso-Kawambwa –Mushota road.



Figure 7: Road Development Agency (RDA) Board Chairman Mr. Samuel Mukupa taking to Senior Chief Nkula during the media tour on the Safwa- Mulilasolo Road in Muchinga Province

7.2.2 Presidents Tour to Kasane And Kazungula Bridge Project

Figure 8: L-R: President Mnangagwa, President Lungu and President Khama tour the construction site of the Kazungula Bridge

The Agency hosted the Presidential visit to Kasane and Kazungula by the 3 Heads of State. President Edgar Lungu (Zambia), President Ian Karma (Botswana) and President Emmerson Mnangagwa (Zimbabwe) who held talks tabling Zimbabwe’s willingness to join the Kazungula Bridge Project among other issues.

7.2.3 Corporate Social Responsibility

As a good corporate citizen, RDA recognizes the importance of Corporate Social Responsibility (CSR).

CSR is a mechanism to support and help uplift the local communities in which the Agency operates. The Agency supported the Chishawasha home by waiving fees for the Bill-board placed on the Great North Road.

The Agency as part of its CSR donated in monetary form to the Ngoni Royal Establishment in organizing towards the 2018 Ncwala Ceremony hosted from 21st to 24th February 2018.

The Agency supported the Coalition of African Parliamentarians Against HIV/AIDS in supporting the coalition in building a school to promote governance and good leadership among others in the rural areas.

This is in line with the Agency's commitment to contribute to the social and collective wellbeing of the Zambian people by supporting various educational, health related, entrepreneurship, selected sports, arts and culture and employee community programmes.

7.2.4 SADC Media Tour of Kazungula Bridge Project

The SADC secretariat headquartered in Gaborone, Botswana in conjunction with the Ministry of Information and Broadcasting Services- Zambia, invited Journalists from Zambia, Botswana and Namibia for a two-day workshop and tour of the Kazungula Bridge. The Bridge was considered as one of the success stories of infrastructure development in the SADC region.



Figure 9: Senior Government Officials and Journalists from Botswana, Namibia and Zambia pose for a photo at the Chobe Marina Lodge in Botswana. Looking on in the middle is Acting Permanent Secretary Ministry of Information and Broadcasting Services Mr Isaac Chipampe and next to him is Economist Chibamba Kanyama while on far left is RDA Communications and Corporate Affairs Director Mr Masuzyo Ndhlovu.

The tour started with a two day training in Economic Reporting of Infrastructure development Stories in the SADC region. The venue was Chobe Marina Lodge from 24- 25 April 2018 Kasane – Botswana.

The training was officially opened by the Acting Permanent Secretary Ministry of Information and Broadcasting Services Mr Isaac Chipampe with a call, that Journalists in the region should report factually and objectively on projects such as the Kazungula Bridge. The Permanent Secretary said Media convergence is the coming together of television/radio, Internet/online publications, and online communications and the fact that there are a lot of strides being made by countries in the SADC region to promote regional integration and inter-linking the country through the North South Corridor.



Figure 10: Current Mode of Crossing and associated problems at Kazungula Boarder

Prior to the tour of the Bridge, the Journalists were trained on how to write captivating and compelling Economic Reporting stories which covered such themes as placing importance on economic stories, using SADC as a reliable source of news for various audiences and an emphasis of economic news that requires professional and creative treatment. The emphasis was on Journalists develop a passion for economic and business stories.

7.2.5 Road Safety Presentation at The Zambia Airforce-Twin Palm Mess

The RDA was invited to a Road Safety Sensitization forum that was held at the Zambia Airforce Twin Palm Mess in order to highlight key issues concerning Road Safety.

The presentation centered on how to preserve the road furniture and on road safety and what strides RDA is making in re-designing the road infrastructure to include such provisions as walkways for pedestrian and road signage among others



Figure 11: Principal Communications Officer Mr Anthony Mulowa giving a presentation at the ZAF Officers Mess

7.2.6 Other Key Corporate Activities and participation

92ND ZAMBIA AGRICULTURE AND COMMERCIAL SHOW



Figure 12: Participants at the 92nd Zambia Agriculture and Commercial Show

The 92nd Zambia Agriculture and Commercial Show was held from 1st to 6th August 2018 under the theme “Sustainable Economic Empowerment”. The show was a resounding success for the Agency. The Agency scooped the first prize in the category for Best Government Exhibit.

ZAMBIA INTERNATIONAL TRADE FAIR PARTICIPATION ZITF

The Agency participated at the 54th Zambia International Trade Fair that was held in Ndola under the theme ‘**Private Sector Participation key to industrialization**’

The Agency exhibited in line with the theme and showcased the Ndola-Lusaka Dual Carriage way model as the main exhibition. The model included economic features such as satellite districts along the 321km road and the bypass roads at Kabwe and Kapiri Mposhi. The Ndola by-pass road at Fisenge/Masangano popularly known as the Luanshya Junction was also included in the exhibition.

BOTSWANA CONSUMER FAIR 27TH TO 3RD SEPTEMBER 2018

The Agency was invited by the Ministry of Transport and Communications of Botswana for the Botswana Consumer Fair which run from 28th August to 2nd September 2018. This was an interactive forum for local and international exhibitors and visitors. The fair offered great opportunities that promote and diversify the economy through creation of live platforms for various sectors thereby promoting direct trade.



Figure 13: Showing model of the Kazungula Bridge

The Agency joined staff from the Kazungula Bridge Project in showcasing the model of the bridge to the show goers and give an update on the progress of the bridge. A similar undertaking was done in Ndola in July at the Trade Fair where staff from the Bridge Project participated in exhibiting the model of the Kazungula Bridge.

7.2.7 ZNBC TV PROGRAMME –MYROAD

The Agency in conjunction with the National Road Fund Agency NRFA produced TV programmes to highlight projects road projects in the country. The following programmes were produced:

- L400 phase II works
- Toll Plazas in Zambia with special focus on the Michael Chilufya Sata Toll Plaza
- The newly Rehabilitated Chingola Solwezi Road
- The Kafue-Mazabuka Road project
- The Nacala road corridor
- Roads on the Copperbelt Province.
- Roads in Eastern Province
- The vision and Mission of the road sector Agencies among others



Figure 14: RDA Board Chairperson being Interviewed by Journalists on the Safwa Mulilansolo Road

7.3 Monitoring and Evaluation Activities

In the year under review, the Agency through the Monitoring and Evaluation Unit, continued with its independent monitoring and evaluation of projects. RDA also continued to monitor the performance of Contractors and Consultants using its Vendor Rating System.

7.3.1 General Performance of Contractors and Consultants through Vendor Rating

During the year under review, the Agency continued to rate the performance of Consultants and Contractor. Table 16 shows the Consultants and Contractors who were assessed during the year under review.

Table 16: List of Rated Vendors in 2018

Name of Vendor	Type of Vendor	Project Name
Nippon Koei Co., Ltd	Consultant	Kazungula Bridge Project
Chodai Co., Ltd, GIBB (Pty) Ltd	Consultant	Kazungula Bridge Project
Bothakga Burrow Botswana (Pty) Ltd	Consultant	Kazungula Bridge Project
CPP Botswana (Pty) Ltd	Consultant	Kazungula Bridge Project
Zulu Burrow Development Engineers	Consultant	Kazungula Bridge Project
Daewoo Engineering & Construction Company Ltd	Contractor	Kazungula Bridge Project
Zhong Gan Engineering & Construction Co. Ltd	Contractor	OSBP-1
Anhui Foreign Economic Construction Group Corporation Zambia Ltd	Contractor	OSBP-2
China Geo International	Contractor	Chingola-Solwezi-Lot 1
China Geo International	Contractor	Chingola-Solwezi-Lot 3
Buildcon Investments Ltd	Contractor	Chingola-Solwezi-Lot 2

During the year under review, the performance of the vendors ranged from 58.00 to 74.70 percent indicating slightly unsatisfactory and satisfactory performance in accordance with the RDA Past Performance Rating Policy.

General Monitoring of Road Projects

During the year under review, Inspections of Selected Roads on L400 Project – Phase II for Lumumba Road and Mungwi Roads were carried out to provide independent views to RDA Management on the implementation of the projects.

7.3.2 Quality Checks

During the period under review, independent quality checks for bidding and contract documents were carried out by the M&E Unit of the Agency. The view was to ensure that bidding documents and contract documents meet acceptable quality standards before they are executed. This is aimed at minimizing errors that affect the efficiency and effectiveness during contract administration, and thus assure value for money.

7.3.3 Road Construction Cost Monitoring

Construction costs and unit rates keep on rising in most countries throughout the world. To keep track of construction rates in the Country, the Agency has instituted a rate analysis on a quarterly and annual basis. The benefit is to gather adequate information as a basis for negotiations were the Agency feel the works and services are being overpriced. The objective is also to store and provide existing and historical project and unit costs to key user departments within the Agency. These costs are key in the planning and construction process.

During the year under review, the following projects were analysed:

1. Construction, Upgrading and Rehabilitation of 7.25Km Township Roads in Ndola District on the Copperbelt Province of Zambia – Lot 1. Review of 80mm paver rate;
2. Construction, Upgrading and Rehabilitation of 7.25Km Township Roads in Ndola District on the Copperbelt Province of Zambia – Lot 1;
3. Review of rates on the Periodic Maintenance of Approximately 50Km of Agricultural Feeder Roads in Kaputa District;
4. Review of rates on the Contract for Consulting services for the design Review and Construction Supervision of the Upgrading to Bituminous Standard of the Isoka-Muyombe-Chama-Lundazi Road;
5. Review of rates on Contract for the Engineering Design, Rehabilitation, Upgrading and Construction of Approximately 152Km of selected Township Roads in Kitwe, Chingola and Mufulira in Copperbelt Province Lot 1;
6. Review of rates on the Upgrading of the Rehabilitation of Mongu to Limulunga (D315) and Upgrading of Mouyo Roads to Bituminous Standard in Western Province of Zambia;
7. Review of rates on the Proposed Chirundu Border to Chilanga Road, Lusaka Province (T002) approximately 118Kms under PPP;
8. Review of rates on the Upgrading of the upgrading of the Samora Michael airport Road (45Km) in Northern Province; and
9. Review of rate on the Periodic Maintenance of 86Km of the M001 Road from Chambeshi Bridge to Kasama & Upgrading of 10Km Kasama Urban Roads in Northern Province Lot 2.

7.4 Audit and Risk Assurance

The Audit and Risk Assurance Department of the Agency derives its mandate from Section 11 of the Public Finance Act No. 15 of 2004. The mandate is also augmented by the Audit Charter which was approved by the RDA Board in December 2007 and revised in 2016. The two documents provide the framework and general requirements of the Internal Audit services. Therefore, Internal Audit function in RDA is an independent, objective assurance and consulting activity designed to add value and improve RDA's operations. This function is purposefully designed by the Board and Management to help RDA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This section of the report provides information of works undertaken by the Audit and Risk Assurance Department for the year ended 31st December 2018. The projects discussed were those approved in the 2018 Annual Audit Plan in addition to ad hoc assignments.

Summary of Assignments Executed

Table 17 indicates a summary of audit assignments that were executed in 2018. Of the 28 assignments executed in the year under review, 15 assignments were from the approved 2018 Internal Audit Annual Workplan, 8 were adhoc assignments as they were not planned and approved in the 2018 Annual Workplan, and 5 assignments were deferred from the 2017 Annual Workplan.

Table 17: Summary of assignments executed in 2018

No.	Name of Assignment	Details of Assignment
FIRST QUARTER		
1	Technical Audit of the Pedicle Road	Deferred from 2017
2	Kafulafuta Weighbridge	Deferred from 2017
3	Kafue hook Bridge	Deferred from 2017
4	Kalabo-Sikongo	Deferred from 2017
5	Sioma Nangweshi	Deferred from 2017
6	Force Account Lusaka region	Assignment on 2018 Plan
7	Force Account stores/equipment Management in Ndola	Assignment on 2018 Plan
8	Audit of Legal Services Department	Assignment on 2018 Plan
9	Stores Audit of Consumables/ICT Equipment	Assignment on 2018 Plan
10	Audit of handed over equipment from RDA Completed Projects	Adhoc assignment
11	Development of Quality Assurance Program Planning documents	Adhoc assignment
12	Review of the Strategic Risk Register for RDA	Adhoc assignment
13	RDA Imprest Review	Adhoc assignment
14	Ministry of Finance (MoF) Debt Verification	Adhoc assignment
15	Compilation of the RDA Strategic Plan for 2018 to 2021	Adhoc assignment
SECOND QUARTER		
16	Audit of Force Account of Projects in Southern Province	Assignment on 2018 Plan
17	Audit of Force Account of Projects in Muchinga Province	Assignment on 2018 Plan
18	Audit of Kyabankaka Toll plaza in North Western Province	Assignment on 2018 Plan
19	Inventory Audit of Pavers at Mumbwa Workshop Yard in Lusaka	Adhoc assignment
THIRD QUARTER		

No.	Name of Assignment	Details of Assignment
20	Joint Audit of the Kazungula Bridge	Assignment on 2018 Plan
21	Selected Bridge Structures in Petauke District of Eastern Province	Assignment on 2018 Plan
22	C400 Projects by AVIC in Mufulira on the Copperbelt Province	Assignment on 2018 Plan
23	C400 Projects by AVIC in Chingola on the Copperbelt Province	Assignment on 2018 Plan
24	Axle/Abnormal Load internal control processes at Kapiri Mposhi and Kafulafuta Weighbridge)	Assignment on 2018 Plan
25	Pre-Audits on Payments and IPC/Fee Notes	Assignment on 2018 Plan
26	Review of Financial Statements for year ending 2017	Assignment on 2018 Plan
	FOURTH QUARTER	
27	Audit of Livingstone Toll plaza in Southern Province	Assignment on 2018 Plan
28	Emergency Repair of Ngonga Culvert in Luapula Province	Assignment on 2018 Plan
	Total	28

Complete Internal Audit Reports with Responses

There were fourteen (14) assignments that were completed with responses for internal audit reports. Table 18 provides details with complete internal audit reports complete with responses.

Table 18: Complete internal audit reports complete with responses

No.	Name of Project	Status
1	Internal Audit Report on Construction of Sioma Nangweshi	Complete
2	Internal Audit Report on Rehabilitation of Kafulafuta Weighbridge	Complete
3	Inventory Audit of Pavers at Mumbwa Workshop Yard in Lusaka	Complete
4	Ministry of Finance (MoF) Debt Verification	Complete
5	Force Account stores/equipment management Ndola	Complete
6	Review of Financial Statements for year ending 2017	Complete
7	Review of the Strategic Risk Register for RDA	Complete
8	Internal Audit Report on Kafue hook Bridge	Complete
9	Internal Audit Report on Construction of Kalabo-Sikongo	Complete
10	Internal Audit Report on RDA Imprest Review	Complete
11	Internal Audit Report on Construction of the Kyankaba Toll Plaza in North western Province	Complete
12	Internal Audit Report on Kapiri Mposhi Weighbridge	Complete
13	Internal Audit Reports on Force Account Projects in Muchinga Province	Complete
14	Internal Audit Reports on Force Account Projects in Lusaka Province	Complete
	Total	14

Internal Audit Reports under draft

There were 14 internal audit reports under draft as detailed in Table 19.

Table 19: Internal Audit Reports under draft

No.	Name of Project	Status
1	Internal Audit Report on the Technical Audit of the Pedicle Road	Report under draft
2	Audit of Legal Services Department	Report under draft
3	Audit of Livingstone Toll plaza in Southern Province	Report under draft
4	Emergency Repair of Ngonga Culvert in Luapula Province	Report under draft
5	C400 Projects by AVIC in Chingola and Mufulira on the Copperbelt Province	Report under draft
6	C400 Projects by AVIC in Chingola and Mufulira on the Copperbelt Province	Report under draft
7	Audit of Force Account of Projects in Southern Province	Report under draft
8	Joint Audit of the Kazungula Bridge	Report under draft
9	Selected Bridge Structures in Petauke District of Eastern Province	Report under draft
10	Stores Audit of Consumables/ICT Equipment	Report under draft
11	Audit of handed over equipment from RDA Completed Projects	Report under draft
12	Development of Quality Assurance Program Planning documents	Report under draft
13	Pre-Audits on Payments and IPC/Fee Notes	Report under draft
14	Compilation of the RDA Strategic Plan for 2018 to 2021	Report under draft
	Total	14

Consulting Services and Investigations

Internal auditing includes the provision of consulting services. Consulting services are advisory and client-related service activities, the nature and scope of which are agreed upon with the client. These activities are intended to add value and improve governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, investigations and training. Details of such programs done during the year under review are shown in Table 20.

Table 20: Special Consulting Services and Investigations

No.	Name of Project	Status
1	Inventory Audit of Pavers at Mumbwa Workshop Yard in Lusaka	Concluded
2	Internal Audit Report on Maintenance of RDA Vehicles	Concluded
	Total	2

Performance against the 2018 Internal Audit Annual Workplan

It is observed that considerable progress has been made in establishing a formal Risk Management process within RDA. However, the Risk Registers are not being effectively utilized to mitigate the risks. Of major concern was that there appear to be lack of clarity of objectives, unclear accountabilities and unclear risk triggers all underpinning the way risks are perceived and addressed.

In order for the Audit Department to add value, the Board at its meeting held on 12th July, 2018

granted the Department authority to be conducting Pre – Audits on all payments. The reintroduction of pre-audits was meant to prevent errors, mistakes and fraud and the exercise has proved essential in that errors on projects have been detected and corrected on the spot regarding payments to contractors and consultants. It is envisaged that the pre audits will strengthen internal controls.

Audit Committee Meetings

The Audit and Risk Committee held seven (07) meetings during the year in which Internal Audit reports were adopted and recommended to the board for approval. The board approved the reports and directed that recommendations be implemented.

7.5 Legal and Board Affairs

In the year 2018, the Agency handled cases in the courts of law, drafted legal documents and coordinated the preparation of Board meeting schedules, agenda, secretarial service, communication of Board decisions and reports in line with the Boards guidelines. Quarterly Board meetings were held as scheduled in the year under review.

Cases handled ranged from trespass to land, claims for compensation for land, termination of road works contracts and axle load claims among others.

The Agency also received various claims for compensation for land as a result of the L400 project. These were settled without the need for litigation.

SECTION 8

2018 RDA FINANCIAL STATEMENTS

8.0 Financial Report and Statements

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Report of the members

The Members present their report on the activities of the Road Development Agency (“the Agency”) for the year ended 31 December 2018.

1 Principal functions

The Agency's main activity is to provide care and maintenance and construction of public roads in Zambia and to regulate maximum weights permissible for transmission on roads. The Agency's operations are dependent on Government grants and donor funding.

2 Results

The Agency's results for the year are as follows:

	2018 ZMW	2017 ZMW
Income	<u>2,292,238,064</u>	<u>2,296,025,184</u>
Deficit for the year	<u>(133,670,213)</u>	<u>(375,766,692)</u>

3 Members and secretary

The following Members and Secretary served office as at the date of this report:

- Mr. Samuel Mukupa - Chairman
- Mr. Dingles Yamfya Mukanga – Engineering Institute of Zambia
- Mr. Mutaba Andrew Mwali – Zambia Chartered Institute of Logistics and Transport
- Mr. Charles Mushota - Ministry of Housing and Infrastructure Development
- Dr. Emmanuel Mulenga Pamu - Ministry of Finance
- Mr. Amos Malupenga – Ministry of Local Government
- Mr. Misheck Lungu - Ministry of Transport and Communication
- Mrs. Nelly Namwila – Zambia National Farmers Union
- Mr. Phillip Zulu - National Science and Technology Council
- Mr. Zindaba Soko - Road Transport & Safety Agency
- Dr. Andrew Chilufya – Ministry of Tourism and Arts
- Mr. Wallace Mumba - National Road Fund Agency
- Mr. Matthew Ngulube - National Council for Construction
- Mr. Likando Kalaluka S.C. - Attorney General, Ministry of Justice
- Mr. Fresco Mumbi – Ministry of Agriculture
- Mr. Elias Mwape - Secretary

Report of the members *(continued)*

4 Registered Office

Road Development Agency
Plot 33 Corner Government/Fairley Roads
P O Box 50003
Lusaka

5 Management

The management officials of the Agency during the year ended 31 December 2018 were as follows:

Eng. Elias Mwape	-	Director and Chief Executive
Eng. George Manyele	-	Director - Construction and Rehabilitation
Eng. Christopher Kapasa	-	Acting Director - Commercial and Technical Services
Eng. Wesley Kaluba	-	Director - Commercial and Technical Services (Appointed 29 October 2018)
Eng. William Mulusa	-	Director - Road Maintenance Initiative
Eng. Kapembwa Mulenga	-	Director - Finance
Eng. Dickson Ndhlovu	-	Director - Planning and Design
Mr. Anderson Mwape	-	Director - Audit and Risk Assurance
Mr. Titus Chansa	-	Director - Procurement
Mrs. Mukupa K. Musonda	-	Director - Legal
Mr. Elias Mwila	-	Director - Human Capital and Administration (Appointed 26 February 2018)
Mr. Anthony Mulowa	-	Acting Director- Communications and Corporate Affairs,
Mr. Masuzyo Ndhlovu	-	Director- Communications and Corporate Affairs, (Appointed 1 March 2018)

6 Employees

The average number of persons employed by the Agency during the year was 477 (2017: 498). The total staff costs were ZMW 209, 346,070 (2017: ZMW 149, 861,118) as detailed in note 8(b) to the financial statements.

January 2018	502	May 2018	502	September 2018	442
February 2018	501	June 2018	496	October 2018	442
March 2018	502	July 2018	496	November 2018	443
April 2018	502	August 2018	453	December 2018	443

7 Property, plant and equipment

Additions to property, plant and equipment in the year amounted to ZMW 6,127,414 (2017: ZMW 7,798,549) as detailed in note 14 to the financial statements. In the opinion of the Members, the fair value of fixed assets is not less than the amounts at which they are included in the financial statements.

8 Going concern

The Agency incurred a deficit for the year ended 31 December 2018 of ZMW 133,670,213 (2017: ZMW 375,766,692) and as at that date, the Agency's total liabilities exceeded its total assets by ZMW 983,619,480 (2017: ZMW 639,547,766) and its current liabilities exceeded its current assets by ZMW 1,114,785,705 (2017: ZMW 1,383,631,467).

Report of the members' (continued)

8 Going concern (continued)

Trade and other payables have continued to be settled in the normal course of business and the Government of the Republic of Zambia, through the Ministry of Housing and Infrastructure Development has provided a letter of support to the Agency. The Ministry confirms that the Agency will continue to receive support from the Government of the Republic of Zambia. Accordingly, the financial statements have been prepared on a going concern basis.

9 Other material facts, circumstances and events

The members are not aware of any material fact, circumstances or event which occurred between the accounting date and the date of this report which might influence an assessment of the Agency's financial position or the results of its operations.

10 Financial statements

The financial statements on pages 8 to 44 have been approved by the members.

By order of the Board



Board Secretary
Lusaka

Date..... 5 June

Members’ responsibilities in respect of the preparation of financial statements

The Members are responsible for the preparation of the financial statements that give a true and fair view of the Road Development Agency (“ the Agency”), comprising of the statement of financial position as at 31 December 2018, the statements of income and expenditure, changes in funds and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Public Roads Act No.12 of 2002. In addition, the members are responsible for preparing the members’ report.


The Members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedule included in these financial statements.

The Members have made an assessment of the Agency’s ability to continue as a going concern as disclosed in note 5 to the financial statements and have no reason to believe that the Agency will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements give a true and fair view in accordance with the applicable financial reporting framework described above.

Approval of the annual financial statements

The financial statements of Road Development Agency, as identified in the first paragraph were approved by the Members on 5 June 2019 and are signed on its behalf by:



 Board Chairperson



 Chief Executive Officer



KPMG Chartered Accountants
 6th floor Sunshare Towers,
 Cnr Lubasenshi and Katima Mulilo Roads,
 Olympia Park, Lusaka
 P O Box 31282
 Lusaka, Zambia

Telephone +260 211 372 900
 Website www.kpmg.com

Independent auditor's report

To the members of Road Development Agency

Opinion

We have audited the financial statements of Road Development Agency ("the Agency") set out on pages 8 to 44, which comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in funds and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of Road Development Agency as at 31 December 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Public Roads Act No.12 of 2002.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Members are responsible for the other information. The other information comprises the Report of the Members as required by the Public Roads Act No.12 of 2002, the Members responsibilities in respect of the financial statements and Schedules 1 – 3. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Members for the financial statements

The Members are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Public Roads Act No.12 of 2002, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Agency or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Members.
- Conclude on the appropriateness of the Members' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG Chartered Accountants

17 July 2019

A handwritten signature in black ink, appearing to read 'Jason Kazilimani, Jr.', written over a horizontal line.

Jason Kazilimani, Jr
Partner


AUD/F000336

Statement of financial position as at 31 December 2018

In Zambian Kwacha

	Note	2018	2017
Assets			
Non-current assets			
Property, plant and equipment	14	15,404,160,796	16,957,342,781
Intangibles	15	909,417	2,324,110
Capital work-in-progress	11	16,045,293,169	11,048,685,719
Total non-current assets		31,450,363,382	28,008,352,610
Current assets			
Inventories	12	5,566,335	8,953,148
Trade and other receivables	13	6,727,418,444	5,733,557,316
Prepayments		2,585,119	3,909,138
Cash and cash equivalents	16	21,992,805	19,305,866
Total current assets		6,757,562,703	5,765,725,468
Total assets		38,207,926,085	33,774,078,078
Funds and reserves			
Accumulated deficit		(983,619,480)	(639,547,766)
Total reserves		(983,619,480)	(639,547,766)
Non-current liabilities			
Deferred income (capital grants)	18	31,319,197,157	27,264,268,909
Total non-current liabilities		31,319,197,157	27,264,268,909
Current liabilities			
Deferred income (capital grants)	18	1,561,146,746	1,578,700,076
Trade and other payables	17	6,311,201,662	5,570,656,859
Total current liabilities		7,872,348,408	7,149,356,935
Total liabilities		39,191,545,565	34,413,625,844
Total reserves and liabilities		38,207,926,085	33,774,078,078

These financial statements were approved by the members on 5 June 2019 and signed on its behalf by:


Board Chairperson


Chief Executive Officer

The notes on pages 12 to 44 are an integral part of these financial statements.

Statement of profit or loss and other comprehensive income
for the year ended 31 December 2018

In Zambian Kwacha

	Note	2018	2017
Income	7	2,292,238,064	2,296,025,184
Administration costs	8(a)	(1,830,276,123)	(1,768,905,834)
Routine repairs and maintenance works	9	<u>(595,632,154)</u>	<u>(902,886,042)</u>
Deficit before taxation		(133,670,213)	(375,766,692)
Income tax expense	10	<u>-</u>	<u>-</u>
Deficit for the year		<u>(133,670,213)</u>	<u>(375,766,692)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(133,670,213)</u>	<u>(375,766,692)</u>

There were no items of other comprehensive income during the year (2017: nil).

The notes on pages 12 to 44 are an integral part of these financial statements.

Statement of changes in funds
for the year ended 31 December 2018

In Zambian Kwacha

	Accumulated deficits
As at 1 January 2017	(263,781,074)
Deficit for the year	<u>(375,766,692)</u>
Balance at 31 December 2017	<u>(639,547,766)</u>
As at 1 January 2018 as originally stated	(639,547,766)
Adjustment on initial application of IFRS 9 (note 6(b)(ii))	<u>(210,401,501)</u>
As at 1 January 2018 as restated	(849,949,267)
Deficit for the year	<u>(133,670,213)</u>
Balance at 31 December 2018	<u>(983,619,480)</u>

Accumulated deficits

Accumulated deficits are the carried forward recognised income, net of expenses, adjustments on initial application of IFRS 9 plus current year deficits.

The notes on pages 12 to 44 are an integral part of these financial statements.

Statement of cashflows
for the year ended 31 December 2018

In Zambian Kwacha

	Note	2018	2017
Cash flows from operating activities			
Deficit for the year		(133,670,213)	(375,766,692)
(Profit)/loss on disposal of plant and equipment	14.1	(3,047,474)	1,480,610
Non-cash proceeds from sale of plant and equipment	14.1	-	(1,424,020)
Amortisation of capital grants	18	(1,561,146,746)	(1,578,700,076)
Depreciation	14	1,559,269,586	1,576,977,056
Amortisation	15	1,877,161	1,723,020
		<u>(136,717,686)</u>	<u>(375,710,102)</u>
<i>Changes in:</i>			
Decrease in inventories	12	3,386,813	1,013,184
(Increase)/decrease in trade and other receivables	13	(1,202,938,610)	622,900,905
Increase/(decrease) in trade and other payables	17	740,544,803	(227,566,997)
Net cash (used in)/generated from operating activities		<u>(595,724,680)</u>	<u>20,636,990</u>
Investing activities			
Purchase of property, plant and equipment	14	(6,127,414)	(7,798,549)
Purchase of intangibles	15	(462,468)	-
Additions to capital work-in-progress	11	(4,996,607,450)	(3,954,722,217)
Proceeds from disposal of plant and equipment	14.1	3,087,287	895,802
Net cash used in investing activities		<u>(5,000,110,045)</u>	<u>(3,961,624,964)</u>
Financing Activities			
Capital grants received	18	5,598,521,664	3,941,826,785
Net cash generated from financing activities		<u>5,598,521,664</u>	<u>3,941,826,785</u>
Net increase in cash and cash equivalents		2,686,939	838,811
Cash and cash equivalents at 1 January		<u>19,305,866</u>	<u>18,467,055</u>
Cash and cash equivalents at 31 December		<u>21,992,805</u>	<u>19,305,866</u>

The notes on pages 12 to 44 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2018

1 The Agency

The Road Development Agency (RDA) is a statutory body which was established by the Public Roads Act No. 12 of 2002. The main function of RDA is to plan, manage and coordinate the road network in the country. The Agency is also responsible for the planning, care and maintenance and construction of public roads in Zambia. It also regulates the maximum permissible weights on roads, conducts studies for the development and improvement of the road network and reviews design standards and classification.

2 Basis of accounting

The financial statements of the Agency have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Public Roads Act No.12 2002. Details of the Agency's significant accounting policies are included in note 26.

The financial statements have been prepared on a going concern basis.

3 Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Agency's functional currency.

4 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Agency's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Judgements

There are no judgements made in applying accounting policies that have significant effects on the amounts recognised in the financial statements

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2018 is set out below in relation to the impairment of financial instrument and in the following notes in relation to other areas:

- Note 26 (e) – financial assets and liabilities, identification and measurement of impairment.
- Note 6 – measurement of Expected Credit Losses (ECL) allowance for trade and other receivables.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

4 Use of estimates and judgements *(continued)*

(a) Assumptions and estimation uncertainties *(continued)*

Measurement of fair value

A number of the Agency's accounting policies and disclosure require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Agency has an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, the Agency uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Further information about the assumptions made in measuring fair values is included in the following note:

- Note 19 – financial instruments, fair values and risk management

5 Going concern

The Agency incurred a deficit for the year ended 31 December 2018 of ZMW 133,670,213 (2017: ZMW 375,766,692) and as at that date, the Agency's total liabilities exceeded its total assets by ZMW 983,619,480 (2017: ZMW 639,547,766) and its current liabilities exceeded its current assets by ZMW 1,114,785,705 (2017: ZMW 1,383,631,467).

Trade and other payables have continued to be settled in the normal course of business and the Government of the Republic of Zambia, through the Ministry of Housing and Infrastructure Development has provided a letter of financial support to the Agency. The Ministry confirms that the Agency will continue to receive support from the Government of the Republic of Zambia. Accordingly, the financial statements have been prepared on a going concern basis.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

6 Changes in significant accounting policies

The Agency has initially applied IFRS 15 and IFRS 9 from 1 January 2018. A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the Agency's financial statements.

Due to the transition methods chosen by the Agency in applying this standard, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standard, except for separately presenting impairment loss on trade receivables.

The effect of initially applying this standard is mainly attributable to an increase in impairment losses recognised on the financial assets.

a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Agency has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The impact of adopting of IFRS 15 was insignificant to the Agency's operations

b) IFRS 9 Financial instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces *IAS 39 Financial Instruments: Recognition and Measurement*.

Notes to the financial statements (continued)
for the year ended 31 December 2018

In *Zambian Kwacha*

6 Changes in significant accounting policies

(b) IFRS 9 Financial Instruments (continued)

i) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. The adoption of IFRS 9 has not had a significant effect on the Agency's accounting policies related to financial liabilities.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Agency's financial assets and financial liabilities as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

Financial assets	Note	Original classification under IAS 37	New classification under IFRS 9	Original carrying amount under IAS	New carrying amount under IFRS 9
Trade and other receivables	13	Loans and other receivables	Amortised cost	5,733,557,316	5,523,155,816
Cash and cash equivalents	16	Loans and other receivables	Amortised cost	19,305,866	19,305,866
				<u>5,752,863,182</u>	<u>5,542,461,681</u>

Notes to the financial statements (continued)
for the year ended 31 December 2018

In Zambian Kwacha

6 Changes in significant accounting policies

(b) IFRS 9 Financial Instruments (continued)

i) Classification and measurement of financial assets and financial liabilities (continued)

Trade and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. The impact in opening retained earnings at 1 January 2018 on transition to IFRS 9 was not significant. The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount at 31 December 2017	Reclassification	Re-measurement	IFRS 9 carrying amount 1 January 2018
Financial assets				
<i>Amortised costs</i>				
Trade and other receivables:				
- Brought forward: <i>Loans and receivables</i>	5,733,557,316	-	(210,401,501)	5,523,155,815
- Re-measurement				
- Carried forward: <i>Amortised cost</i>				
Cash and cash equivalents:				
- Brought forward: <i>Loans and receivables</i>	19,305,866	-	-	19,305,866
- Re-measurement				
- Carried forward: <i>Amortised cost</i>				
	5,752,863,182	-	(210,401,501)	5,542,461,681

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

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6 Changes in significant accounting policies

(b) IFRS 9 Financial Instruments *(continued)*

ii) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Agency has determined that the application of IFRS 9’s impairment requirements at 1 January 2018 results in an additional allowance for impairment as follows.

Loss allowance at 31 December 2017 under IAS 39	23,169,155
Additional impairment recognised at 1 January 2018 on:	
- Trade and other receivables as at 31 December 2017	210,401,501
- Additional trade receivables recognised on adoption of IFRS 15	-
- Contract assets recognised on adoption of IFRS 15	-
- Debt securities at FVOCI	-
- Cash and cash equivalents	-
	<hr/>
Loss allowance at 1 January 2018 under IFRS 9	<u>233,570,656</u>

Additional information about how the Agency measures the allowance for impairment is described in Note 26.

iii) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Agency has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39

Notes to the financial statements *(continued)*
for the year ended 31 December 2018
In *Zambian Kwacha*

7 Income

Income represents amortisation of grants, capital and revenue grants received from the Government of the Republic of Zambia.

	2018	2017
Amortisation of capital grants	1,561,146,746	1,578,700,076
Grants from National Roads Fund Agency & Ministry of Housing and Infrastructure Development	701,602,311	699,672,092
Other income	29,489,007	17,653,016
	<u>2,292,238,064</u>	<u>2,296,025,184</u>

8(a) Administration costs

Administration costs represent expenses associated with the management and direction of the Agency. The administration cost includes staff costs, office costs, depreciation and other expenses not directly associated with the care and maintenance and construction of public roads in Zambia and to regulate maximum weights permissible for transmission on roads (Schedule 2).

	2018	2017
Amortisation & depreciation	1,561,146,746	1,578,700,076
Electricity, water and sewerage	572,792	506,968
Insurance	1,386,872	1,966,118
Staff costs (note 8(b))	209,346,070	149,861,118
Other administration costs	57,823,643	37,871,554
	<u>1,830,276,123</u>	<u>1,768,905,834</u>

8(b) Staff costs

Salaries	120,946,956	112,354,530
Gratuity and pension costs	75,005,906	23,155,931
Other costs	13,393,208	14,350,657
	<u>209,346,070</u>	<u>149,861,118</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

9 Routine repairs, maintenance works and projected related costs

Routine Repairs, Maintenance Works and Projected Related Costs represent expenses directly associated with the care and maintenance and construction of public roads in Zambia and to regulate maximum weights permissible for transmission on roads (Schedule 3).

	2018	2017
Environmental costs	26,883,374	-
Interest on long outstanding contractor debts	281,937,195	604,505,349
Routine maintenance – roads	120,347,776	178,948,053
Routine maintenance – bridges	1,857,989	23,910
Routine maintenance – force accounts	55,790,604	76,542,562
Supervision expenses – roads and bridges	8,406,768	8,081,205
Technical assistance and other consultancy costs	36,572,627	81,311
Legal costs and arbitration awards	46,690,984	24,364,159
Other costs	17,144,837	10,339,493
	<u>595,632,154</u>	<u>902,886,042</u>

10 Taxation

The Agency is exempt from taxation under Section 15 of the Income Tax Act Cap 323 of the Laws of Zambia and in accordance with paragraph 5 part III of the second schedule of the same Act.

Notes to the financial statements
for the year ended 31 December 2018

In Zambian Kwacha

11 Capital work in progress

See accounting policy note 26d

	Roads	Bridges and Pontoons	Intangibles	Buildings	Total
As at 1 January 2017	18,752,814,740	485,126,367	-	-	19,237,941,107
Additions	3,740,596,095	212,326,227	1,799,895	-	3,954,722,217
Additions to CWIP not yet funded	849,949	-	-	-	849,949
Relocation to intangibles from Roads	(1,652,036)	-	-	-	(1,652,036)
Capitalisation (note 14)	(11,935,099,733)	(206,275,890)	-	-	(12,141,375,623)
Capitalisation to intangibles (note 15)	-	-	(1,799,895)	-	(1,799,895)
At 31 December 2017	10,557,509,015	491,176,704	-	-	11,048,685,719
As at 1 January 2018	10,557,509,015	491,176,704	-	-	11,048,685,719
Additions	4,689,034,863	301,238,463	-	6,334,124	4,996,607,450
At 31 December 2018	15,246,543,878	792,415,167	-	6,334,124	16,045,293,169

Notes to the financial statements

for the year ended 31 December 2018

In Zambian Kwacha

12 Inventories*See accounting policy note 26f*

	2018	2017
Raw materials	35,938	35,938
Finished pavers	5,530,397	8,917,210
	<u>5,566,335</u>	<u>8,953,148</u>

13 Trade and other receivables*See accounting policy note 26e*

Amounts advanced to contractors and suppliers	1,548,827,108	948,070,696
Amount receivable from Ministry of Works and Supply	38,450,567	9,450,565
Amounts receivable from National Roads Fund Agency (NRFA)	5,385,001,557	4,780,123,363
	<u>6,972,279,232</u>	<u>5,737,644,624</u>
Less: Provision for bad and doubtful debts	<u>(265,790,836)</u>	<u>(23,169,155)</u>
Net trade receivables	6,706,488,396	5,714,475,469
Special imprest	206,398	237,213
Salary advances	7,335,243	5,456,228
Other debtors	13,388,407	13,388,406
	<u>6,727,418,444</u>	<u>5,733,557,316</u>
Movement in provision		
Balance at 1 January	23,169,155	16,718,566
Adjustment on initial application of IFRS 9	210,401,501	-
Balance at 1 January under IFRS 9	<u>233,570,656</u>	<u>16,718,566</u>
Provision for the year	32,301,774	6,555,703
Write off	(82,044)	(105,114)
Balance at 31 December	<u>265,790,386</u>	<u>23,169,155</u>

Notes to the financial statements (continued)
for the year ended 31 December 2018

In *Zambian Kwacha*

14 Property, plant and equipment (restated)

See accounting policy note 26b

<i>Cost</i>	Roads	Pontoons & bridges	Land & buildings	Weigh bridges	Motor vehicles	Plant and machinery	Computers and office equipment	Furniture and fittings	Total
At 1 January 2017	10,112,656,963	329,389,038	13,952,334	69,422,797	84,634,664	93,043,157	20,893,184	6,679,766	10,730,671,903
Transfers from CWIP (note 11)	11,935,099,733	169,816,379	-	36,459,511	-	-	-	-	12,141,375,623
Additions	-	-	549,937	-	4,515,573	329,320	1,698,754	704,965	7,798,549
Additions(transfers from projects)	-	-	-	-	3,650,127	-	-	-	3,650,127
Disposals	-	-	-	-	(9,179,122)	(6,418,534)	(20,993)	-	(15,618,649)
At 31 December 2017	22,047,756,696	499,205,417	14,502,271	105,882,308	83,621,242	86,953,943	22,570,945	7,384,731	22,867,877,553
At 1 January 2018	22,047,756,696	499,205,417	14,502,271	105,882,308	83,621,242	86,953,943	22,570,945	7,384,731	22,867,877,553
Additions	-	-	-	-	4,578,070	-	1,478,644	70,700	6,127,414
Disposals	-	-	-	-	(7,375,922)	(96,000)	(1,664,209)	(377,073)	(9,513,204)
At 31 December 2018	22,047,756,696	499,205,417	14,502,271	105,882,308	80,823,390	86,857,943	22,385,380	7,078,358	22,864,491,763
Depreciation									
At 1 January 2017	4,077,461,383	123,357,655	2,472,702	25,853,301	58,773,750	33,128,068	18,830,388	5,498,686	4,345,375,933
Charge for the year	1,502,242,093	42,705,090	290,044	10,549,361	10,626,326	7,749,916	1,964,519	849,707	1,576,977,056
Disposals	-	-	-	-	(6,912,209)	(4,885,015)	(20,993)	-	(11,818,217)
Balance at 31 December 2017	5,579,703,476	166,062,745	2,762,746	36,402,662	62,487,867	35,992,969	20,773,914	6,348,393	5,910,534,772
At 1 January 2018	5,579,703,476	166,062,745	2,762,746	36,402,662	62,487,867	35,992,969	20,773,914	6,348,393	5,910,534,772
Charge for the year	1,490,208,121	40,618,819	290,044	10,549,361	8,802,080	6,864,971	1,537,712	398,478	1,559,269,586
Disposals	-	-	-	-	(7,347,853)	(95,616)	(1,655,395)	(374,527)	(9,473,391)
At 31 December 2018	7,069,911,597	206,681,564	3,052,790	46,952,023	63,942,094	42,762,324	20,656,231	6,372,344	7,460,330,967
Carrying amounts									
At 31 December 2018	14,977,845,099	292,523,853	11,449,481	58,930,285	16,881,296	44,095,619	1,729,149	706,014	15,404,160,796
Restated balance at 31 December 2017	16,468,053,220	333,142,672	11,739,525	69,479,646	21,133,375	50,960,974	1,797,031	1,036,338	16,957,342,781

Property, Plant and Equipment includes assets with a cost of ZMW 2,089,929,455 which were fully depreciated as at 31 December 2018 (2017: ZMW1,712,272,613).

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

14.1 Loss on disposal

See accounting policy note 26b

	2018	2017
Non cash proceeds	-	1,424,020
Cash proceeds	3,087,287	895,802
Carrying amount	<u>(39,813)</u>	<u>(3,800,432)</u>
Profit/(loss) on disposal	<u>3,047,474</u>	<u>(1,480,610)</u>

15 Intangibles

See accounting policy note 26c

	Computer software
Cost	
At 1 January 2017	10,174,172
Transfer from capital work-in-progress (note 11)	1,799,895
At 31 December 2017	<u>11,974,067</u>
At 1 January 2018	11,974,067
Additions	462,468
At 31 December 2018	<u>12,436,535</u>
Amortisation	
At 1 January 2017	7,926,937
Charge for the year	1,723,020
At 31 December 2017	<u>9,649,957</u>
At 1 January 2018	9,649,957
Charge for the year	1,877,161
At 31 December 2018	<u>11,527,118</u>
Carrying amounts	
At 31 December 2018	<u>909,417</u>
At 31 December 2017	<u>2,324,110</u>

16 Cash and cash equivalents

See accounting policy note 26e

	2018	2017
Bank balances	21,982,715	19,292,674
Petty cash	<u>10,090</u>	<u>13,192</u>
	<u>21,992,805</u>	<u>19,305,866</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

17 Trade and other payables

See accounting policy note 26e

	2018	2017
Amounts payable to contractors	4,560,008,928	4,178,325,836
Retention payable	998,557,965	779,409,521
Provisions and accruals	431,065,985	360,258,317
Employee benefits	279,157,622	220,185,277
Statutory liabilities	19,719,022	5,674,861
Sundry creditors	22,692,140	26,803,047
	<u>6,311,201,662</u>	<u>5,570,656,859</u>

18 Deferred income (capital grants)

See accounting policy note 26a

As at 1 January 2017	26,479,842,276
Capital grants received (works)	3,108,347,605
Capital grants received (advance payments)	820,230,535
Capital grants received (operations)	13,248,645
Amortisation of capital grants (note 7)	(1,578,700,076)
Balance at 31 December 2017	<u>28,842,968,985</u>
As at 1 January 2018	28,842,968,985
Capital grants received (works)	4,464,540,581
Capital grants received (advance payments)	1,131,631,888
Capital grants received (operations)	2,349,195
Amortisation of capital grants (note 7)	(1,561,146,746)
Balance as at 31 December 2018	<u>32,880,343,903</u>

Capital grants are classified as current and non-current liabilities as shown below (*see note 19 b (iii)*):

	2018	2017
Current	1,561,146,746	1,578,700,076
Non-current	<u>31,319,197,157</u>	<u>27,264,268,909</u>
Total	<u>32,880,343,903</u>	<u>28,842,968,985</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

19 Financial instruments – fair values and risk management

(a) Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

		2018		2017	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	16	21,992,805	21,992,805	19,305,866	19,305,866
Trade and other receivables	13	6,727,418,444	6,727,418,444	5,733,557,316	5,733,557,316
Financial liabilities					
Deferred income (Capital grants)	18	(32,880,343,903)	(32,880,343,903)	(28,842,968,985)	(28,842,968,985)
Trade payables	17	(5,558,566,893)	(5,558,566,893)	(4,957,735,357)	(4,957,735,357)
Statutory liabilities	17	(19,719,022)	(19,719,022)	(5,674,868)	(5,674,868)
Other payables	17	(732,915,746)	(732,915,746)	(607,246,642)	(607,246,642)
		<u>(32,442,134,316)</u>	<u>(32,442,134,316)</u>	<u>(28,660,762,670)</u>	<u>(28,660,762,670)</u>

Trade payables consist of amounts payable to contractors and retentions.

The carrying amounts equate fair value due to the low impact of discounting.

(b) Financial risk management

The Agency has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk; and
- liquidity risk

Risk management framework

The Members have overall responsibility for the establishment and oversight of the Agency's risk management framework.

The Agency's risk management policies are established to identify and analyse the risks faced by the Agency, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Agency's activities.

The Members oversees how management monitors compliance with the Agency's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Agency.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

19 Financial instruments – fair values and risk management *(continued)*

(b) Financial risk management *(continued)*

(i) Credit risk

Credit risk is the risk of financial loss to the Agency if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial assets which potentially subject the company to concentrations of credit risk, consists principally of trade receivables and cash balances.

Trade and other receivables

The Agency's exposure to credit risk is influenced mainly by individual characteristics of each customer or counterparty. The demographics of the Agency's customer base, including the default risk does not have a significant influence on credit risk. Geographically there is no concentration of credit risk.

No collateral is required in respect of financial assets. Management has a policy in place and the exposure to credit risks is monitored on an on-going basis.

The Agency establishes an allowance for doubtful debts on a specific basis which represents its estimate of expected losses in respect of trade and other receivables. The Agency is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good.

(ii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was

		Carrying amounts	
		2018	2017
Cash and cash equivalents	16	21,992,805	19,305,866
Trade and other receivables	13	6,727,418,444	5,733,557,316
		<u>6,749,411,249</u>	<u>5,752,863,182</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

19 Financial instruments – fair values and risk management *(continued)*

(b) Financial risk management *(continued)*

(ii) Exposure to credit risk *(continued)*

Comparative information under IAS 39

An analysis of the credit quality of receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at 31 December 2017 is as follows.

	Gross	Impairment	Net
Not past due	5,738,071,448	(10,747,692)	5,727,323,756
Past due 0 – 30 Days	6,233,560	-	6,233,560
Past due 31 – 60 Days	-	-	-
Past due 61 – 90 Days	-	-	-
Past due 90 – 180 Days	-	-	-
Past due 91 – 180 Days	12,421,463	(12,421,463)	-
	<u>5,756,726,471</u>	<u>(23,169,155)</u>	<u>5,733,557,316</u>

Impaired trade receivables at 31 December 2017 had a gross carrying amount of ZMW 5.8 billion. At 31 December 2017, there was an impairment loss of ZMW 23 million relating to customers that indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected credit loss assessment for corporate customers as at 1 January and 31 December 2018

The Agency uses a general approach to determine the expected credit losses on Government related receivables due to their sovereign nature. This is based on the Probability of Default (PD) and the Loss Given Default (LGD) of Government receivables. Based on Zambia's sovereign rating of B-, the Agency used PD and LGD rates of 7.35% and 60% respectively. This gave an Expected Credit Loss (ECL) rate of 4.41%.

The following table provides information about the exposure to credit risk and ECLs for GRZ institutions' trade receivables as at 31 December 2018

Probability of default	Loss Given Default	Life expected loss rates	Gross carrying amount	Impairment loss allowance
<u>7.35%</u>	<u>60.00%</u>	<u>4.41%</u>	<u>5,419,508,273</u>	<u>239,000,315</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In Zambian Kwacha

19 Financial instruments – fair values and risk management *(continued)*

(b) Financial risk management *(continued)*

(ii) Exposure to credit risk *(continued)*

The following table provides information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 31 December 2018.

	Weighted average losses	Gross	Impairment
Past due 180 Days	100%	<u>26,616,597</u>	<u>26,616,597</u>
Past due 180 Days		<u>26,616,597</u>	<u>26,616,597</u>

Loss rates are based on the country risk rating. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows. Comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39.

	2018	2017	
		Collective impairments	Individual impairment
Balance at 1 January under IAS 39	23,169,155	16,718,566	-
Adjustment on initial application of IFRS 9	210,401,501	-	-
Balance at 1 January under IFRS 9	<u>233,570,656</u>	<u>16,718,566</u>	-
Amounts written off	(82,044)	(105,114)	
Net remeasurement of loss allowance	<u>32,301,774</u>	<u>6,555,703</u>	-
Balance at 31 December	<u>265,790,836</u>	<u>23,169,155</u>	-

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

19 Financial instruments – fair values and risk management *(continued)*

(b) Financial risk management *(continued)*

(ii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Agency's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk

The Agency is exposed to currency risk on payments that are denominated in a currency other than the functional currency of Agency, primarily the United States Dollar (USD), the Euro (EUR) and British Pound (GBP).

Exposure to currency risk

The Agency incurs currency risk as a result of transactions in USD, EUR and GBP. The Agency ensures that the net exposure is kept to an acceptable level by transacting in foreign currencies at spot rate where necessary to address short term imbalances. The currency risk expressed in Kwacha at reporting date was as follows:

December 2018	ZMW	USD Exposure	EUR Exposure	GBP Exposure	ZMW Total
Financial liabilities					
Trade and other payables	<u>5,493,472,615</u>	<u>808,608,519</u>	<u>9,043,094</u>	<u>77,434</u>	<u>6,311,201,662</u>
Net exposure	<u>5,493,472,615</u>	<u>808,608,519</u>	<u>9,043,094</u>	<u>77,434</u>	<u>6,311,201,662</u>
December 2017	ZMW	USD Exposure	EUR Exposure	GBP Exposure	ZMW Total
Financial liabilities					
Trade and other payables	<u>4,393,293,359</u>	<u>1,038,152,133</u>	<u>139,166,203</u>	<u>45,164</u>	<u>5,570,656,859</u>
Net exposure	<u>4,393,293,359</u>	<u>1,038,152,133</u>	<u>139,166,203</u>	<u>45,164</u>	<u>5,570,656,859</u>

The following significant exchange rates were applied during the year:

	Spot rate at reporting date	
	2018	2017
USD	11.9	10.0
EUR	13.7	12.0
GBP	15.3	13.5

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In Zambian Kwacha

19 Financial instruments – fair values and risk management *(continued)*

(b) Financial risk management *(continued)*

(ii) Market risk *(continued)*

Exposure to currency risk (continued)

Sensitivity analysis

A 10 percent strengthening/weakening of the USD, GBP and EUR against the Kwacha at 31 December and vice versa would have increased equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Equity 100bp increase	Equity 100bp decrease	Profit or loss 100bp increase	Profit or loss 100bp decrease
31 December 2018				
USD	(80,860,852)	80,860,852	(80,860,852)	80,860,852
EUR	(904,309)	904,309	(904,309)	904,309
GBP	(7,434)	7,434	(7,434)	7,434
 31 December 2017				
USD	(103,815,213)	103,815,213	(103,815,213)	103,815,213
EUR	(13,916,620)	13,916,620	(13,916,620)	13,916,620
GBP	(4,516)	4,516	(4,516)	4,516

Interest rate risk

The Agency is not exposed to interest rate risk on its bank accounts and does not hold any interest bearing financial instruments.

(iii) Liquidity risk

Liquidity risk is the risk that the Agency will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Agency's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Agency's reputation.

The Agency aims to maintain a sufficient level of income to meet its contractual repayments.

Notes to the financial statements (continued)
for the year ended 31 December 2018

In *Zambian Kwacha*

19 Financial instruments – fair values and risk management (continued)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date.

31 December 2018

Non-derivative financial liabilities	Carrying amount	Total	2-12 months				More than 5 years
			1-2 years	2-5 years	2-5 years	More than 5 years	
Deferred income (capital grants) <i>18</i>	(32,880,343,903)	(32,880,343,903)	(1,561,146,746)	(3,122,293,492)	(7,805,733,731)	(20,391,169,934)	
Trade and other payables <i>17</i>	(6,291,482,639)	(6,291,482,639)	-	-	-	-	
	<u>(39,171,826,542)</u>	<u>(39,171,826,542)</u>	<u>(7,852,629,385)</u>	<u>(3,122,293,492)</u>	<u>(7,805,733,731)</u>	<u>(20,391,169,934)</u>	
31 December 2017							
Non-derivative financial liabilities	Carrying amount	Total	2-12 months				More than 5 years
			1-2 years	2-5 years	2-5 years	More than 5 years	
Deferred income (capital grants) <i>18</i>	(28,842,968,985)	(28,842,968,985)	(1,578,700,076)	(3,157,400,152)	(7,893,500,380)	(16,213,368,377)	
Trade and other payables <i>17</i>	(5,564,981,999)	(5,564,981,999)	-	-	-	-	
	<u>(34,407,950,984)</u>	<u>(34,407,950,984)</u>	<u>(7,143,682,075)</u>	<u>(3,157,400,152)</u>	<u>(7,893,500,380)</u>	<u>(16,213,368,377)</u>	

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

20 Related party transactions

The following transactions were carried out with related parties:

	2018	2017
(i) <i>Grants received from related parties</i>		
National Road Fund Agency	585,602,308	586,265,366
Ministry of Housing and Infrastructure Development	<u>116,000,003</u>	<u>113,406,756</u>
	<u>701,602,311</u>	<u>699,672,122</u>
(ii) <i>Amounts due from related parties</i>		
National Road Fund Agency	5,385,001,557	4,780,123,363
Ministry of Housing and Infrastructure Development	<u>38,450,567</u>	<u>9,450,565</u>
	<u>5,423,452,124</u>	<u>4,789,573,928</u>
(iii) <i>Key management compensation</i>		
Salaries and other short term benefits	<u>9,473,484</u>	<u>8,403,560</u>
(iv) <i>Loans to key management</i>		
	<u>215,000</u>	<u>-</u>
(v) <i>Directors' remuneration</i>		
Fees for service as Members	<u>720,000</u>	<u>409,603</u>

21 Capital management

The Agency's capital is supported by grants from the Government of the Republic of Zambia (GRZ).

22 Contingent liabilities

As at 31 December 2018, there were contingent liabilities in respect of various legal claims made against the Agency amounting to ZMW 69 million (2017: ZMW101 million). These amounts are not recognised in the financial statements as management has assessed that there is a low risk of the matters being decided against the Agency.

23 Comparative amounts

Where necessary comparative amounts have been reclassified to achieve better disclosure.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

24 Capital commitments

As at 31 December 2018, the Agency had entered into a number of contracts for works. Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	2018	2017
Roads and bridges	<u>46,861,185,292</u>	<u>41,420,751,549</u>

The Agency is certain that all such commitments will be fully financed from Government grants through the National Roads Fund Agency and from cooperating partners.

25 Subsequent events

There were no material subsequent events which require adjustment of, or disclosure in, these financial statements.

26 Significant accounting policies

The Agency has consistently applied the following accounting policies to all period presented in these financial statements.

Set out below is index of significant accounting policies. The details of which are available on the pages that follow:

- a) *Income*
- b) *Property, plant and equipment*
- c) *Intangibles*
- d) *Capital work in progress*
- e) *Financial instruments*
- f) *Inventories*
- g) *Foreign currency transactions*
- h) *Finance income and finance costs*
- i) *Taxation*
- j) *Provisions*

a) Income

Capital grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Agency will comply with the conditions associated with the grant; they are then recognised in profit or loss as income on a systematic basis over the useful life of the asset to which they relate.

Other grants related to non-depreciable assets are credited to the profit or loss in the period in which they are received.

Other income

Other income comprises various fees earned during the normal course of business.

Deferred income

Deferred income are grants received which have not been utilised in the period.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

In *Zambian Kwacha*

26 Significant accounting policies *(continued)*

b) Property, plant and equipment

Recognition and measurement

Items of Property, plant and equipment are measured at cost less depreciation. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent measurement

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is calculated to allocate the cost of property, plant and equipment on a straight-line basis over the expected useful lives of the assets concerned and is recognised in profit or loss. The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

Land and buildings	2%
Furniture and fittings	20%
Computers and office equipment	20%
Motor vehicles	20%
Plant and machinery	8.3%

Works on new roads and bridges such as expanding road capacity, providing stronger surface and significantly changing characteristics of the roads is capitalized and depreciated on the following basis:

(i) **Roads**

	<i>Paved</i> %	Gravel %	Earth %
Periodic maintenance	20	33.3	100
Rehabilitation	10	20	100
Construction	5	10	25

(ii) **Weighbridges and pontoons**

8%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the profit or loss.

Road Development Agency

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

26 Significant accounting policies *(continued)*

b) Property, plant and equipment *(continued)*

Maintenance of the existing roads and bridges involving performing works to offset the deterioration of roads on a continuous basis is treated as routine maintenance and is expensed in the year the works are carried out.

c) Intangible assets

Recognition and measurement

Intangible assets that are acquired by the Agency and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on any internally generated goodwill and brands, is recognised in profit or loss as incurred.

The estimated useful lives for the current and comparative years are as follows:

- Computer software 33.3%

Amortisation

Items of plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

d) Capital Work in Progress

Recognition and measurement

Assets in the course of construction are recognised in the assets under capital work in progress account at the total cost incurred at the end of the financial year.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Assets recognised under capital work in progress are transferred to Property, plant and equipment on substantial completion.

Road Development Agency

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

26 Significant accounting policies *(continued)*

e) Financial instruments

i. Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Agency becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets – Policy applicable from 1 January 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Agency changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

26 Significant accounting policies *(continued)*

e) Financial instruments *(continued)*

Non-derivative financial liabilities - measurement

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

ii Derecognition

Financial assets

The Agency derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Agency neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Agency may enter into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Agency derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Agency also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances that are subject to insignificant risk of changes in fair value and are used in the management of short-term commitments.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

26 Significant accounting policies *(continued)*

e) Financial instruments *(continued)*

Impairment

Non-derivative financial assets

Policy applicable from 1 January 2018

Financial instruments

The Agency recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and contract assets.

The Agency measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Agency considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Agency's historical experience and informed credit assessment and including forward-looking information.

The Agency assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due

The Agency considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Agency in full, without recourse by the Agency to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Agency is exposed to credit risk.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

26 Significant accounting policies *(continued)*

e) Financial instruments *(continued)*

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Agency expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Expected credit loss assessment for individual customers

The Agency uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the lease status of each tenant.

Credit-impaired financial assets

At each reporting date, the Agency assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Agency on terms that the Agency would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial re-organisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off when the Agency has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Agency individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Agency expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Agency's procedures for recovery of amounts due.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

26 Significant accounting policies *(continued)*

Impairment *(continued)*

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value takes into account all further costs directly related to marketing, selling and distribution. Provisions are made for obsolete and slow moving inventories.

g) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group companies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the exchange rate when the fair value was determined. Foreign currency differences are generally recognised in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

h) Finance income and finance costs

The Agency's finance income and finance costs include:

- foreign currency gains or losses on financial assets and liabilities;
- interest income; and
- interest expense.

Interest income or expense is recognized using the effective interest method.

i) Taxation

The Agency is exempt from taxation under Section 15 of the Income Tax Act Cap 323 of the Laws of Zambia and in accordance with paragraph 5 part III of the second schedule of the same Act.

j) Provisions

Onerous contracts

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Agency recognises any impairment loss on the assets associated with that contract

Legal claims

Provisions for legal claims are recognised when: the Agency has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

27 New standards, amendments and interpretations

(i) New standards, amendments and interpretations in issue but not yet effective for the year 31 December 2018

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2018, and have not been applied in preparing these financial statements. Those which may be relevant to the Agency are set out below. The Agency does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

(a) IFRS 16 Leases

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

Transition

As a lessee, the Agency can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The Agency does not expect any significant impact on its financial statements.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

27 New standards, amendments and interpretations *(continued)*

(i) New standards, amendments and interpretations in issue but not yet effective for the year 31 December 2018 *(continued)*

(b) Other standards

The following amended standards and interpretations are not expected to have a significant impact on the financial statements.

- IFRIC 23 *Uncertainty over Tax Treatments*.
- *Prepayment Features with Negative Compensation (Amendments to IFRS 9)*.
- *Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)*.
- *Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)*.
- *Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards*.
- *Amendments to References to Conceptual Framework in IFRS Standards*.
- *IFRS 17 Insurance Contracts*.

(ii) New standards, amendments and interpretations effective and adopted during the year

The Agency has adopted the following new standards and amendments during the year ended 31 December 2018, including consequential amendments to other standards with the date of initial application by the Agency being 1 January 2018. The nature and effects of the changes are as explained here in.

Disclosure Initiative (Amendments to IAS 1)

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

The adoption of this standard did not have a material impact on the financial statements of the Agency.

Notes to the financial statements *(continued)*
for the year ended 31 December 2018

27 New standards, amendments and interpretations *(continued)*

(ii) New standards, amendments and interpretations effective and adopted during the year *(continued)*

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Agency has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

The adoption of this standard did not have a material impact on the financial statements of the Agency.

IFRS 9 Financial Instruments

The new standard would require the Agency to revise its accounting processes and internal controls related to reporting financial instruments.

i. Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

27 New standards, amendments and interpretations *(continued)*

(ii) New standards, amendments and interpretations effective and adopted during the year *(continued)*

ii. *Impairment – Financial assets (continued)*

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables with a significant financing component.

iii. *Impairment – Financial liabilities*

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

v. *Disclosures*

IFRS 9 requires extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses.

The adoption of this standard did not have a material impact on the financial statements of the Agency.

Detailed analysis of income
for the year ended 31 December 2018

In Zambian Kwacha

	2018	2017
Income		
Amortisation of capital grants	1,561,146,746	1,578,700,076
Project grant from National Roads Fund Agency (NRFA)	585,602,308	586,265,336
Revenue grants from GRZ	<u>116,000,003</u>	<u>113,406,756</u>
	<u>2,262,749,057</u>	<u>2,278,372,168</u>
Other income		
Abnormal load fees	4,220,231	3,032,136
Bill boards	1,269,615	1,384,393
Equipment hire	22,130	298,687
Exchange gains	14,887,215	1,099,932
Profit on disposal of property plant and equipment	3,047,474	-
Interest income	27,110	51,665
Liquidated damages	-	4,130,895
Private Public Partnership	156,883	110,500
Rental income	220,950	320,583
Road infringement charges	288,353	445,875
Quarry royalties	2,657,187	2,108,185
Soil testing analysis fees	491,690	499,339
Routeway inspection fees	654,155	557,660
Tender document sales	1,021,897	2,796,770
Other	<u>524,117</u>	<u>816,396</u>
	<u>29,489,007</u>	<u>17,653,016</u>
Total income	<u>2,292,238,064</u>	<u>2,296,025,184</u>

Detailed analysis of administration costs
for the year ended 31 December 2018

In Zambian Kwacha

	2018	2017
Accommodation and meals	2,371,708	3,646,190
Audit fees	749,406	706,327
Bank charges	170,829	172,124
Board expenses	2,476,414	987,604
Civil maintenance	82,609	181,780
Cleaning materials and toiletries and sanitary services	444,975	276,596
Computer expenses	36,275	28,949
Amortisation	1,877,161	1,723,020
Depreciation	1,559,269,585	1,576,977,056
Electricity, water and sewerage	572,791	506,968
Equipment service and repair	319,747	300,428
Insurance	1,386,872	1,966,118
Internet services	699,780	585,686
Labour day celebrations	261,590	260,390
Legal fees	146,650	334,128
Loss on disposal of property plant and equipment	-	1,480,610
Motor vehicle expenses	7,410,969	7,680,115
Newspapers	45,636	22,374
Office beverages and refreshments	354,155	419,164
Other costs	173,694	211,172
Printing and stationery	2,530,023	2,987,560
Bad debt charge	32,301,774	6,555,703
Public relations and advertising	1,611,680	2,832,242
Recruitment costs	6,300	56,500
Rent collection costs	3,640	24,928
Routeway inspection costs	472,414	572,620
Security services	2,324,799	2,491,885
Staff costs	209,346,070	149,861,118
Staff training	1,300,233	2,727,536
Staff welfare	323,440	624,248
Subscriptions	221,376	163,126
Office rentals	72,000	36,416
Telephone and postage	560,505	578,621
Tender Committee allowances	-	40,569
Travelling expenses	54,125	138,719
Miscellaneous expenses	13,827	351,451
Workshops and seminars	283,071	395,793
	<u>1,830,276,123</u>	<u>1,768,905,834</u>

Road Development Agency

Detailed analysis of routine repairs, maintenance works and project related costs
for the year ended 31 December 2018

In Zambian Kwacha

	2018	2017
Environmental costs	26,883,374	-
Interest on long outstanding contractor debts	281,937,195	604,505,349
Project procurement costs	3,210,032	4,286,048
Routine maintenance – roads	120,347,776	178,948,053
Routine maintenance – bridges	1,857,989	23,910
Routine maintenance – force accounts	55,790,604	76,542,562
Supervision expenses – roads and bridges	8,406,768	8,081,205
Supervision expenses – routine maintenance	640,112	692,136
Suspension, Idle time & Demobilisation	7,498,957	-
Technical assistance and other consultancy costs	36,572,627	81,311
Pave Zambia 2000 costs	3,040,505	1,154,481
Road tolling costs	94,358	2,734,333
Information and communication technology costs	2,660,873	1,472,495
Legal costs and Arbitration awards	46,690,984	24,364,159
	595,632,154	902,886,042



<p>The Regional Manager RDA – Lusaka Region Plot No. 1612 Sheki Sheki Road P.O Box 30918 LUSAKA Tel: 211 241765</p>	<p>Road Development Agency Head Quarters P.O. Box 50003, LUSAKA Tel: 211 253801/254838/253088 Email: RDA_HQ@roads.gov.zm</p>		<p>The Regional Manager RDA – Copperbelt Region Plot 4084, Mosi - O – Tunya Road P.O Box 71517 NDOLA Tel: 212 650264/650497</p>
<p>The Regional Manager RDA - Central Region Plot 486, Buntungwa Road P.O Box 80180 KABWE Tel: 215 222263/224662</p>	<p>The Regional Manager RDA – North Western Region Former Roads Department next to ESCO, Independence Road P.O Box 110094 SOLWEZI Tel: 218 821196</p>	<p>The Regional Manager RDA – Luapula Region PACU Building, Mansa – Kawamb- wa Road P.O Box 710007 MANSA Tel: 212 821702/821973</p>	<p>The Regional Manager RDA – Northern Region Plot 2847, Mukulumpo Road, Central Town P.O Box 410720 KASAMA Tel. 214 221290/230046</p>
<p>The Regional Manager RDA – Muchinga Region Plot ZD 160, Chama Complex Nambuluma Road CHINSALI Tel: 04 565088</p>	<p>The Regional Manager RDA – Eastern Region PWD Building, Umodzi Highway Private Bag 18 CHIPATA Tel: 216 221033/ 222026</p>	<p>The Regional Manager RDA – Western Region Plot 164, Mongu – Senanga Road Private Bag Mongu MONGU Tel: 222036</p>	<p>The Regional Manager RDA – Southern Region Plot 1313, KAPONDO STREET MOCHIPAPA CHOMA Tel: 260213221610</p>