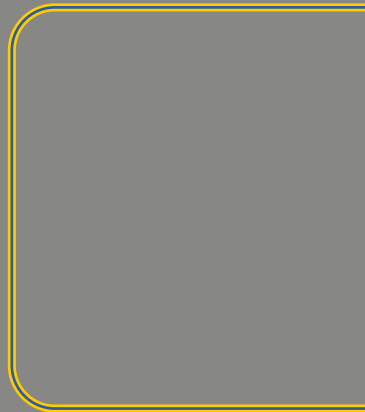




ROAD DEVELOPMENT AGENCY



2019

ANNUAL REPORT

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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
NAPSA	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
RSASP	Road Sector Annual Work Plan
SADC	Southern African Development Community
TMD	Trunk, Main and District
VRS	Vendor Rating System
VOC	Vehicle Operating Costs

EXECUTIVE SUMMARY

The Annual Report presents the performance of the Road Development Agency (RDA) in the year 2019. Since its establishment, the Agency has continued to contribute to the social and economic development of Zambia. 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.”

The Report presents activities within the framework of the Agency’s mandate and has adopted a guided and coordinated approach in achieving its mandate through the strategic plan as a performance measurement tool.

During the period under review, RDA carried out activities that included construction, upgrading, rehabilitation and maintenance of roads and bridges. Other pertinent activities implemented involved road and bridge asset management; designing traffic capacity movements; design reviews; environmental management; construction materials testing; engineering studies, research, and development, among others.

RDA executed road infrastructure projects in accordance with the approved 2019 Road Sector Annual Work Plan (RSAWP) and continued with the supervision and monitoring of the Link Zambia 8000, other major rehabilitation projects. Toll Plaza construction and the Pave Zambia 2000 were the other projects undertaken in the period under review.

The year 2019 saw significant progress on the Kazungula Bridge from 74% to 91 % and completion of the Conventional Toll Plazas at Daniel Munkombwe, Frederick Jacob Titus Chiluba and Wilson Mofya Chakulya. Significant progress was also posted at Kafulafuta Toll Plaza. The year also saw an increase in physical progress on the rehabilitation of Turnpike to Chikankata and Chinsali-Nakonde roads. Some projects particularly under the Link Zambia 8000

programme, reported minimal to no progress.

The Agency had 496 on-going routine maintenance contracts in all the provinces valued at K992.72 Million and covering a total distance of 15,845.84 km of both paved and unpaved roads as at 31st December 2019. This was an increase from the status at the end of 2018 when the Agency had 247 routine maintenance contracts in all the provinces valued at K471.27 Million and covering a total distance of 8,119.20 km. Ten (10) periodic maintenance road projects were undertaken in the year under review.

RDA 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 carried out various Force Account Projects throughout the country. As at 31st December 2019, the Agency had running Force Account Works with a total value of K 496,980,858.99. However, out of this amount only K 205,794,494.02 had been released leaving an outstanding amount of K 278,834,297.47.

OUR MANDATE

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 is also mandated under the Tolls Act No.14 of 2011 to administer and implement the National Road Tolling Programme (NRTP). In this regard, on 1st September 2015, RDA appointed the National Road Fund Agency NRFA as a Lead Tolls Agent through the provisions of the Tolls Act.

The functions of the Agency under the Tolls Act are to:

(a) Regulate the operation and maintenance of

toll roads.

- (b) Monitor compliance of concessionaires with the terms and conditions of concession agreements.
- (c) Advise the Minister on the design, construction, safety, regulation, operation and maintenance of toll roads; and
- (d) Perform such other function as may be conferred by, or under, this Act or any other law

PRINCIPLE FUNCTIONS

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

- I. Carry out routine and emergency maintenance of public roads.
- II. Conduct such studies as it may consider necessary for the development maintenance, and improvement of the road network in Zambia.
- III. Advise road authorities regarding the construction, rehabilitation, and maintenance of roads under their jurisdiction.
- IV. Provide guidance and technical assistance to road authorities.
- V. Receive and consider reports from road authorities on their activities and prepare quarterly and consolidated annual reports.
- VI. Recommend to the Minister the appointment of any person or institution as a road authority.
- VII. Prepare and review terms of reference and guidelines for road authorities including budget guidelines.
- VIII. Review from time to time the status of road authorities and recommend appropriate action to the Minister.
- IX. Making recommendations in relation to siting of buildings on roadsides.
- X. In consultation with the Road Fund Agency, recommend to the Minister funding for development of new roads.
- XI. In consultation with the owners of property served by an estate road and the Road Fund Agency, determine the proportion of the cost of construction and maintaining an estate road to be borne by such owners.
- XII. Prepare and award contracts and certifying works for public roads.
- XIII. Review design standards and classification of roads and traffic signs.
- XIV. Plan and coordinate the road network in the country; and
- XV. Enforcing axle load control and
- XVI. Carry out any other activities relating to roads which are necessary or conducive to the performance of its functions under the Act.

A sustainable fit-for-purpose road infrastructure in Zambia

OUR MISSION

To provide sustainable road infrastructure for connectivity and accessibility to spur socio-economic growth

CORE VALUES



BOARD CHAIRPERSON'S FOREWORD



It is with great pleasure that I present the 2019 Annual Report to review the performance of the Road Development Agency (RDA) for the year ended 31st December 2019. The Agency is a strategic institution mandated to plan, manage and coordinate the road network in the country and falls under the Ministry of Housing and Infrastructure Development. RDA is also mandated by the Tolls Act Number 14 of 2011, to provide for the operation of toll roads, provide for the charging and collection of tolls.

The importance of road infrastructure cannot be over emphasized as roads are arteries through which the economy pulses and make a crucial contribution to economic development and growth of any country. The aim of the road infrastructure projects is to transform Zambia into a truly land linked country, create jobs especially among the youths, contribute to reduction of road user costs and reduction in transit times.

In the year under review, the 2019-2021 Strategic Plan was formulated. The plan was built against the backdrop of the successes and lessons learnt in the implementation of the previous strategic plan. The plan has set out a road map for repositioning the Agency to effectively respond to the dynamic environment and is aligned to the broader perspectives as outlined in the Seventh National Development Plan (7NDP), which is the country's blue-print for development for the next five years, up to 2021 and it is a building block formulated to meet the goals contained in the Vision 2030.

The new vision for the Agency is working towards achieving “*A sustainable fit-for-purpose road infrastructure in Zambia*” while its Mission is “*To provide sustainable road infrastructure for connectivity and accessibility to spur socio-economic growth.*”

RDA will achieve its vision through its mission, objectives and strategies all anchored by the principal core values of *Transparency, Accountability, Equity, Integrity, Innovation, Excellence* and *Environmentalism*.

The RDA Board will in 2020 sign a Performance Contract with the Minister of Housing and Infrastructure Development as a way of ensuring effective delivery of the RDA Mandate with the motive for performance - related deliverables borne out of an emphasis on efficiency and the measurement of performance.

In order to fit into the country's broad *theme* of “*accelerating development efforts towards Vision 2030 without leaving anyone behind*” as espoused in the 7th National Development Plan with the primary goal of “*creating a diversified and resilient economy* for sustained growth and socio-*economic* transformation” an improved road infrastructure network will promote enhanced and safe connectivity across the country and preserve road asset investments.

Furthermore, upgrading and rehabilitation of roads and bridges fosters trade and development, facilitates movement of goods and services, and reduces travel times and costs.

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

A handwritten signature in black ink, appearing to read 'S. Mukupa', enclosed within a simple rectangular box.

MR. SAMUEL MUKUPA
BOARD CHAIRPERSON

ROAD DEVELOPMENT AGENCY

DIRECTOR & CHIEF EXECUTIVE OFFICER'S STATEMENT



The performance of Road Development Agency (RDA) exemplifies the efforts that the institution is making towards supporting the growth of various sectors of the country's economy.

It is our hope that you would find the 2019 Annual Report both informative and valuable and that it would give you a greater understanding of the work undertaken by the RDA in the year under review.

The report gives the details of the performance of RDA in line with the mandate as contained in the Public Roads Act and the Tolls Act.

As earlier alluded to by the Chairperson of the Board, the 2019-2021 Strategic Plan that is being implemented has 6 Strategic objectives indicating what is critical to the organizational strategy during the 2019-2021 fiscal years.

The six objectives in the plan include: to improve road asset management, improve road infrastructure, improve stakeholder management, improve financial management and capacity, improve operational processes and procedures, and improve human resource.

During the period under review, RDA as an Implementing Agency continued to execute projects on behalf of Government with the aim of providing sustainable road infrastructure for connectivity and accessibility to spur social economic growth. A good road infrastructure is the backbone and chief driver of socio-economic

development, which every country strives to achieve.

The year 2019 witnessed the groundbreaking ceremonies of road projects by the Republican President His Excellency Mr. Edgar Chagwa Lungu for the Improved Rural Connectivity Project (IRCP) on 12th July 2019 signifying the beginning of rehabilitation and construction of 3600 kilometres of feeder roads in all the 10 provinces of Zambia. Further, the President officiated at the groundbreaking ceremony of the Mporokoso-Nsama – Kaputa Road Project in Nsama District in Northern Province on 6th October 2019 marking the beginning of implementation of the programme to rescope projects from bituminous to gravel surface

The Head of State also commissioned successfully completed road projects among them the rehabilitated Great East Road from Luangwa Bridge to Mwami Border officiated in Chipata on 30th October 2019 and the Kalomo-Dundumwezi-Ngoma-Itezhi-Tezhi-Namwala Road Project in Southern Province on 21st November 2019.

The Government through the RDA acquired 131 prefabricated modular arrow 700XS steel panel Bridges from Acrow Corporation of America at a total cost of US\$73, 776, 849. The Acrow Bridge Project has been planned to be implemented in seven provinces which include Northern, Muchinga, Lusaka, North-Western, Luapula, Eastern and Central.

The Pavement and Geometric Design Standards for Urban and Rural (Low Volume) Roads in Zambia were developed. In addition, the Agency developed Climate Resilient Infrastructure Standards and Codes for the Road Transport Sector in Zambia, a Nordic funded Project whose aim is to systematically integrate climate resilience in the road transport sub-sector design and management process at policy level in the country.

We collaborated with the Disaster Management and Mitigation Unit (DMMU) and Zambia Defence Forces on various emergency works on roads and drainage structures. In addition to the emergency works the Agency, through Regional Offices carried out various Force Account Projects throughout the country.

In the year under review, we played host to technical experts for implementation of Phase II of the Japan International Cooperation Agency (JICA) Technical Cooperation Project (TCP) on Bridge Maintenance in Zambia. The overall goal of Phase II is to improve the conditions of bridges under RDA.

In order to promote discipline, safety and good health to create a pleasant working environment and good corporate image through participation of employees at all levels and with continuous practices that have been developed into corporate culture, the 5S Policy was launched in July 2019. Consequently, eleven (11) Quality Control Teams (KAIZEN Teams) were formed across the various Departments of the Agency. Furthermore, members of the Quality Control Core Team (QCC-T) were trained on KAIZEN and 5S concepts.

Investment in road infrastructure helps to connect people, drive commerce, and maintain global competitiveness. RDA undertook quality control testing on seven (7) projects.

Furthermore, four (4) failure investigations were conducted on the Luangwa – Feira, Bottom, Pedicle and Lumumba Roads.

Research – based field investigations were also conducted on the following road sections: Mansa – Mwense Road, Samfya – Musaila Road and Musaila – Mukuku pave Bridge Roads. The findings and lessons learnt assisted the Agency to provide durable cost-effective roads going forward.

RDA remains resolved and determined to oversee the completion of all key infrastructure projects such as the Link Zambia 8000, Improved Rural Connectivity Project (IRCP), National Road Tolling Programme (NRTP) and other major projects with a focused approach and renewed vigor as set forth in the strategic plan in its quest to transform the nation into a truly land linked country.

The Agency’s human capital function is evolving with the business to provide more integrated and relevant solutions focusing on enhancing human capital through skilled and motivated staff, improved staff performance, improved service provision and improved organizational culture.

The Agency, in a bid to promote employee wellness and enhance productivity, embarked on a monthly wellness programme where employees participated in aerobics. Further, the Agency revised its training and development Policy due to the changing internal and external environment. We continued to invest in the skills and talent development of our employees through training and development interventions.

We would like to thank all our stakeholders that we closely worked with in 2019 that included Government, Local Road Authorities, National Medium and Small Scale Contractors, Zambia Women in Construction, Engineering Institution of Zambia, Association of Consulting Engineers, Zambia Institute of Architects, Quantity Surveyors Registration Board, Road Users, Media, Road Sector Agencies, Traditional Leaders, Co-operating partners among others.

I am therefore, honoured to report on the performance of RDA for the year 2019 in line with the Agency’s mandate of care, maintenance and construction of public roads in the country as well as to provide for the operation of toll roads, provide for the charging and collection of tolls.



Eng. Elias Mwape

Director & CEO

Road Development Agency

2019 AT A GLANCE

Lusaka Roads 400 Project- Phase 3	Ndola-Kitwe Completion, Km	Link Zambia 8000 programme cumulative surfacing works, Km
146km	135	830
Periodic Maintenance, Km (Cumulative Progress)	Routine Maintenance, Km (Total Distance)	Pave Zambia 2000 (Cumulative) %
428.01	8,119.20	49
External Resources %	Local Resources %.	2019 RSAWP Budget, K' Million
45	31	6.45
Staff Establishment, No	Research and Development Activities, No.	Gazetted and Core Road Network, Km
432	17	67,671
Sub-Contractors (Cumulative)	Link Zambia 8000 (Cumulative) %	No. of Toll gates constructed
1,389	30	5



Housing and Infrastructure Development Minister Hon. Vincent Mwale with RDA Board Members at the launch of the 2019-2021 Strategic Plan at Government Complex.

RDA BOARD MEMBERS



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



Bishop Ed. Chomba
PS-Ministry of Local Government



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



Mr. 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. Gladwell Banda
Road Transport & Safety Agency



Eng. Elias Mwape
(Board Secretary)

RDA EXECUTIVE MANAGEMENT



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. Wesley Kaluba
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. Bernard Malama
Ag. Director - Audit & Risk Assurance

DEPARTMENTS AND THEIR KEY FUNCTIONS

Central Administration		
<p>The Central Administration is headed by the Director and Chief Executive Officer who is also the overall Head of the Agency. Central Administration also consists of the Monitoring and Evaluation Unit which is involved in project monitoring, evaluation and assessment of the performance of Consultants and Contractors as well as coordination of the implementation of KAIZEN and 5S.</p>		
Communications & Corporate Affairs	Planning and Design	Procurement
<p>The Communications and Corporate Affairs Department is responsible for Communication strategy, media relations, crisis communications, internal communications, reputation management, corporate social responsibility, government affairs, publicity and dissemination of information.</p>	<p>The Planning and Design Department is responsible for planning of road works, feasibility studies, bridge projects and consultancy services. The Department also oversees research and development studies, environmental and social assessments and assists in the procurement of projects.</p>	<p>The Procurement Department is responsible for the procurement of goods, works and services and also the preparation of the annual procurement plans which are derived from the RSAWPs.</p>
Construction and Rehabilitation	Road Maintenance	Commercial and Technical Services
<p>The Construction and Rehabilitation Department is responsible for monitoring and supervision of construction, rehabilitation and upgrading of road and bridge works.</p>	<p>The Road Maintenance Department is responsible for the implementation and supervision of maintenance projects. It is also responsible for ensuring that maintenance works are carried out in accordance with design specifications.</p>	<p>The Commercial and Technical Services Department is responsible for enforcement of axle load control regulations as well as carrying commercial business objectives including activities of mechanical services.</p>
Finance	Human Capital & Administration	Legal Services
<p>The Finance Department is responsible for management of operational finances, collection of revenues and final verification of payment certificates. It is also responsible for maintenance of asset records and management of RDA stores.</p>	<p>The Human Capital and Administration department includes the management and development of staff in the Agency. It is responsible for staff recruitment, training and development, employee relations, health, and safety of workers.</p>	<p>The mandate of the Legal Department is primarily to provide legal services to the Agency. The Directorate also assist CEO to provide secretarial services to the Board and its Committees.</p>
Audit and Risk Assurance		
<p>The Department is responsible for assisting the RDA Board and Management to accomplish its objectives by being systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance process.</p>		

SECTION 1

FINANCIAL AND PROGRAMME PERFORMANCE

1.1 Financial Performance

Implementation of the 2019 Annual Work Plan

The road 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 and services. 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 others.

FUND SOURCE	2019 BUDGET K'000	PERCENTAGE %
Contractor Facilitated Initiative (CF)	1,014,000.00	16
External	2,910,600.00	45
Local -GRZ Roads	2,005,572.38	31
Private Public Partnership (PPP)	521,500.00	8
GRAND TOTAL	6,451,672.38	100

Figure 1: 2019 AWP Funding by Source

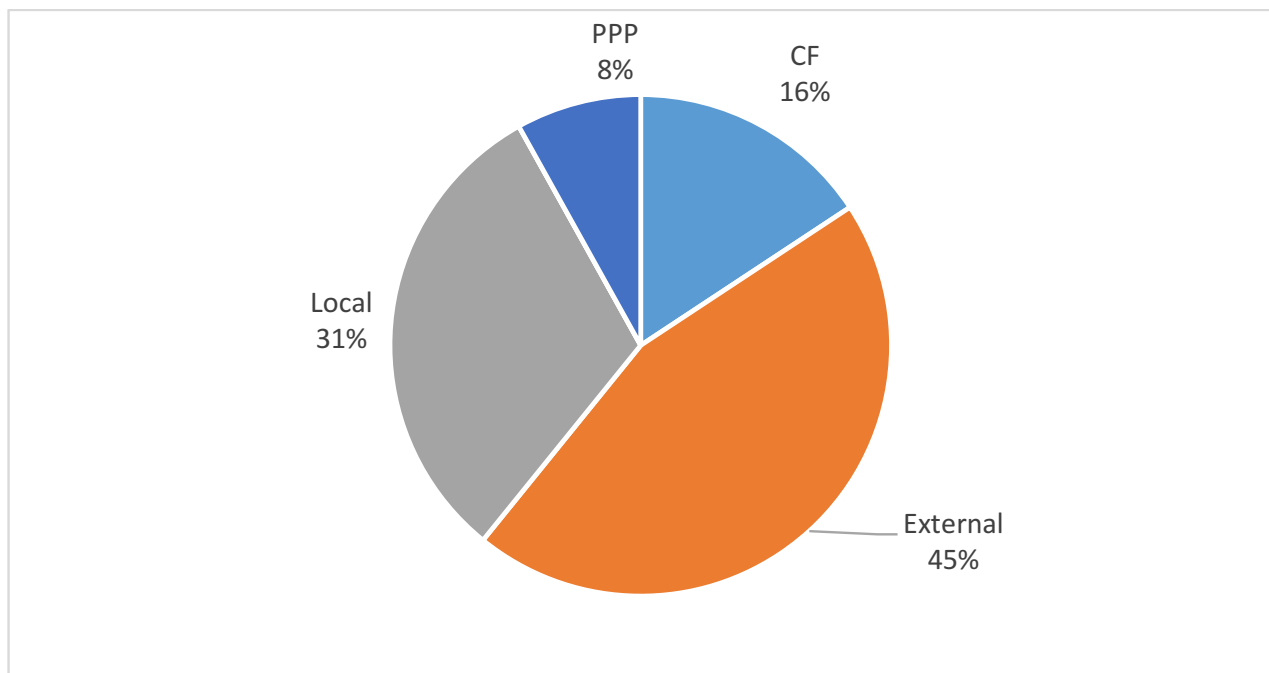


Figure 1 above shows the funding sources summary for the 2019. The 2019 RSAWP had a total value of **K6.45 billion** comprising 45% external financing (Loans and Grants), 31% from local resources in the form of direct GRZ funding from the Treasury and the Road Fund, 16% Contractor Facilitated Initiative (CFI) and 8% Public Private Partnership (PPP).

SECTION 2

OUR ROAD NETWORK

2.1 Zambian Road Network

2.1.1 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 1.

Table 1: 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 management of some roads to Local Road Authorities (LRAs) and the Department of National Parks and Wildlife under the Ministry of Tourism and Arts which has delegated responsibility of managing about 6,600Km of National Park Roads.

2.1.2 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 (PAPS) 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 national public media and other platforms.

Figure 4: Rehabilitation works on the Kafue Mazabuka road Lot 1.



SECTION 3

2019 ACTIVITIES

RDA undertook various interventions on roads and bridges, such as rehabilitation, upgrading works, routine maintenance, emergency works, spot improvement, periodic maintenance and reconstruction works.

3.1 Planning, Design and Research & Development

We continued to plan for the development, maintenance, and care of the Core Road Network (CRN). The Agency continued to prepare works and services solicitation documents for various projects approved in the year 2019 RSAWP. The aim was to continue accelerating infrastructure development for economic growth as outlined in the 7NDP. The following critical activities were undertaken.

Preparation of the 2020 Road Sector Annual Work Plan (RSAWP)

The Agency prepared the 2020 Road Sector Annual Work Plan (RSAWP) based on the budgetary ceilings provided in the Medium-Term Expenditure Framework (MTEF) for the period 2019 to 2021. The budgetary ceiling for local resources stood at K2.72 billion representing a 36 per cent increase compared to the 2019 ceiling.

The 2020 RSAWP was presented and approved by Parliament on November 19, 2019. The total road sector budget for 2020 was K 10.55 billion comprising K 2.72 billion Local Resources (26%), K6.82 billion External Resources (65%), K539.1 million Contractor Financing (5%) and K472 million Public Private Partnerships (PPP) (4%).

Enhance Implementation of the National Road Safety Guidelines

The contract for the provision of Road Safety Inputs for the Chinsali-Nakonde Road Rehabilitation Project was signed on September 18, 2019 with Messrs. NTU International A/S at a contract sum of US\$ 829,876.00 and K187,800.00 respectively. The contract has five (5) key inputs: Road Safety Education and Publicity Campaign; First Responder Training; Rescue Operations Training; Procurement of Rescue Operations Equipment and Road Safety Audits.

Road Safety Inspections

Thirteen (13) road safety inspections were conducted during the period under review to

enhance road safety on selected sections of the core road network. One Hundred road signs were procured and installed in conjunction with the Lusaka City Council and RTSA. The road signs were procured to replace stolen or vandalized signs on Great East road roundabout – Airport roundabout and Kafue road (Kafue roundabout to Chilanga).

Operations of the Central Material Laboratory

In order to ensure and monitor the quality of works seven quality control tests were conducted on projects. Further, four (4) failure investigations were conducted on the Luangwa – Feira, Bottom, Pedicle and Lumumba Roads. Research – based field investigations were also conducted on the following road sections: Mansa – Mwense Road, Samfya – Musaila Road and Musaila – Mukuku Bridge Roads.

Review of Zambian Standard Guidelines:

The Development of Pavement and Geometric Design Standards for Urban and Rural (Low Volume) Roads in Zambia manuals were approved by the RDA Board. The Agency also implemented the development of Guidelines and Specifications of Low Volume Sealed Roads. The Manuals would help reduce the cost of constructing roads by ensuring that roads are constructed in proportional to their volume of traffic. The guidelines have since been distributed to Contractors and Consultants.

Research and Development Projects

The Research and Development studies in the period under review involved the implementation of Superpave (Performance Grade Bitumen) Technology in Zambia reviewing the Marshal Stability Mix Design (MSMD) as applied in Hot Mix Asphalt (HMA) concrete surfacing; reviewing the failure mechanism on the asphalt concrete surfacing in Zambia; reviewing the Superpave design technology; establishing the possibility of incorporating the Superpave design system into the RDA hot mix asphalt design procedures among other projects undertaken.

Consultancy Services for Development of a Strategic Road Sector Investment Programme III (ROADSIP III) Bankable Document under the Chinsali - Nakonde Road Rehabilitation Project (North – South Corridor).

RDA continued to oversee the contract for the Development of a Strategic Road Sector Investment Program III (ROADSIP III) Bankable Document under the Chinsali - Nakonde Road Rehabilitation Project (North – South Corridor). This is an African Development Bank funded project in which the Consultant engaged, Messrs. LEA Associates South Asia PVT Limited (India) in association with Iliso Consulting (Zambia) Limited, was required to develop a budget and financing strategy for the road sector projects and Programmes that would constitute a 12-year pro-poor Road Sector Investment Program III.

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

In response to the effects of climate change resulting in damage to bridges and roads, RDA continued to implement a study funded by the Nordic fund aimed at systematically integrating climate resilience in the road transport sub-sector design and management process at policy level in Zambia. The project also aimed at developing climate-resilient infrastructure standards and norms, which were to be incorporated into all relevant documents, construction and maintenance guidelines and tools.

OPRC Roll-Out Programme

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. In May 2017, the World Bank Board of Directors approved US\$ 200 million for the implementation of the IRCP in six (6) Provinces, namely Central, Eastern, Luapula, Northern, Muchinga and Southern Provinces. A total of over 2,500km of Primary Feeder Roads are targeted to be rehabilitated and maintained using the Output and Performance based Road Contracts (OPRC). The roll-out plan targets all the Provinces in the Country and will cover about 4200km of feeder roads, with funding from both GRZ and World Bank.

On July 12, 2019, the project was officially launched by H.E. Dr. Edgar Chagwa Lungu. The ceremony took place in Mkushi District. The launch followed the commencement of the contracts on June 28, 2019 for Packages 1 and 2 in Mkushi and Chibombo Districts of Central Province respectively. Further, considerable progress was made in the procurement process for the various civil works packages in Eastern, Luapula, Northern, Muchinga and Southern Provinces.

National Feeder Roads Programme

The procurement of phases I and II of the National Feeder Roads Programme (NFRP) commenced during the period under review. The objective of the Programme is aimed at rehabilitating and maintaining approximately 7,000km of (4,000km – Phase I and 3,000km – Phase II) feeder roads using the Contractor Facilitated Initiative (CFI) mode of financing.

Phase I of the contract was awarded to Messrs. AVIC International Project Engineering Company at a revised contract sum of US\$424, 005,981.87 VAT Inclusive with a contract duration of sixty (60) months and was signed on December 19, 2019.

Phase II was awarded to Messrs. China Geo Construction Engineering Corporation and the contract was signed on September 11, 2019 at a revised contract sum of US\$ 50 million VAT inclusive with a contract duration of sixty (60) months.

Bridge Maintenance, JICA Technical Cooperation Project (TCP) Phase II:

The period under review saw the implementation of Phase II of the Japan International Cooperation Agency (JICA) Technical Cooperation Project (TCP) on Bridge Maintenance in Zambia. The goal of the project is to improve the conditions of bridges administered by RDA. One of the outputs of TCP II was the enhancement of capacity in Bridge Repair technology. To achieve this, three (3) bridges were selected on a pilot project for Repair methods. These included the Rufunsa Bridge in Chongwe District, Katima Mulilo Bridge in Katima Mulilo Town and Luena Bridge in Kaoma District.

Acrow Bridge Project

Figure 5: Inspection of Acrow Bridge Components



Housing and Infrastructure Development Minister Hon. Vincent Mwale and PS Eng. Charles Mushota together with RDA staff inspect Acrow Bridge Components at RDA Mumbwa workshop in Lusaka West.

The Agency launched the tenders for the construction of thirty-five (35) Acrow Bridges with Luapula seven (7), Muchinga five (5), Central five (5), North Western ten (10) and Northern Provinces eight (8). These tenders were reserved for shortlisted Zambian owned firms registered with the National Council for Construction (NCC) in Categories R or C and Grades 1 to 4. The civil works would commence in 2020. On the other hand, the contract for the construction of ten (10) Acrow bridges in Eastern Province Lot 1 was awarded to Messrs. Sunshare Construction and works are anticipated to commence in 2020.

The Agency has a target to construct at least forty-five (45) Acrow Bridges country-wide in the period 2019 to 2020. Government through RDA has a contract with Acrow Corporation of America for the arrangement of financing, design, fabrication, and delivery of 131 prefabricated modular Acrow 700XS Steel Panel Bridges at a total project value of US\$ 73,776,849.00. All the Bridge components have since been delivered.

Promotion and Implementation of PPPs in the Road Sector

Kasomeno to Mwenda Road: The Agency signed a Concession Agreement with Messrs. Groupe European de Development (GED) Projects Africa Zambia Limited on August 5, 2016 for the Financing, Design, Build, Operate and Tolling of the Kasomeno to Kasenga to Chalwe to Mwenda Road Project (85km) in Luapula Province under the Private Public Partnership (PPP) Model at an estimated cost of US\$180 million and a concession period of 25 years. The Kasomeno to Mwenda Road project was initiated in 2012 following a proposal submitted by Messrs. GED Projects Africa Zambia Limited to undertake the project. The Senior Lenders for the project are the Development Bank of Southern Africa (DBSA). Funding for the development components of the project has been agreed between DBSA, Duna Asphalt and GED Projects Africa Zambia Limited. The Memorandum of Understanding (MoU) between the Government of the Republic of Zambia and the Democratic Republic of Congo was signed in 2019.

Other PPPs include Chilanga to Chirundu, Chingola to Solwezi Road and the Ndola to Kasumbalesa road which are still under consideration.

We continued to implement various resource mobilization strategies among which included the use of **Contractor Facilitated Initiative (CFI)** mode of financing on projects and negotiating with Cooperating Partners such as the European Union (EU) and European Investment Bank (EIB). The CFI projects include the Lusaka and Kafue Bypass, Piccadilly Circus to Mkushi Road, and Mpongwe to Machiya Road. Notable achievements recorded in 2019 included the signing of the Contract for the Upgrading of the 132km Mpongwe to Machiya road to bituminous standard with Messrs. KPMM Earthworks with a duration of thirty (30) months. The contract was signed on October 11, 2019.

The Agency continued liaising with Cooperating Partners such as the European Investment Bank (EIB) and the European Union (EU) to fund the rehabilitation of 164.6km of the Mpika to Chinsali Road. EUR 110m loan has since been approved towards the cost of rehabilitation. The Africa Investment Facility (AfIF) on September 15, 2017 at its Board meeting approved the European Union's (EU) Investment and Technical Assistance grant of EUR 72.75m. The loan agreement for consulting services to support for the rehabilitation of the Great North Road is anticipated to be signed by the end of the first quarter of 2020.

3.2 Procurement of Works

Thirty-four (34) works procurements were commenced.

The Agency complied with the CEEC Act provisions by categorizing tenders on preferential and reserved schemes to empower Zambians. Further, RDA ensured that 20 percent subcontracting was a mandatory requirement on all major tenders advertised (whenever applicable).

Contracts awarded

Fifteen (15) works contract valued at K3,510,576,935.28 VAT inclusive and US\$312,048,579.00 VAT inclusive were awarded between 1st October 2019 and 31st December 2019.

3.2.1 Procurement of Consultancy Services

Thirty-seven (37) procurement consultancy services were commenced, broken down as follows:

- i. Sixteen (16) Open International Selection (OIS)
- ii. Three (3) Open National Selection (ONS)
- iii. Fourteen (14) Limited Selection (LS)
- iv. Three (3) Single Source Selection (SSS)
- v. One (1) Individual Consultant (IC)

Contracts awarded

Sixteen (16) consultancy services contracts totalling K111,294,894.22 and US\$6,502,026.33 were awarded in the fourth quarter of 2019.

3.3 Construction, Upgrading and Rehabilitation Works

Figure 6: Rehabilitation works on the Chinsali-Nakonde road



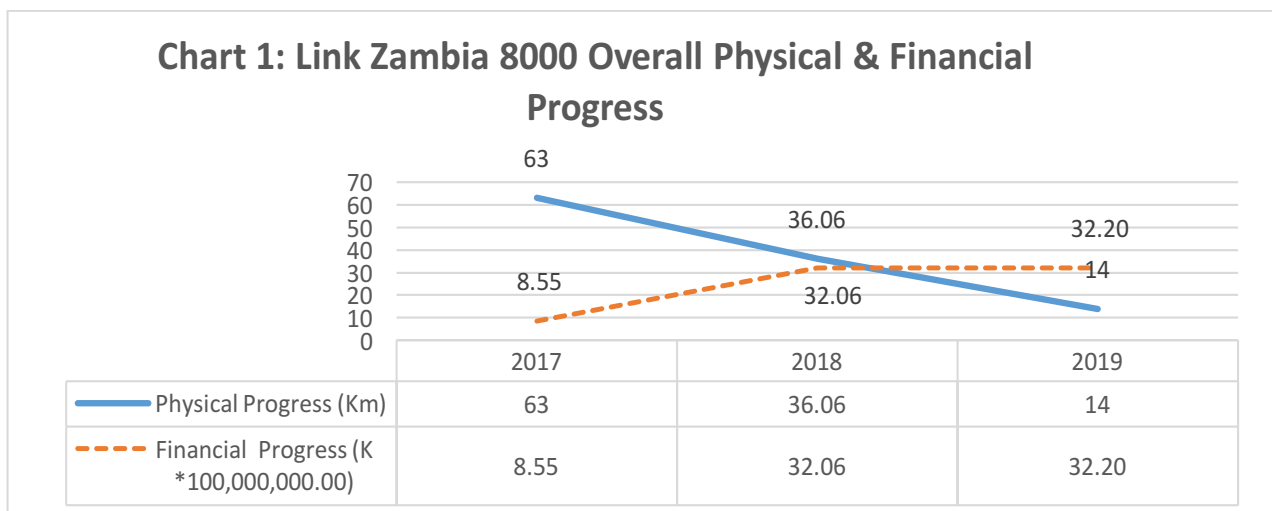
Link Zambia 8000

Under Link Zambia 8000 the cumulative total surfaced distance under the programme stood at 830 Km out of the total of 5,209Km under implementation.

The overall progress including the completed projects is thirty percent (30%). A total value of **K 12.7 Billion** has been certified to date from 2012. During the period under review (2019), **K3.2 Billion** was certified for works and consultancy services.

In order to manage the cashflow challenges the Agency commenced the rescoping of selected projects.

Major Rehabilitation Projects



Under Major Rehabilitation Projects, 191km surfacing was achieved attributed to Kalomo-Dundumwezi (Climate Resilience Road, 168.8Km), Turnpike-Mazabuka Lot 1 (19.2Km) and Chinsali-Nakonde Lot 1 (5Km). The cumulative distance under Major Rehabilitation stood at 1,173Km out of a total of 3,113.53Km under implementation. Chart 2 shows the progress achieved under Major Rehabilitation in the past three (3) years.

Major Bridges and Other Civil Works Projects

Major bridges such as Kazungula, Kafue Hook, Matumbo, Kampemba and Mbesuma works were on-going.

Toll plaza construction

RDA constructed and operationalised four (4) Toll Plazas. These are Wilson Mofya Chakulya, Frederick Chiluba, Daniel Munkombwe and Enock Kavindele. Works at Kafulafuta Toll Plaza were nearing completion. Fourteen Million and Five Hundred Thousand Kwacha (**K 14.5 Million**) was certified for the Tolling projects and Two Hundred and Thirty Million, Five Hundred Thousand Kwacha (**K 230.5 Million**) had been certified.

Toll Revenue Collections and Tolling Operations

Toll Revenue Collections

The implementation of the NRTP has continued to make positive progress as can be seen from the increased number of toll stations in operation and improved performance in collected toll revenues. In 2019, a total of K1.212 Billion was collected against budgeted collection of K1.046 Billion from both in land and Port of Entry Toll Collections point, representing an overall collection efficiency performance of 116%. These revenues were collected from 24 Inland Toll Station and 09 Port of Entry collection points.



Pave Zambia 2000 Project

The Agency continued to implement the revised Pave Zambia strategy whose objective is to improve the condition of the Urban road Network using concrete blocking paving technology to rehabilitate and construct urban and township roads in Zambia while simultaneously creating employment for the Zambian youth.

The cumulative certified amount under the programme for both active and completed projects stood at Seventy-Six Million Kwacha (**K 76 Million**). The cumulative progress is estimated at forty-nine percent (49%). Chart 4 shows the summary progress of the Pave Zambia 2000 for three (3) years.

LINK ZAMBIA 8000 PROGRAMME

The Agency is implementing Forty-Four (44) civil works contracts, representing approximately 5,209 Km under the Link Zambia 8000 Programme. 14Km surfacing works were recorded. This means the cumulative total surfaced roads open to traffic to date is now at 830Km out of 5,209 Km under implementation.

The Progress on some of the Link Zambia 8000 projects is highlighted in this section.

M3 Mansa to Luwingu

The Contract for the Design and Construction of Mansa to Luwingu (M3) Road (175Km) in Luapula and Northern Provinces and 30 Km of Township Roads in Mansa and Luwingu is substantially complete.

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.

Upgrading of the Road T3, Kitwe to Chingola Dual Carriageway

The Project for the Construction of a 45.5 Km Dual Carriageway between Kitwe and Chingola on the Copperbelt Province commenced on March 29, 2013 and the revised Completion Date is August 30, 2020. The total overall percentage completion of the works is currently at 93.1% against a revised time lapse of 91%. The Contractor is Sinohydro (Z) Ltd while Brian Colquhoun Hugh O'Donnell and Partners (BCHOD) is the Construction Supervision Engineer.

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

The Contractor is China Harbour Engineering Company while the Design Review and Supervision Consultant is Messrs' Andosa Consulting Engineers. The Consultant has concluded the design review for the entire road in accordance with the Terms of Reference. The Contractor had commenced works with overall physical progress standing at 2% by 31st December,2019. Only about 3km of the road section had been resurfaced. The revised Intended Completion Date is July 23, 2021.

Link Zambia 8000 Consultancy Contracts

Twenty-Two (22) Contracts for Supervision Services are currently running under the Link Zambia 8000 Programme. The Consultants engaged by the RDA are responsible for the design, supervision and day to day administration of the Work Contracts in terms of adherence to standards and specifications.

MAJOR CONSTRUCTION, REHABILITATION AND UPGRADING PROJECTS

Under Major Projects, 191km surfacing was achieved during the period under review. This achievement was recorded on the rehabilitation of T1, section between Turnpike and Chikankanta Lot 1, the Improvement to Climate Resilient Standards of Strategic Roads in the Kafue River Basin and Chinsali Nakonde Road. This included Chingola to Solwezi Road (T5) – Lot 2, Chingola to Solwezi Road (T5) – Lot 3 where Physical Progress is at 95% against the planned 100%. The outstanding works included widening of Solwezi Bridge to accommodate the extension of the Dual Carriageway to Mitech junction

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 K 857,207,326.35. The Consultant is Civil and Planning Group Ltd. The project is scheduled to be complete by August 16, 2022. The Contractor has completed maintenance activities including pothole patching aimed at alleviating the bad road condition. The Contractor also undertook various construction activities among them earthworks, drainage, and trial section for asphalt works. The project is funded by African Development Bank (AfDB).

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

The Contractor for rehabilitation of Chinsali-Nakonde Lot 2, from Isoka to Nakonde is China Railway Seventh Group Ltd at a Contract Sum of K 778,783,747.49. The Consultant is Civil and Planning Group Ltd. Physical progress stood at 8.7% where the Contractor completed maintenance activities including pothole patching aimed at alleviating the bad road condition and surfaced 5km. The project is funded by African Development Bank (AfDB).

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 K 195,686,758.89. Works are currently on-going and scheduled to be complete on October 17, 2020. Physical progress stands at 48%. During the period under review the Contractor surfaced 19.2km. This section of the road has been opened to traffic.

Rehabilitation of Road T1, Section between Chikankata Turnoff to Mazabuka General Hospitals (33.5Km), Lot 2 (Package 4 - North South Corridor)

The Contract for Rehabilitation of 33.5Km of the Road T1, Section between Chikankata Turnoff to Mazabuka General Hospital was awarded to China State Construction Engineering Company Ltd at a Contract Sum of K 184,935,938.00. The Commencement Order was issued on December 3, 2019. During the period under review the Contractor started mobilising to site. Works are scheduled to be complete on June 3, 2021.

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

The Contract for the Improvement to Climate Resilient Standards of Strategic Roads in the Kafue River Basin through Output and Performance Road Based (OPRC) Contracts - Kalomo, Dundumwezi, Ngoma, Itezhi Tezhi, Namwala project commenced in August 2017. The contract will run for 5 years with 2 years rehabilitation and the remaining 3 years for maintenance. During the period under review 168.8Km gravel finish surfacing was recorded resulting in the completion of rehabilitation works. The project was commissioned on November 21, 2019.

Rehabilitation of Great East Road - Nacala Corridor

The road works on the Nacala Corridor from Luangwa Bridge to the Mwami Border covered a stretch of 359.6Km and the road was officially handed over at the event witnessed by His Excellency the President of the Republic of Zambia Mr. Edgar Chagwa Lungu. The project was supported by the European Union, through the European Development Fund (EDF) and the European Investment Bank (EIB), the French Agency for Development (AFD) and the African Development Bank (AfDB).

Upgrading of Pedicle Road

Works on the Contract for the Upgrading of 70 km of the Pedicle Road in the Democratic Republic of Congo (DRC), including Construction of One Reinforced Concrete Bridge at Lubembe along the road

were ongoing albeit at slow pace. The Contractor, Messrs, Copperfield Mining Services were making an effort to correct observed defects on the road.

Mpongwe to Machiya Road

On October 11, 2019, the Road Development Agency signed a new Civil Works Contract (combination of Lots 1 and 2) under the Contractor Financed Initiative (CFI) arrangement with Messrs. KPMM Roads and Earth Works (Pty) Ltd for the upgrading to Bituminous Standard of approximately 132Km of the Mpongwe to Machiya Road in the Copperbelt and Central Province at the Contract sum of USD 156,000,000.00 VAT inclusive. The commencement of the Works awaits the finalization of the Financing Agreement with the Ministry of Finance.

BRIDGES AND OTHER CIVIL WORKS CONTRACTS

Kazungula Bridge Project

The Kazungula Bridge is a joint Project between the Government of the Republic of Botswana and the Government of the Republic of Zambia. The Southern African Development Community (SADC) Secretariat, in accordance with the SADC Protocol 2000, has the lead role in fostering closer cooperation among parties to implement the Project.

The Project lies on the border between the two countries on the North-South Corridor (NSC), a vital trade route in SADC for countries including Zambia and Botswana. Other beneficiaries to the corridor include Tanzania, Malawi, Zimbabwe, DRC, South Africa, Namibia and Mozambique. The Project is split into three complimentary packages:

Package 1 – Construction of Bridge and Approach Ramps

The Contract for Construction of Kazungula Bridge Project –Package 1 with an Initial Contract Amount of US \$ 161,961,304.84 commenced on December 5, 2014. The initial contract period was 48 months with completion scheduled for December 6, 2018. The Completion Date was revised to August 9, 2019 and the Contract Sum to US \$ 174,184,799.54. Physical progress recorded was at 91%.

Package 2 – One Stop Border Post, Botswana

The works commenced on April 1, 2016 and the revised Completion Date is August 2020. The Contract Sum is BWP 440,116,275.30. The Botswana One-Stop Border Facilities consist of 10 main Buildings (Total 5000m²), circulation road of 800m, Parking (Car -42 bays; Bus -6 bays; and Trucks; 84 bays), and Main Bridge approach road of 2,692 m. The works are financed through a loan from Japan International Cooperation Agency to the Government of the Republic of Botswana.

The cumulative progress was estimated at 99 percent against a time lapse of over 100 percent.

Package 3 – One Stop Border Post, Zambia

The works on the Zambia One Stop Border Post are ongoing. The Contractor is Anhui Foreign Economic Construction Group Co Ltd. The Contract Sum is K 263,670,419.98. Works commenced on June 19, 2017 and revised completion Date was January 11, 2020. 34 percent physical progress was recorded during the period under review to close at cumulative 85 percent from the previous 51 percent in 2018.

The cumulative physical progress stood at 85 percent.

WEIGHBRIDGES

Mumbwa Weighbridge

The contractor Messrs. Scirocco Enterprise Limited had completed most of the civil works with the outstanding works mainly being the multi deck installation whose completion stood at 95%.

Solwezi Weighbridge

The contract was awarded to Messrs. Savenda Management Services Limited. BNC/LNH have been appointed to supervise the works. The Contract commencement date was January 12, 2018 and initial completion date of January 11, 2019, which had been revised to February 11, 2020. Physical Progress is estimated at 21.5%. Progress has been slow due to delayed payment of IPCs.

SUB-CONTRACTING TO ZAMBIAN CITIZEN-OWNED CONSTRUCTION COMPANIES

The 20% Sub-contracting Policy is only applicable to civil works exceeding ZMW 30 million. Contracts below the ZMW 30 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.

ENGAGEMENT OF SUB-CONTRACTORS

The Government of the Republic of Zambia through the Road Development Agency has created opportunities for local contracting companies who are participating in road construction activities. Through this policy it is expected that local road construction capacity will be enhanced especially amongst the indigenous Zambian local road construction firms.

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 engagement on the works.

The number of subcontractors who are participating or earmarked to be engaged in road construction activities now stands at over **1,389**. 421 subcontractors were nominated to various projects. The number of Subcontractors engaged under the Link Zambia, L400 Phase II, L400 Phase III, Zambia Township Roads Lot 1, Zambia Township Roads Lot 2 and Other Projects stood at **535** with estimated work value of **ZMW 2,673,133,457.00**. This represents approximately **8.3** percent.

Summary of Current Subcontracting Status

No	Project	No of Sub-contractors		Value of Works Contract (ZMW)	Value of Subcontract (ZMW)	%
		Nom.	Engaged			
1	Link Zambia	462	142	9,224,382,288.97	634,122,138.75	6.8
2.a	L400 Phase II	211	211	\$ 241,181,000.00	\$ 42,575,246.40	17.7
2.b	L400 Phase III	176	52	\$ 241,106,088.00	\$ 12,124,949.00	6.7
3.a	ZTR 1	175	60	\$ 232,225,621.00	\$ 11,471,538.19	4.9
3.b	ZTR 2	23	0	\$ 229,195,226.00	\$ 00.00	0
4	C400	33	0	\$ 492,510,588.00	\$ 0.00	0
5	Other Projects	309	70	5,518,945,118.03	500,365,137.53	9.1
Totals		1,389	535	33,414,168,210.0*	2,758,168,982.50	8.3

The Agency attaches great importance to the participation and enhanced collaboration of local contractors, in this regard the position of Senior Manager - Pave Zambia was re-designated to Senior Manager - Local Capacity Enhancement. The re-designation of the position was informed by the decision to respond to the demand for promotion of local contractors and effective management of subcontracting.

3.4 Road Maintenance and Emergency Works

We continued to implement the Road Maintenance Strategy (RMS) a pathway for the provision of maintenance activities on the Core Road Network (CRN).

Routine Maintenance of Trunk, Main and District Roads (TMDs)

The Agency had 496 on-going Routine Maintenance Contracts in all the provinces valued at K992.72 Million and covering a total distance of 15,845.84 km of both paved and unpaved roads. This was an increase from the status at the end of 2018 when the Agency had 247.00 on-going Routine Maintenance Contracts in all the Provinces valued at K471.27 Million and covering a total distance of 8,119.20 km.

Periodic Maintenance

There were nine periodic maintenance road projects that were being undertaken by the Agency. 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. Others were Solwezi Mwinilunga Lot 1 and 2 in North-Western Province, Linda - Kafue including U8 Chanyanya Road in Lusaka Province, Livingstone – Sesheke (Lot 2) (M10) and Completion of Livingstone – Sesheke (M10) Lot 1 in Southern Province.

Figure 7: Rehabilitation of Turn Pike – Chikankata Turn off Road



Table 3 below shows the cumulative progress achieved on the various on-going and terminated road projects under periodic maintenance, as of 31st December 2019.

Table 3: Ongoing road projects under Periodic Maintenance

No.	Road Name	Contract Length (km)	Progress as at 31 st Dec. 18 (Km)	Progress in 2019 (Km)	Cum. Progress as at 31 st Dec 19 (Km)	Progress as at 31 st Dec 19(%)
1	Ndola-Kitwe Dual Carriageway (T3)	135	135	0	135	98%
2	Completion of Livingstone - Sesheke Lot 1 (M10)	115	58	0	58	70%
3	Livingstone - Sesheke Lot 2	97	0.5	1.5	2	5%
4	Chambeshi Bridge - Kasama	217	9.6	0	9.6	4%
5	Vyamba Chinakila Road	43	33	5	38	85%
6	Mutanda Kasempa Road	30	12	0	12	50%
7	Solwezi Mwinilunga road Lot 1	136.6	100	0	100	77%
8	Solwezi Mwinilunga road Lot 2	151.8	9.41	0	9.41	22%
9	Linda - Kafue Estate Road	104	41	23	64	72%

Urban Roads completed

The urban roads projects were undertaken in Lusaka, Copperbelt and Central provinces. Lusaka Urban Roads (L400) Phase II was completed.

The table below is a summary of ongoing urban road projects. Works on Lusaka Urban Roads (L400) Phase III commenced and significant progress was made in the year 2019.

Table 4: On going urban road projects

No.	Road Name	Contract Length (km)	Progress as at 31 st Dec 18 (Km)	Progress in 2019 (Km)	Cum. Progress as at 31 st Dec 19 (Km)	Progress as at 31 st Dec 19 (%)
1	Kabwe/Kapiri Mposhi Urban Roads	78	43	0	43	54%
2	Lusaka Urban Roads (L400) Phase II	146	168.60	4.20	172.8	118%
3	Lusaka Urban Roads (L400) Phase III	116	0	130	130	112%
4	Zambia Township Roads (Lot 1)	152	56.57	88.43	145	95%

FEEDER ROADS

The on-going Feeder Road projects are summarized in table 5 below

Table 5: Ongoing Feeder Roads projects

No.	Road Name	Contract Length (km)	Progress as at 31 st Dec 18 (Km)	Progress in 2019 (Km)	Cum. Progress as at 31 st Dec 2019 (Km)	% progress as at 31 st Dec. 19
1	223 km of Feeder Roads in Nalolo	223.00	48.00	0.00	48.00	22%
2	Agricultural Feeder Roads in Mungwi	52.00	10.00	0.00	10.00	19%
3	50 Km of Agricultural Feeder Roads in Kaputa	50	0.00	0.00	0.00	0%

Bridges

The Agency carried out Construction/Maintenance of minor bridges and the progress made is as shown below.

Table 8: Bridge under construction/maintenance projects

No	Project	Province	Status as at 31 st Dec 18	Status as at 31 st Dec 19
1	Construction of 48m Mushitala Bridge	North Western	30%	30%
2	The Construction of Chewe Bridge on Luangwa River and 20Km access road in Mporokoso	Northern	40%	40%
3	Construction of Minga, Kaluwa and Nsanya stream crossings in Petauke	Eastern	97%	100%
4	Construction of Mwambezi, Konkunda, Sankhata, Ncheza and Sambangomwa stream crossings in Petauke	Eastern	65%	100%
5	Construction of Mabuella Bridge and Embankment	Western	90%	100%
6	Supply and installation of solar lighting on Luangwa Bridge on Great East Road (T4)	Eastern	10%	100%
7	Emergency repair/construction of culvert drainage structures in Chongwe District of Lusaka Province (Lot 1, 3 & 4)	Lusaka	0%	61%
8	Roll out programme for Bridge Routine Maintenance under JICA Support	Northern	0%	5%

Emergency Works / Force Account Works

The Agency in collaboration with the Disaster Management and Mitigation Unit (DMMU) and Zambia Defence Force, worked on various emergency works on roads and drainage structures. In addition to the emergency works, the Agency, through Regional Managers, carried out various Force Account works throughout the country. As at 31st December 2019, the Agency had running Force Account Works with a total value of K 496,980,858.99. However, out of this amount only K 205,794,494.02 had been released leaving an outstanding amount of K 278,834,297.47.

Msuzi Culvert on Chipata – Lundazi Road (M12): The construction of the washed away bailey bridge was completed in the 2nd Quarter of 2019.

Lunzua Bridge on Mbala – Mpulungu Road: Installation of a Bailey Bridge was completed in the 4th Quarter of 2019.

Lufune Bridge on Great North Road in Mpika District: Following a wash away in February 2019 of a culvert at Lufune about 25km from Mpika along T2 Great North, RDA embarked on constructing the Lufune Box Culvert. The main structure has been completed with protection works outstanding.



Figure 8: Lufune Box culvert under construction

Emergency Maintenance Works on T2 Lukulu – Chinsali Road: The contract for the Emergency Maintenance Works on T2 Lukulu – Chinsali in Muchinga Province commenced on September 27, 2019. About 45km of pothole patching has been achieved including the rehabilitation of the 1.6km deteriorated portion at Lukulu bridge.



Figure 9: RDA Vice Board Chairperson Eng. Yamfwa Mukanga and Board Member Dr. Mutaba Mwali inspect works at Lukulu Bridge.

Ngozi Culvert Washaway on Great East Road in Nyimba District: On December 14, 2019 following a heavy rainfall that was experienced in Nyimba District in Eastern Province, rainwater overtopped a road section at Ngozi Culvert along T4 Great East Road, about 21 Kilometers from Nyimba towards Petauke due to a flash flood. The procurement of a Contractor to undertake the repairs commenced in December 2019.



Figure 10: The Acrow Bridge which was mounted as a temporary measure at Ngozi Culvert



Figure 11: Final culverts at Ngozi

Progress of Toll Plaza Construction Works by Force Account

The Agency increased the number of substantially completed toll plazas from ten (10) to fourteen (14) in the period under review.

3.5 Enhanced Vehicle Loading Control

As part of the statutory mandate the Agency continued to preserve road infrastructure assets through Axle Load regulation pursuant to the Statutory Instrument No 76 of 2015.

AXLE LOAD CONTROL

Loading Statistics

The table 7 below give a quarterly statistics of motor vehicles weighed at fixed weighbridges in 2019.

Table 7: Vehicle Statistics 2019

Quarter	No. of Vehicles		Compliance %
	Weighed	Overloaded	
1	128,053	2,111	98.35
2	144,058	2,037	98.59
3	157,196	2,388	98.48
4	140,541	2,008	98.57
Total	569,848	8,544	98.50

RDA undertook axle load operations across all available Weigh Stations. Over 140 mobile axle load inspections were carried out throughout the countrywide in the process recording a compliance of 98 percent on the facilities where the Agency has a presence.



Figure 10: Weigh Bridges at two Locations

SECTION 4

4.1 Implementation of the Communication Strategy

As part of the Agency's drive to improve brand visibility and enhance awareness among its stakeholders, various activities were undertaken. The activities undertaken were supportive efforts to promote and sensitize all stakeholders on all aspects of the Agency's programmes with a focus on the mandate of RDA.

The President of the Republic of Zambia commissioned a number of road projects in the year 2019. These included:

Groundbreaking for the Rehabilitation of the Mporokoso - Nsama – Kaputa road project in Nsama district in Northern Province.

The preparations and the official commissioning of the rehabilitation of the Mporokoso-Nsama-Kaputa via Mutundu gate to Nsumbu took place on 6th October 2019. The contractor China Geo Engineering Corporation would rehabilitate the 260 kilometers of the Mporokoso-Nsama-Kaputa road via Mutundu Gate and to Nsumbu.



Figure 12: Commissioning of Mporokoso – Nsama – Kaputa Road

Commissioning of the rehabilitated Great East Road from Luangwa bridge to Mwami border in Chipata:

The launch of the rehabilitated Great East road from Luangwa bridge to Mwami border in Chipata took place on 30th October 2019. The rehabilitated project involved the reconfiguration, restructuring and rehabilitation of a 360km road with five bridges running through Zambia to the border with Malawi.



Figure 13: President Lungu commissions the rehabilitated Great East Road

Preparation and the commissioning of the first ever climate resilient road:

The commissioning of the first ever climate resilient road, the Kalomo-Dundumwezi-Ngoma-Itezhi Tezhi Namwala ending at Baanga Pontoon road project was held on 21st November, 2019 at Muumba Primary School in Kalomo. The road was commissioned by Republican President His Excellency Mr. Edgar Lungu.

Exhibition at the EIZ Annual General Meeting and Symposium:

The Agency was invited by the Engineering Institution of Zambia (EIZ) at its annual symposium and annual general meeting on 26th April 2019 for an exhibition at Avani Hotel in Livingstone. The exhibition was on the side-lines of the institutions' annual gathering. The exhibition which was centred on the theme 'Sustainable National Development: Issues and Challenges for Zambia's Development Agenda, was held on 26th April 2019.



Figure 14: Exhibition at the EIZ Annual General Meeting

Director Communications and Corporate Affairs Mr. Masuzyo Ndhlovu explaining to President Edgar Chagwa Lungu when he visited the RDA stand as former Minister of Housing and Infrastructure Development Hon. Ronald K. Chitotela looks on.

SECTION 5

5.1 Audit and Risk Assurance

The projects undertaken were in line the 2019 Annual Audit Plan in addition to special investigations and consulting assignments. The audit plan performance review as at 31st December 2019 revealed a positive performance of 82% against the Annual Audit Plan.

Table 8: Summary of assignments executed in 2019

Activity	Annual Plan	Actual	% Achievement
Works projects	24	17	71
Support processes	10	6	60
Consultancy	0	3	
Ad-hoc assignments	0	2	
TOTAL EXECUTED	34	28	82

Consultancy Services and Investigations:

Three consulting services were audited during the year under review.

5.2 Monitoring and Evaluation Activities

During, the period under review, the Agency through the Monitoring and Evaluation Unit (M&E) carried out Vendor Rating, Cost Monitoring and KAIZEN and 5S activities.

General Inspection of Projects

During the year under review the Agency through M&E Unit also conducted quality inspections of ten (10) projects, which included:

- Graveling of 27.6 Km of roads in Chunga Ward and Chongwe Township Roads;
- Selected Roads under the Contract: Engineering Design, Rehabilitation, Upgrading and Construction of approximately 152Km of Selected Township Roads in Kitwe, Chingola and Mufulira in the Copperbelt Province – Package 1;
- Inspections of Chongwe Township Roads under the ongoing Contract for the Engineering Design, Rehabilitation and Construction/Upgrading of Selected Lusaka Urban Roads (approx. 116Km) in Lusaka City (L400) – Phase III;
- Upgrading of 70km of the Pedicle Road in the Democratic Republic of Congo including Construction of Bridge at Lubumbe;
- Construction works of the Wash away Bridge at Mbereshi in Kawambwa as a Variation order under the Kawambwa Mushota road project; and
- Upgrading of 122 Km of Kawambwa to Mporokoso (D019) Road in Luapula and Northern Provinces.

KAIZEN and 5S

The 5S Policy, Agency-wide 5S Policy was also launched by the Board Chairperson Mr. Samuel Mukupa in July 2019. Consequently, eleven (11) Quality Control Teams (Kaizen Teams) were formed across the various Departments of the Agency. Furthermore, ten (10) members of the Quality Control Core Team (QCC-T) were trained on KAIZEN and 5S concepts.

SECTION 6

LEGAL SERVICES AND HUMAN CAPITAL ADMINISTRATION

6.1 Legal and Board Affairs

The Agency through the Department of legal services handled cases in the courts of Law, attended arbitration, drafted and reviewed legal documents and provided assistance in carrying out board secretarial functions of the Chief Executive Officer (CEO). Quarterly Board and Committee Meetings were held as scheduled.



Figure 15: Meeting in Progress

6.2 Human Capital and Administration

Staff Establishment

The Agency had a total of 432 employees out of the approved establishment of 857 as at December 2019. Human capital is the most important resource and the well-being of staff are critical for the Agency to achieve various objectives. RDA instituted several initiatives aimed at fostering higher staff performance, including but not limited to management of the staff establishment, skills acquisition and development.

Table 9: Staff establishment by Category and sex

No	Category	Male	Female	Total
1	Executive Management	10	1	11
2	Management	85	24	109
3	Union	241	71	312
	TOTAL	336	96	432

Staff Wellness

The Agency promoted employee wellness and enhanced productivity on a monthly wellness programme where employees participated in aerobics every 3rd Friday of the month.

Keep Zambia Clean and Healthy Campaign

The Agency in a bid to maintain a clean and healthy work environment carried out a cleaning exercise of the surroundings by all members of staff every Friday of the month to ensure staff operated in a clean environment.



Figure 16: Rehabilitated Mansa-Luwingu road

CHALLENGES AND WAY FORWARD

The Agency experienced some challenges that affected its effective implementation of the programmes and projects.

Delayed payment to Contractors and consultants

Poor cash flow arising from delayed payments continued to be a challenge on all the projects. Most Contractors were not paid on time resulting in some Contractors claiming interest on delayed payments or in some cases suspending the works.

Delayed implementation of Road Maintenance Projects implies that Government is rapidly losing the road asset value and will need to invest more than four (4) times in costly rehabilitation and reconstruction of the same roads to bring them to maintainable condition.

In order to ensure the goals of the Link Zambia programme are attained notwithstanding the financial challenges, the Agency targets to rescope at least 46 Link Zambia Upgrading projects to gravel standard and focus on on-going projects that are 80 per cent complete.

Thus, 2019 saw the rescoping of Eleven (11) link Zambia Projects and these include: the Solwezi to Kipushi; Nseluka to Kayambi; Mporokoso to Kaputa; Petauke to Chilongozi Lots 1 and 2; Nchelenge to Chiengi; Mpika to Nabwalya to Mfuwe; Chipata to Vubwi; Chipata to Chadiza; and Matumbo to Luangwa Roads.

SECTION 8

2019 RDA FINANCIAL STATEMENTS

Financial Report and Statements

Road Development Agency

Financial statements
for the year ended 31 December 2019

Financial statements

for the year ended 31 December 2019

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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 2019.

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:

	2019 ZMW	2018 ZMW
Income	<u>2,216,973,857</u>	<u>2,292,133,624</u>
Deficit for the year	<u>(843,087,454)</u>	<u>(133,670,213)</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 Institution of Zambia
- Mr. Mutaba Andrew Mwali – Zambia Chartered Institute of Logistics and Transport
- Eng. Charles Mushota - Ministry of Housing and Infrastructure Development
- Dr. Emmanuel Mulenga Pamu - Ministry of Finance
- Dr. Bishop Ed Chomba – Ministry of Local Government
- Mr. Misheck Lungu - Ministry of Transport and Communications
- Mrs. Nelly Namwila – Zambia National Farmers Union
- Mr. Filipo Zulu - National Science and Technology Council
- Mr. Gladwell Banda - Road Transport & Safety Agency
- Mr. Wallece 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 2019 were as follows:

Eng. Elias Mwape	-	Director and Chief Executive
Eng. George Manyele	-	Director - Construction and Rehabilitation
Eng. Wesley Kaluba	-	Director - Commercial and Technical Services
Eng. William Mulusa	-	Director - Road Maintenance Initiative
Eng. Kapembwa Mulenga	-	Director - Finance
Eng. Dickson Ndhlovu	-	Director - Planning and Design
Mr. Bernard Malama	-	Acting Director - Audit and Risk Assurance
Mr. Titus Chansa	-	Director - Procurement
Mrs. Mukupa K. Musonda	-	Director - Legal
Mr. Elias Mwila	-	Director - Human Capital and Administration
Mr. Masuzyo Ndhlovu	-	Director- Communications and Corporate Affairs,

6 Employees

The average number of persons employed by the Agency during the year was 438 (2018: 477). The total staff costs were ZMW 192,712,880 (2018: ZMW 209,346,070) as detailed in note 7(b) to the financial statements.

January 2019	435	May 2019	444	September 2019	431
February 2019	439	June 2019	445	October 2019	431
March 2019	438	July 2019	443	November 2019	429
April 2019	443	August 2019	438	December 2019	442

7 Property, plant and equipment

Additions to property, plant and equipment in the year amounted to ZMW 46,964,077 (2018: ZMW 6,127,414) as detailed in note 14 to the financial statements. In the opinion of the Members, the fair value of property, plant and equipment is not less than the amounts at which they are included in the financial statements.

8 Capital work-in-progress

Additions to capital work-in-progress in the year amounted to ZMW 5,368,096,581 (2018: ZMW 4,996,607,450) as detailed in note 11 to the financial statements. In the opinion of the Members, the fair value of capital work-in-progress is not less than the amounts at which they are included in the financial statements.

Report of the members' (continued)

9 Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Agency's total assets of ZMW 48,485 million (2018: ZMW 38,611 million) are significant contributors to facilitating the movement of goods and services in the Zambian economy. Government has given no indication that any part of the Agency's assets would be sold off or privatised. These, together with government being the sole shareholder, and any liquidation of the Agency being a requirement by Act of Parliament, make the liquidation of the Agency's assets highly unlikely.

The Agency's current assets of ZMW 13,083 million cover its current liabilities of ZMW 11,618 million at 31 December 2019. The current liabilities of ZMW 11,618 million (2018: ZMW 7,921 million) include deferred income (grant capital) of ZMW 1,402 million (2018: ZMW 1,561 million). The deferred income (grant capital) is expected to be recognized as income in the statement of income and expenditure in the next financial year.

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.

Additional considerations

A letter of support was provided by the Government of the Republic of Zambia and in the past, the government has on several occasions provided grant funding to the Road Development Agency. It is therefore expected that government will continue to provide grant funding for the foreseeable future.

Furthermore, the Road Development Agency may not be placed under judicial management or in liquidation except by an act of Parliament (Public Roads Act No.12 of 2002). This is an implied guarantee from the government.

The Members therefore supports management's assessment that the Road Development Agency will remain a going concern in the foreseeable future. The Members of Road Development Agency is fully aware of the solvency risk it faces in the long-term and is actively engaging with government to resolve the matter.

10 Other material facts, circumstances and events

Details of events that have occurred in the period between the financial year end and the date of this report are disclosed in note 25 of the financial statements.

Road Development Agency

Report of the members *(continued)*

11 Financial statements

The financial statements on pages 10 to 45 have been approved by the members.

By order of the Board



Board Secretary
Lusaka

Date.....
25/06/2020

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 2019, 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.

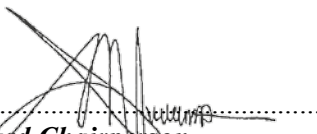
The Members are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management 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 25 June 2020 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 31262
Lusaka, Zambia

Telephone +260 211 372 800
Website www.kpmg.com

Independent auditor's report

To the Members of Road Development Agency

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Road Development Agency ("the Agency") set out on pages 10 to 45, which comprise the statement of financial position as at 31 December 2019, and the statements of income and expenditure, 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 2019, 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Impairment loss allowance of trade and other receivables	
Refer to note 4 use of estimates and judgments, note 13 trade and other receivables and note 19(b)(ii) financial instruments – fair values and risk management and note 26(e) significant accounting policies.	
Key audit matter	How the matter was addressed
<p>This is an area of focus due to management exercising significant judgement, using subjective assumptions, when determining both the timing and amounts of the Expected Credit Losses (“ECL”) for trade and other receivables.</p> <p>Key areas of judgment include:</p> <ul style="list-style-type: none"> - The identification of trade and other receivable balances with significant deterioration in credit quality; - Assumptions used in the expected credit loss model such as the expected future cash flows and forward-looking macroeconomics factors such as Zambia’s sovereign rating; and - The measurement of modelled allowances, which is dependent upon key assumptions relating to Probability of Default (“PD”) and Loss Given Default (“LGD”). <p>Due to the significant judgement applied by management, the impairment of trade and other receivables was considered to be a key audit matter.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▪ We evaluated the appropriateness of the accounting policies and assessed the Expected Credit Loss (“ECL”) methodologies applied by management, to determine whether these met the requirements of IFRS 9 <i>Financial Instruments</i>; ▪ We tested the completeness and accuracy of inputs such as the Probability of Defaults (PDs), exposures, asset classification into the ECL model such as amounts due from Government agencies and donor funding agencies; ▪ We reperformed the aging of the trade and other receivables balances on a sample basis; and ▪ We engaged our own internal IFRS 9 specialist to: <ul style="list-style-type: none"> ○ Assess the design and implementation of ECL model, including assessing the appropriateness of significant assumptions such as Loss Given Defaults (LGDs) and Probability of Defaults (PDs) applied and the quality of the observable data used to derive model parameters, in relation to our understanding of the requirements of IFRS 9 <i>Financial instruments</i>. ▪ Assessing whether disclosures made in relation to ECL are consistent with IFRS 9 <i>Financial instruments</i> and IFRS 7 <i>Disclosures</i> requirements



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 and the Members' responsibilities in respect of the financial statements, the Detailed analysis of income (Schedule 1), the Detailed analysis of administration costs (Schedule 2) and the Detailed analysis of routine repairs, maintenance works and project related costs (Schedule 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.

We also provide the Members with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Members, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG Chartered Accountants

23 July 2020

Jason Kazilimani, Jr
Partner signing on behalf of the Firm

AUD/F000336

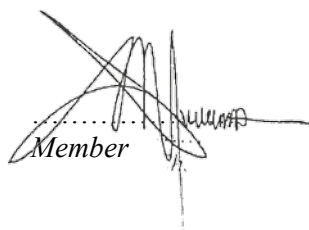
Statement of financial position

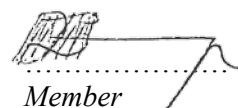
as at 31 December 2019

In Zambian Kwacha

	Note	2019	2018 Restated*	1 January 2018 Restated*
Assets				
Non-current assets				
Property, plant and equipment*	14	13,939,441,851	15,294,612,213	16,847,794,198
Intangibles	15	154,175	909,417	2,324,110
Capital work-in-progress*	11	21,462,320,292	16,094,223,711	11,048,685,719
Total non-current assets		35,401,916,318	31,389,745,341	27,898,804,027
Current assets				
Inventories	12	647,530,160	5,566,335	8,953,148
Trade and other receivables*	13	12,171,797,928	7,191,574,651	6,197,713,523
Prepayments		1,038,677	2,585,119	3,909,138
Cash and cash equivalents	16	262,985,847	21,992,805	19,305,866
Total current assets		13,083,352,612	7,221,718,910	6,229,881,675
Total assets		48,485,268,930	38,611,464,251	34,128,685,702
Funds and reserves				
Accumulated deficit*		(1,649,403,114)	(806,315,660)	(462,243,946)
Deficit in reserves		(1,649,403,114)	(806,315,660)	(462,243,946)
Non-current liabilities				
Deferred income (capital grants)*	18	38,516,175,819	31,496,500,961	27,441,572,713
Total non-current liabilities		38,516,175,819	31,496,500,961	27,441,572,713
Current liabilities				
Deferred income (capital grants)	18	1,402,312,714	1,561,146,746	1,578,700,076
Trade and other payables*	17	10,216,183,511	6,360,132,204	5,570,656,859
Total current liabilities		11,618,496,225	7,921,278,950	7,149,356,935
Total liabilities		50,134,672,044	39,417,779,911	34,590,929,648
Total reserves and liabilities		48,485,268,930	38,611,464,251	34,128,685,702

These financial statements were approved by the members on ^{25 June}..... 2019 and signed on its behalf by:


Member


Member

*Refer to note 27 for details on the restatement.

The notes on pages 14 to 45 are an integral part of these financial statements.

Statement of income and expenditure for the year ended 31 December 2019

In Zambian Kwacha

	Note	2019	2018
Income	6	2,216,973,857	2,292,133,624
Administration costs	7(a)	(1,844,092,595)	(1,830,276,123)
Routine repairs and maintenance works	8	<u>(1,235,535,720)</u>	<u>(595,632,154)</u>
Deficit before finance income		(862,654,458)	(133,774,653)
Finance income	9	<u>19,567,004</u>	<u>104,440</u>
Deficit before taxation		(843,087,454)	(133,670,213)
Income tax	10	<u>-</u>	<u>-</u>
Deficit for the year		<u>(843,087,454)</u>	<u>(133,670,213)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(843,087,454)</u>	<u>(133,670,213)</u>

There were no items of other comprehensive income during the year (2018: nil).

The notes on pages 14 to 45 are an integral part of these financial statements.

Statement of changes in funds
for the year ended 31 December 2019

In Zambian Kwacha

	Accumulated deficit
As at 1 January 2018 (as previously stated)	(639,547,766)
Impact of correction of errors (see note 27)	177,303,804
Balance at 1 January 2018 (Restated)	(462,243,946)
Adjustment on initial application of IFRS 9	(210,401,501)
Deficit for the year	(133,670,213)
Balance at 31 December 2018	(806,315,660)
As at 1 January 2019	(806,315,660)
Deficit for the year	(843,087,454)
Balance at 31 December 2019	(1,649,403,114)

Accumulated deficits

Accumulated deficits are the carried forward recognised income, net of expenses plus current year deficits.

The notes on pages 14 to 45 are an integral part of these financial statements.

Statement of cash flows

for the year ended 31 December 2019

In *Zambian Kwacha*

	<i>Note</i>	2019	2018
Cash flows from operating activities			
Deficit for the year		(843,087,454)	(133,670,213)
Profit on disposal of property, plant and equipment	<i>14.1</i>	(257,068)	(3,047,474)
Finance income	<i>9</i>	(19,567,004)	(104,440)
Amortisation of capital grants	<i>18</i>	(1,402,312,714)	(1,561,146,746)
Depreciation	<i>14</i>	1,401,557,472	1,559,269,586
Amortisation	<i>15</i>	755,242	1,877,161
		(862,911,526)	(136,822,126)
<i>Changes in:</i>			
(Increase)/decrease in inventories		(641,963,825)	3,386,813
Increase in trade and other receivables		(4,978,676,836)	(1,202,938,610)
Increase in trade and other payables		3,856,051,307	740,544,803
Cash used in operating activities		(2,627,500,880)	(595,829,120)
Interest received	<i>9</i>	73,313	27,110
Net cash used in operating activities		(2,627,427,567)	(595,802,010)
Investing activities			
Purchase of property, plant and equipment	<i>14</i>	(46,964,077)	(6,127,414)
Purchase of intangibles	<i>15</i>	-	(462,468)
Additions to capital work-in-progress	<i>11</i>	(5,368,096,581)	(4,996,607,450)
Proceeds from disposal of plant and equipment		834,035	3,087,287
Net cash used in investing activities		(5,414,226,623)	(5,000,110,045)
Financing activities			
Capital grants received	<i>18</i>	8,263,153,541	5,598,521,664
Net cash generated from financing activities		8,263,153,541	5,598,521,664
Net increase in cash and cash equivalents		221,499,351	2,609,609
Effect of exchange rate fluctuations	<i>9</i>	19,493,691	77,330
Cash and cash equivalents at 1 January		21,992,805	19,305,866
Cash and cash equivalents at 31 December	<i>16</i>	262,985,847	21,992,805

The notes on pages 14 to 45 are an integral part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2019

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.

This is the first set of the Agency's financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in note 28.

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

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 26 (e) – Financial instruments;
- Note 26 (b) – Property, plant and equipment; and
- Note 26 (d) – Capital work-in-progress;

(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 2019 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 instruments.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

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 annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Agency's total assets of ZMW 48,485 million (2018: ZMW 38,611 million) are significant contributors to facilitating the movement of goods and services in the Zambian economy. Government has given no indication that any part of the Agency's assets would be sold off or privatised. These, together with Government being the sole shareholder, and any liquidation of the Agency being a requirement by Act of Parliament, make the liquidation of the Agency's assets highly unlikely.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

5 Going concern *(continued)*

The Agency's current assets of ZMW 13,083 million cover its current liabilities of ZMW 11,618 million at 31 December 2019. The current liabilities of ZMW 11,618 million (2018: ZMW 7,921 million) include deferred income (grant capital) of ZMW 1,402 million (2018: ZMW 1,561 million). The deferred income (grant capital) is expected to be recognized as income in the statement of income and expenditure in the next financial year.

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.

Additional considerations

A letter of support was provided by the Government of the Republic of Zambia and in the past, the government has on several occasions provided grant funding to the Road Development Agency. It is therefore expected that Government will continue to provide grant funding for the foreseeable future.

Furthermore, the Road Development Agency may not be placed under judicial management or in liquidation except by an act of Parliament (Public Roads Act No.12 of 2002). This is an implied guarantee from the government.

The Members therefore supports management's assessment that the Road Development Agency will remain a going concern in the foreseeable future. The Members of Road Development Agency are fully aware of the solvency risk it faces in the long-term and are actively engaging with Government to resolve the matter.

6 Income

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

	2019	2018
Amortisation of capital grants (note 18)	1,402,312,714	1,561,146,746
Grants from National Roads Fund Agency and Ministry of Housing & Infrastructure Development	794,554,389	701,602,311
Foreign exchange gains other than on cash and cash equivalents and borrowings	1,530,470	14,809,885
Other income	18,576,284	14,574,682
	<u>2,216,973,857</u>	<u>2,292,133,624</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

7 (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).

	2019	2018
Amortisation & depreciation (note 18)	1,402,312,714	1,561,146,746
Electricity, water and sewerage	654,345	572,792
Insurance	1,861,268	1,386,872
Staff costs (note 7(b))	192,712,880	209,346,070
Other administration costs	246,551,388	57,823,643
	<u>1,844,092,595</u>	<u>1,830,276,123</u>

7 (b) Staff costs

Salaries	125,100,757	120,946,956
Gratuity and pension costs	50,421,932	75,005,906
Other costs	17,190,191	13,393,208
	<u>192,712,880</u>	<u>209,346,070</u>

8 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).

	2019	2018
Environmental costs	6,647,020	26,883,374
Interest on long outstanding contractor debts	733,304,122	281,937,195
Routine maintenance – roads	256,609,121	120,347,776
Routine maintenance – bridges	-	1,857,989
Routine maintenance – force accounts	37,119,369	55,790,604
Supervision expenses – roads and bridges	8,919,776	8,406,768
Technical assistance and other consultancy costs	39,928,273	36,572,627
Legal costs and arbitration awards	108,579,101	46,690,984
Other costs	44,428,938	17,144,837
	<u>1,235,535,720</u>	<u>595,632,154</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

9 Finance income

See accounting policy note 26h

	2019	2018
Interest income	73,313	27,110
Net foreign currency exchange gains	<u>19,493,691</u>	<u>77,330</u>
Net finance income/cost	<u>19,567,004</u>	<u>104,440</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 2019

In Zambian Kwacha

11 Capital work in progress

See accounting policy note 26d

	Roads	Bridges and Pontoons	Buildings	Total
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
As at 1 January 2019 (restated)*	15,295,474,420	792,415,167	6,334,124	16,094,223,711
Additions	4,936,250,423	402,359,497	29,486,661	5,368,096,581
At 31 December 2019	20,231,724,843	1,194,774,664	35,820,785	21,462,320,292

* Refer to note 27 for details on the restatement.

Notes to the financial statements

for the year ended 31 December 2019

In *Zambian Kwacha*

12 Inventories

See accounting policy note 26f

	2019	2018
Raw materials	35,938	35,938
Finished pavers	5,059,549	5,530,397
Acrow bridges	642,434,673	-
	<u>647,530,160</u>	<u>5,566,335</u>

13 Trade and other receivables

See accounting policy note 26e

		Restated*
Amounts advanced to contractors and suppliers*	4,030,450,527	1,835,679,502
Amount receivable from Ministry of Works and Supply (note 20(ii))	-	38,450,598
Amounts receivable from National Roads Fund Agency (NRFA) (note 20(ii))	<u>8,501,911,263</u>	<u>5,558,361,519</u>
	<u>12,532,361,790</u>	<u>7,432,491,619</u>
Less: provision for bad and doubtful debts (note 19 b(ii))	<u>(366,270,006)</u>	<u>(240,916,968)</u>
Net trade receivables	<u>12,166,091,784</u>	<u>7,191,574,651</u>
Special imprest	832,630	206,398
Salary advances	5,171,580	7,335,243
Other debtors	<u>26,643,125</u>	<u>17,332,258</u>
	<u>32,647,335</u>	<u>24,873,899</u>
Provision on other debtors	<u>(26,941,191)</u>	<u>(24,873,899)</u>
Net other debtors	<u>5,706,144</u>	<u>-</u>
	<u>12,171,797,928</u>	<u>7,191,574,651</u>
Movement in provision		
Balance at 1 January	265,790,386	23,169,155
Adjustment on initial application of IFRS 9	-	210,401,501
Balance at 1 January under IFRS 9	<u>265,790,386</u>	<u>233,570,656</u>
Provision for the year	215,342,471	32,301,774
Write off	<u>(87,921,660)</u>	<u>(81,563)</u>
Balance at 31 December	<u>393,211,197</u>	<u>265,790,867</u>

*See note 27 for details of the restatement

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

In Zambian Kwacha

14 Property, plant and equipment

See accounting policy note 26b

	Roads	Pontoons & bridges	Land & buildings	Weight bridges	Motor vehicles	Plant and machinery	Computers and office equipment	Furniture and fittings	Total
Cost									
At 1 January 2018 (restated)*	21,938,208,113	499,205,417	14,502,271	105,882,308	83,621,242	86,953,943	22,570,945	7,384,731	22,758,328,970
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	21,938,208,113	499,205,417	14,502,271	105,882,308	80,823,390	86,857,943	22,385,380	7,078,358	22,754,943,180
At 1 January 2019	21,938,208,113	499,205,417	14,502,271	105,882,308	80,823,390	86,857,943	22,385,380	7,078,358	22,754,943,180
Additions	-	-	360,000	9,945,425	9,989,894	26,010,330	1,436,889	21,539	46,964,077
Disposals	-	-	-	-	(4,565,563)	-	-	-	(4,565,563)
At 31 December 2019	21,938,208,113	499,205,417	14,862,271	115,827,733	85,447,721	112,868,273	23,822,269	7,099,897	22,797,341,693
Depreciation									
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)
Balance 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
At 1 January 2019	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
Charge for the year	1,330,765,134	38,826,555	269,047	11,543,903	9,316,202	9,002,859	1,526,564	307,208	1,401,557,472
Disposals	-	-	-	-	(3,988,596)	-	-	-	(3,988,596)
At 31 December 2019	8,400,676,731	245,508,119	3,321,837	58,495,926	69,269,700	51,765,183	22,182,795	6,679,552	8,857,899,843
Carrying amounts									
At 31 December 2019	13,537,531,382	253,697,298	11,540,434	57,331,808	16,178,021	61,103,090	1,639,474	420,345	13,939,441,851
31 December 2018 (restated)*	14,868,296,516	292,523,853	11,449,481	58,930,285	16,881,296	44,095,619	1,729,149	706,014	15,294,612,213

*Refer to note 27 for details on the restatement.

Property, plant and equipment includes assets with a cost of ZMW 3,109,932,713 which were fully depreciated as at 31 December 2019 (2018: ZMW 2,089,929,455).

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In Zambian Kwacha

14.1 Profit on disposal

See accounting policy note 26b

	2019	2018
Cash proceeds	834,035	3,087,287
Carrying amount	<u>(576,967)</u>	<u>(39,813)</u>
Profit on disposal	<u>257,068</u>	<u>3,047,474</u>

15 Intangibles

See accounting policy note 26c

	Computer software
Cost	
At 1 January 2018	11,974,067
Additions	462,468
At 31 December 2018	<u>12,436,535</u>
At 1 January 2019	12,436,535
Additions	-
At 31 December 2019	<u>12,436,535</u>
Amortisation	
At 1 January 2018	9,649,957
Charge for the year	1,877,161
At 31 December 2018	<u>11,527,118</u>
At 1 January 2019	11,527,118
Charge for the year	755,242
At 31 December 2019	<u>12,282,360</u>
Carrying amounts	
At 31 December 2018	<u>154,175</u>
At 31 December 2017	<u>909,417</u>

16 Cash and cash equivalents

See accounting policy note 26e

	2019	2018
Bank balances	262,981,736	21,982,715
Petty cash	<u>4,111</u>	<u>10,090</u>
	<u>262,985,847</u>	<u>21,992,805</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

17 Trade and other payables

See accounting policy note 26e

	2019	2018 Restated*
Amounts payable to contractors*	7,391,464,377	4,608,939,470
Retention payable	1,110,955,407	998,557,965
Provisions and accruals	1,101,277,034	431,065,985
Advance payments	223,113,587	-
Employee benefits	315,098,120	279,157,622
Statutory liabilities	41,898,705	19,719,022
Sundry creditors	32,376,281	22,692,140
	<u>10,216,183,511</u>	<u>6,360,132,204</u>

*See note 27 for details of the restatement.

18 Deferred income (capital grants)

See accounting policy note 26a

As at 1 January 2018 (Restated)	29,020,272,789
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 6)	<u>(1,561,146,746)</u>
Balance as at 31 December 2018	<u>33,057,647,707</u>
As at 1 January 2019	33,057,647,715
Capital grants received (works)	5,408,363,796
Capital grants received (advance payments)	2,795,962,455
Capital grants received (operations)	58,827,290
Amortisation of capital grants (note 6)	<u>(1,402,312,714)</u>
Balance as at 31 December 2019	<u>39,918,488,542</u>

Capital grants are classified as current and non-current liabilities as shown below:

	2019	2018 Restated*
Current	1,402,312,714	1,561,146,746
Non-current*	<u>38,516,175,819</u>	<u>31,496,500,961</u>
Total	<u>39,918,488,533</u>	<u>33,057,647,707</u>

*See note 27 for details of the restatement

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

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

(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:

		2019		2018	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	16	262,985,847	262,985,847	21,992,805	21,992,805
Trade and other receivables	13	12,171,797,928	12,171,797,928	7,191,574,651	7,191,574,651
Financial liabilities					
Deferred income (Capital grants)	18	(39,918,488,533)	(39,918,488,533)	(33,057,647,707)	(33,057,647,707)
Trade payables and other payables	17	<u>(10,216,183,511)</u>	<u>(10,216,183,511)</u>	<u>(6,360,132,204)</u>	<u>(6,360,132,204)</u>
		<u>(37,699,888,269)</u>	<u>(37,699,888,269)</u>	<u>(32,204,212,455)</u>	<u>(32,204,212,455)</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 2019

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	
		2019	2018
Cash and cash equivalents	16	262,985,847	21,992,805
Trade and other receivables	13	<u>12,171,797,928</u>	<u>7,191,574,651</u>
		<u>12,434,783,775</u>	<u>7,213,567,456</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

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

(b) Financial risk management *(continued)*

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

Expected credit loss assessment

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 8.88% and 60% (2018: 7.35% and 60%) respectively.

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

31 December 2019

Probability of default	Loss Given Default	Life expected loss rates	Gross carrying amount	Impairment loss allowance
8.2%	60%	4.92%	12,532,361,790	366,270,006

December 2018

Probability of default	Loss Given Default	Life expected loss rates	Gross carrying amount	Impairment loss allowance
7.35%	60%	4.41%	7,432,491,619	240,916,968

31 December 2019	Weighted average losses	Gross carrying amounts	Loss allowance	Credit impaired
Current (not past due)	-	2,089,120,453	-	No
1 – 30 days past due	0.2%	3,784,370,044	6,805,691	Yes
31 – 60 days past due	26.4%	290,422,388	76,761,224	Yes
61 – 90 days past due	26.4%	340,938,923	90,113,195	Yes
More than 90 days	3.2%	6,027,509,982	192,589,896	Yes
		12,532,361,790	366,270,006	

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

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

(b) Financial risk management *(continued)*

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

Expected credit loss assessment (continued)

31 December 2018	Weighted average losses	Gross carrying amounts	Loss allowance	Credit impaired
Current (not past due)	-	3,145,415,153	-	No
1 – 30 days past due	4.3%	117,060,005	5,036,237	Yes
31 – 60 days past due	30.5%	152,777,173	46,656,751	Yes
61 – 90 days past due	24.5%	223,975,616	54,772,301	Yes
More than 90 days	3.5%	3,793,263,672	134,451,679	Yes
		<u>7,432,491,619</u>	<u>240,916,968</u>	

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

31 December 2019	Weighted average losses	Gross carrying amounts	Loss allowance	Credit impaired
Current (not past due)	-	5,706,144	-	No
1 – 30 days past due	100%	1,480,093	1,480,093	Yes
More than 90 days	100%	25,461,098	25,461,098	Yes
		<u>32,647,335</u>	<u>26,941,191</u>	

31 December 2018	Weighted average losses	Gross carrying amounts	Loss allowance	Credit impaired
Current (not past due)	1403%	112,164	112,164	Yes
1 – 30 days past due	2623%	55,713	55,713	Yes
31 – 60 days past due	2626%	55,713	55,713	Yes
61 – 90 days past due	2627%	55,713	55,713	Yes
More than 90 days	92%	24,594,596	24,594,596	Yes
		<u>24,873,899</u>	<u>26,873,899</u>	

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

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

(b) Financial risk management *(continued)*

(iii) 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 2019	ZMW	USD Exposure	EUR Exposure	ZMW Total	
Financial assets					
Trade and other receivables	12,171,797,928	-	-	12,171,797,928	
Prepayments	1,038,677	-	-	1,038,677	
Cash and cash equivalent	20,411,260	242,574,587	-	262,985,847	
	<u>12,193,247,865</u>	<u>242,574,587</u>	<u>-</u>	<u>12,435,822,452</u>	
Financial liabilities					
Trade and other payables	(7,194,446,726)	(2,966,163,117)	(55,573,668)	(10,216,183,511)	
Deferred income (capital grants)	(39,918,488,533)	-	-	(39,918,488,533)	
	<u>(47,112,935,259)</u>	<u>(2,966,163,117)</u>	<u>(55,573,668)</u>	<u>(50,134,672,044)</u>	
Net exposure	<u>(34,919,687,394)</u>	<u>(2,723,588,530)</u>	<u>(55,573,668)</u>	<u>(37,698,849,592)</u>	
December 2018	ZMW	USD Exposure	EUR Exposure	GBP Exposure	ZMW Total
Financial assets					
Trade and other receivables	7,191,574,651	-	-	-	7,191,574,651
Prepayments	2,585,119	-	-	-	2,585,119
Cash and cash equivalent	21,457,177	535,628	-	-	21,992,805
	<u>7,215,616,947</u>	<u>535,628</u>	<u>-</u>	<u>-</u>	<u>7,216,152,575</u>
Financial liabilities					
Trade and other payables	(5,542,403,157)	(808,608,519)	(9,043,094)	(77,434)	(7,216,152,575)
Deferred income (capital grants)	(33,057,647,707)	-	-	-	(33,057,647,707)
	<u>(38,600,050,864)</u>	<u>(808,608,519)</u>	<u>(9,043,094)</u>	<u>(77,434)</u>	<u>(39,417,779,911)</u>
Net exposure	<u>(31,384,433,918)</u>	<u>(808,072,891)</u>	<u>(9,043,094)</u>	<u>(77,434)</u>	<u>(32,201,627,336)</u>

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

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

(b) Financial risk management *(continued)*

(iii) Market risk *(continued)*

Exposure to currency risk (continued)

The following significant exchange rates were applied during the year:

	Spot rate at reporting date	
	2019	2018
USD	14.10	11.9
EUR	15.80	13.7
GBP	18.60	15.3

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 2019				
USD	(272,358,853)	272,358,853	(272,358,853)	272,358,853
EUR	(5,557,367)	5,557,367	(5,557,367)	5,557,368
	Equity 100bp increase	Equity 100bp decrease	Profit or loss 100bp increase	Profit or loss 100bp decrease
31 December 2018				
USD	(80,807,289)	80,807,289	(80,807,289)	80,807,289
EUR	(904,309)	904,309	(904,309)	904,309
GBP	(7,434)	7,434	(7,434)	7,434

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.

(ii) 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 2019

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 2019

Non-derivative financial liabilities	Carrying amount	Total	2 – 12 months	1-2 years	2-5 years	More than 5 years
Deferred income (capital grants) ¹⁸	(39,918,488,533)	(39,918,488,533)	(1,402,312,714)	(2,804,625,427)	(7,011,563,562)	(28,699,986,830)
Trade and other payables ¹⁷	(10,216,183,511)	(10,216,183,511)	(10,216,183,511)	-	-	-
	<u>(50,134,672,044)</u>	<u>(50,134,672,044)</u>	<u>(11,618,496,225)</u>	<u>(2,804,625,427)</u>	<u>(7,011,563,562)</u>	<u>(28,699,986,830)</u>

31 December 2018

Non-derivative financial liabilities	Carrying amount	Total	2 – 12 months	1-2 years	2-5 years	More than 5 years
Deferred income (capital grants) ¹⁸	(33,057,647,707)	(33,057,647,715)	(1,561,146,746)	(3,122,293,492)	(7,805,733,723)	(20,568,473,745)
Trade and other payables ¹⁷	(6,360,132,204)	(6,360,132,204)	(6,360,132,204)	-	-	-
	<u>(39,417,779,911)</u>	<u>(39,417,779,919)</u>	<u>(7,921,278,950)</u>	<u>(3,122,293,492)</u>	<u>(7,805,733,723)</u>	<u>(20,568,473,745)</u>

Notes to the financial statements (*continued*)
for the year ended 31 December 2019

In *Zambian Kwacha*

20 Related party transactions

The following transactions were carried out with related parties:

	2019	2018
(i) <i>Revenue Grants received from related parties</i>		
National Road Fund Agency	676,619,392	585,602,308
Ministry of Housing and Infrastructure Development	<u>117,934,997</u>	<u>116,000,003</u>
	<u>794,554,389</u>	<u>701,602,311</u>
(ii) <i>Amounts due from related parties</i>		
National Road Fund Agency (note 13)	8,501,911,263	5,558,361,519
Ministry of Housing and Infrastructure Development (note 13)	-	38,450,568
	<u>8,501,911,263</u>	<u>5,596,812,087</u>
(iii) <i>Key management compensation</i>		
Salaries and other short term benefits	<u>9,607,649</u>	<u>9,473,484</u>
(iv) <i>Loans to key management</i>		
	<u>878,390</u>	<u>215,000</u>
(v) <i>Directors' remuneration</i>		
Fees for service as members	<u>1,715,308</u>	<u>1,845,954</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 2019, there were contingent liabilities in respect of various legal claims made against the Agency amounting to ZMW 67.3 million (2018: ZMW 69 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 2019

In *Zambian Kwacha*

24 Capital commitments

As at 31 December, 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:

	2019	2018
Roads and bridges	<u>48,571,962,781</u>	<u>46,861,185,292</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

At the date of finalisation of the financial statements, there were no material events that occurred subsequent to the statement of financial position date that require adjustment of, or disclosure in, the financial statements. However, the following material subsequent event requires disclosure in the financial statements:

Covid-19 outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic. Many governments are taking increasingly stringent steps to help contain the spread of the virus, including: requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. The pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of finalization of the financial statements its effects are subject to significant levels of uncertainty.

The impact of the coronavirus will be closely monitored and assessed for its impact on the Agency. The Agency has undertaken a variety of measures and implemented contingency plans to mitigate the negative impact of the Corona virus pandemic. The response plan covers operational and credit risk responses to ensure that the Agency will be able to operate. There could potentially be adverse effects on the valuation of some financial instruments as the global equity markets experience negative shocks and volatility. There is a high chance that this continued pressure on the economy, as a result of the COVID-19 pandemic, would lead to significant impact on the Government liquidity position. In light of the above, management has re-assessed the appropriateness of the use of the going concern assumption in the preparation of these financial statements. Based on the assessment performed, management is of the view that the significant doubt associated with the current uncertainties related to the COVID-19 virus currently does not result in a material uncertainty related to such events or conditions that may cast significant doubt on the Agency’s ability to continue as a going concern.

The Members concurs with this assessment.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

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*
- k) *Leases*

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 of 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.

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.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

26 Significant accounting policies *(continued)*

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

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.

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.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

26 Significant accounting policies *(continued)*

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.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

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 2019

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 2019

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 2019

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 2019

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 2019

In Zambian Kwacha

26 Significant accounting policies *(continued)*

k) Leases

The Agency has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Agency assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Agency uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Agency allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Agency has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Agency recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Agency by the end of the lease term or the cost of the right-of-use asset reflects that the Agency will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Agency's incremental borrowing rate. Generally, the Agency uses its incremental borrowing rate as the discount rate.

Notes to the financial statements *(continued)* for the year ended 31 December 2019

In *Zambian Kwacha*

26 Significant accounting policies *(continued)*

k) Leases *(continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Agency is reasonably certain to exercise, lease payments in an optional renewal period if the Agency is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Agency is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Agency's estimate of the amount expected to be payable under a residual value guarantee, if the Agency changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Agency presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Short-term leases and leases of low-value assets

The Agency has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Agency recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

27 Correction of prior period errors

(a) Omission of Capital Work-In-Progress (CWIP) additions

Capital work-in-progress additions are recognised based on approved Interim Payment Certificates ('IPCs'). In the prior year, Management omitted approved IPCs amounting to ZMW 48,930,542. Due to this omission, capital work-in-progress and trade payables and other payables were understated as based on the information and circumstances, such IPCs were to be recognised in the financial statements for the year ended 31 December 2018. As a result of this omission, a correction has been made to the relevant balances for the prior year ended 31 December 2018.

The following table illustrates the impact of the omission in the financial statements:

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In *Zambian Kwacha*

27 Correction of prior period error *(continued)*

(a) Omission of Capital Work-In-Progress (CWIP) *(continued)*

**Statement of financial position as at 31
December 2018**

	<i>Impact of correction of error</i>		
	<i>As previously reported</i>	<i>Adjustments</i>	<i>Restated balance</i>
Capital work-in-progress (see note 11)	16,045,293,169	48,930,542	16,094,223,711
Trade and other payables (see note 17)	(6,311,201,662)	(48,930,542)	(6,360,132,204)

There was no impact on the statement of income and expenditure and statement of cash flows for the year ended 31 December 2018.

(b) Correction of prior year cancelled contract

On 3 March 2016, the Agency entered into a contract for the L400 Copperbelt Urban Roads Project and recognised a grant of K 555,074,411 (USD 73,876,588 @ USD/ZMW 7.5). The contract was subsequently cancelled on 26 December 2017 due to the Contractor's failure to meet some requirements. At the time of the cancellation, the contract value had increased to ZMW 731,378,223 (USD 73,876,588 @ USD/ZMW 9.9) resulting in an exchange loss of ZMW 177,303,812. Whilst trying to reverse the transaction in 2017, management erroneously booked the exchange loss of ZMW 177,303,812 to trade and other receivables instead of income and expenditure statement. At the same time, another entry of the same amount was booked to deferred income (capital grants) and trade and other receivables.

Consequently, the prior year accumulated deficit, trade and other receivables and deferred income (capital grants) were understated by ZMW 177,303,812, ZMW 354,607,624 and ZMW 177,303,812 respectively.

(c) Accounting for contract advance payment

In January 2013, the Agency entered into a contract for the construction of the Mongu-Kalabo Road and made an advance payment of USD 86,080,777 (ZMW 447,620,039 @ USD/ZMW 5.2). The advance payment was fully recovered in December 2015 by recording of an asset – Capital Work-In-Progress (CWIP). When recording the recovery of this advance payment, management applied to the prepayment the prevailing instead of the historical exchange rates which resulted in a translation loss of ZMW 109,548,583 in the trade and other receivables account.

As a result of this error, trade and other receivables was understated by ZMW 109,548,583 whereas CWIP was overstated by the same amount. However, as the road was commissioned (capitalised) during 2017, the CWIP adjustment had been made against property, plant and equipment.

Notes to the financial statements (continued)
for the year ended 31 December 2019

In *Zambian Kwacha*

27 **Correction of prior period error** (continued)

(b) **Correction of prior year cancelled contract and accounting for contract advance payment** (continued)

The following table illustrates the impact of these corrections in the financial statements:

Statement of financial position as at 1 January 2018

	<i>As previously reported</i>	<i>Correction of prior year cancelled contract (error b)</i>	<i>Accounting for contract advance payment (error c)</i>	<i>Restated balance</i>
Trade and other receivables	5,733,557,316	354,607,624	109,548,583	6,197,713,523
Deferred income (capital grants)	(27,264,268,909)	(177,303,804)	-	(27,441,572,713)
Accumulated deficit	639,547,766	(177,303,804)	-	462,243,946
Property, plant and equipment	16,957,342,781	-	(109,548,583)	16,847,794,198

Statement of financial position as at 31 December 2018

	<i>As previously reported</i>	<i>Correction of prior year cancelled contract (error b)</i>	<i>Accounting for contract advance payment (error c)</i>	<i>Restated balance</i>
Trade and other receivables (see note 13)	6,727,418,444	354,607,624	109,548,583	7,191,574,651
Deferred income (capital grants) (see note 18)	(31,319,197,157)	(177,303,804)	-	(31,496,500,961)
Accumulated deficit	983,619,480	(177,303,804)	-	806,315,660
Property, plant and equipment (see note 14)	15,404,160,796	-	(109,548,583)	15,294,612,213

There was no impact on the statement of income and expenditure and statement of cash flows for the year ended 31 December 2018.

Notes to the financial statements *(continued)*
for the year ended 31 December 2019

In Zambian Kwacha

27 Correction of prior period error *(continued)*

(b) Correction of prior year cancelled contract and accounting for contract advance payment (continued)

28 Changes in significant accounting policies

The Agency initially applied IFRS 16 *Leases* from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on the Agency's financial statements.

The Agency applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Agency determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Agency now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 25(k).

On transition to IFRS 16, the Agency elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Agency applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

The Agency has made an assessment on the implementation of the standard and the impact was not significant.

29 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Agency has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

Amendments to References to Conceptual Framework in IFRS Standards.

- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 *Insurance Contracts*.

Schedule 1

Detailed analysis of income
for the year ended 31 December 2019

In Zambian Kwacha

	2019	2018
Income		
Amortisation of capital grants	1,402,312,714	1,561,146,746
Project grant from National Roads Fund Agency (NRFA)	676,619,392	585,602,308
Revenue grants from GRZ	<u>117,934,997</u>	<u>116,000,003</u>
	<u>2,196,867,103</u>	<u>2,262,749,057</u>
Other income		
Abnormal load fees	4,915,584	4,220,231
Bill boards	2,210,392	1,269,615
Equipment hire	20,280	22,130
Exchange gains	1,530,470	14,8097,885
Profit on disposal of property plant and equipment	257,069	3,047,474
Liquidated damages	1,222,645	-
Private Public Partnership	249,144	156,883
Rental income	243,380	220,950
Road infringement charges	1,179,250	288,353
Quarry royalties	3,711,349	2,657,187
Soil testing analysis fees	414,120	491,690
Routeway inspection fees	1,715,580	654,155
Tender document sales	1,718,743	1,021,897
Other	<u>718,748</u>	<u>524,117</u>
	<u>20,106,754</u>	<u>29,384,567</u>
Total income	<u>2,216,973,857</u>	<u>2,292,133,624</u>

Schedule 2

Detailed analysis of administration costs
for the year ended 31 December 2019

In Zambian Kwacha

	2019	2018
Accommodation and meals	2,667,016	2,371,708
Audit fees	883,834	749,406
Bank charges	143,555	170,829
Board expenses	2,472,736	2,476,414
Civil maintenance	289,239	82,609
Cleaning materials and toiletries and sanitary services	299,783	444,975
Computer expenses	45,372	36,275
Amortisation	755,242	1,877,161
Depreciation	1,401,557,472	1,559,269,585
Electricity, water and sewerage	654,345	572,791
Equipment service and repair	505,199	319,747
Insurance	1,861,268	1,386,872
Internet services	841,659	699,780
Labour day celebrations	138,225	261,590
Legal fees	250,236	146,650
Motor vehicle expenses	7,396,472	7,410,969
Newspapers	36,972	45,636
Office beverages and refreshments	313,560	354,155
Other costs	135,102	173,694
Printing and stationery	2,250,416	2,530,023
Bad debt charge	215,342,471	32,301,774
Public relations and advertising	2,420,695	1,611,680
Recruitment costs	-	6,300
Rent collection costs	9,899	3,640
Routeway inspection costs	338,686	472,414
Security services	2,441,102	2,324,799
Staff costs	192,712,880	209,346,070
Staff training	5,206,256	1,300,233
Staff welfare	769,355	323,440
Subscriptions	360,560	221,376
Office rentals	94,916	72,000
Telephone and postage	387,662	560,505
Travelling expenses	146,505	54,125
Miscellaneous expenses	9,001	13,827
Workshops and seminars	354,904	283,071
	1,844,092,595	1,830,276,123

Road Development Agency

Detailed analysis of routine repairs, maintenance works and project related costs
for the year ended 31 December 2019

In Zambian Kwacha

	2019	2018
Environmental costs	6,647,020	26,883,374
Interest on long outstanding contractor debts	733,304,122	281,937,195
Project procurement costs	3,635,079	3,210,032
Routine maintenance – roads	256,609,121	120,347,776
Routine maintenance – bridges	-	1,857,989
Routine maintenance – force accounts	37,119,369	55,790,604
Supervision expenses – roads and bridges	8,919,776	8,406,768
Supervision expenses – routine maintenance	902,657	640,112
Suspension, Idle time & Demobilisation	36,381,773	7,498,957
Technical assistance and other consultancy costs	39,928,273	36,572,627
Pave Zambia 2000 costs	47,524	3,040,505
Road tolling costs	300,433	94,358
Information and communication technology costs	3,161,473	2,660,873
Legal costs and arbitration awards	108,579,101	46,690,984
	<u>1,235,535,720</u>	<u>595,632,154</u>







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<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, Mukulumpe Road, Central Town P.O Box 410720 KASAMA Tel. 214 221290/230046</p>
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