



National Road Fund Agency



Annual Report 2017



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NRFA VISION, MISSION STATEMENT AND CORE VALUES

Vision

A Sustainable Road Fund

Mission Statement

To proactively mobilise resources and effectively manage and administer the Road Fund in a Transparent and Sustainable way to ensure Value for Money and Stimulate Socio-Economic Development.

Core Values

Transparency - Accountability - Integrity - Teamwork - Innovation - Excellence



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ABBREVIATIONS AND ACRONYMS

ACC	Anti-Corruption Commission
AfDB	African Development Bank
AGA	Annual General Assembly
AGM	Annual General Meeting
ANRP	Accelerated National Road Construction Programme
APL	Adaptable Programme Lending
ARMFA	African Road Maintenance Funds Association
AWP	Annual Work Plan
BADEA	Arab Bank for Economic Development in Africa
BEA	Budget and Economic Affairs
CAIP	Community Access Improvement Programme
CFI	Construction Finance Initiative
CMS	Contract Management System
COMESA	Common Market for Eastern and Southern Africa
CPs	Cooperating Partners
CR	Credit
CILT	Chartered Institute of Logistics & Transport
CTI	Community Transport Initiative
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DRC	Democratic Republic of Congo
DfID	Department for International Development
DKK	Danish Kroner
EBRP	Essential Bridge Rehabilitation Project
EDRP	Emergency Drought Recovery Project
EIB	European Investment Bank
EIZ	Engineering Institution of Zambia
EMF	Economic Management and Finance
EMU	Environmental Management Unit
EU	European Union
GPA	Group Personal Accidents
GLA	Group Life Assurance
GRZ	Government of the Republic of Zambia
HGV	Heavy Goods Vehicles
ICT	Information Communication Technology
IDA	International Development Agency
IFG	International Focus Group
IPCs	Interim Payment Certificates
JSC	Joint Steering Committee
JTC	Joint Technical Team
K'b	Kwacha billion
KfW	German Development Bank
K'm	Kwacha million
L400	Lusaka 400
CB400	Copperbelt 400
LCC	Lusaka City Council
MTC	Ministry of Transport and Communications
LRAs	Local Road Authorities
M&E	Monitoring & Evaluation
MWS	Ministry of Works and Supply
MLG	Ministry of Local Government
MOF	Ministry of Finance
MOJ	Ministry of Justice

MTENR	Ministry of Tourism, Environment and Natural Resources
NAC	National Aids Council
NCC	National Council for Construction
NDF	Nordic Development Fund
NORAD	Norwegian Development Agency
NPPID	National Policy and Programme Implementation Department
NRFA	National Road Fund Agency
NRTP	National Road Tolling Programme
ORUCs	Other Road User Charges
PM&E	Programming, Monitoring & Evaluation
PMT	Project Management Team
PRE	Provincial Road Engineer
PS	Permanent Secretary
PSU	Procurement and Supplies Unit
RAMP	Rural Accessibility and Mobility Project
RDA	Road Development Agency
RMI	Road Management Initiative
ROADSIP	Road Sector Investment Programme
RRMP	Road Rehabilitation and Maintenance Programme
RTPR	Rural Transport for Poverty Reduction Programme
RSAs	Road Sectors Agencies
RSPS	Road Sector Programme Support
RTC	Road Traffic Commission
RTSA	Road Transport and Safety Agency
RUC	Road User Charges
SADC	Southern African Development Community
SI	Statutory Instrument
SSATP	Sub-Saharan Africa Transport Policy Programme
SNDP	Sixth National Development Plan
TA	Technical Assistance
TMSA	Trade Mark Southern Africa
TOR	Terms of Reference
URRP	Urban Roads Rehabilitation Programme
WORC	Working on Roads Countrywide
ZIPs	Zambia Institute of Purchasing and Supply
ZMW	Zambian Kwacha
ZNBC	Zambia National Broadcasting Corporation
ZNFU	Zambia National Farmers Union
ZNTB	Zambia National Tender Board
ZPPA	Zambia Public Procurement Authority



Kitwe-Chingola Dual Carriageway

CHAIRPERSON'S FOREWORD



It is my pleasure to present the National Road Fund Agency (NRFA) Annual Report and its financial statements for the year ended 31st December 2017.

The year 2017 was a landmark one to the NRFA as it developed the Strategic Plan 2017 – 2021 approved by the Board for onward implementation with a clear blue print for the Agency's long term approach to strategically execute its mandate as enshrined in the National Road Fund Act No. 13 of 2002.

Our statement of intent positioned the Agency to 'effectively manage and administer the Road Fund in a transparent and sustainable way so as to ensure value for money and stimulate socio-economic development.'

We continued to interface and enhanced our working relationships with implementing Agencies and institutions through the Committee of Chairpersons of Road Sector Agencies with a strong focus on shared challenges and opportunities in the general financing and development of our road infrastructure and road transport services.

I wish to pay tribute to NRFA Management and staff for their commitment and dedication to duty which resulted in the smooth execution of the Agency's triple mandate of Resource Mobilisation, Fiduciary Management of

Resources and ensuring Value for Money.

With the beginning of 2018, we will continue working with our stakeholders, under the guidance of the Government of the Republic of Zambia, through the Ministry of Finance, going forward to facilitate a responsive, nationally consistent and Sustainable Road Fund that ensures that the resources collected from a diverse of sources are applied to where they have the best effect and economic impact.

The Board will remain resolute in providing policy guidance to Management as it focuses on growing the domestic revenue base by increasing the Road Tolling footprint across the country and focus on innovation, enhancing internal systems and controls.

I know invite you to ready through our Annual Report and hope that you will find the information contained herein useful and informative.

Christabel-Michel Banda
Board Chairperson

Our statement of intent positioned the Agency to 'effectively manage and administer the Road Fund in a transparent and sustainable way so as to ensure value for money and stimulate socio-economic development.'



Katiba Toll Plaza

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REPORT



This Report highlights key activities undertaken by the NRFA during the period 1st January to 31st December 2017 drawing its legal mandate from the National Road Fund (NRFF) Act 13 of 2002.

The functions of the financing Agency as synthesised from the NRF Act fall under three key thematic pillars of Resource Mobilisation, Fiduciary Management of Resources and Value for Money. During the period under review and like any other institution, the NRFA conducted its business under a wider, social, economic and political context.

The Agency operated under a relatively stable economic environment with the country's Gross Domestic Product (GDP) driven largely by positive performance in manufacturing, mining and agriculture sectors. GDP growth was lower at **3.7%** than the above **4%** earlier projection.

The year 2017 closed with the Annual overall inflation at **6.1%** and the Ministry of Finance preliminary numbers showed that the fiscal deficit was below the budget target of **7.0%** of GDP at **6.1%**. This was consistent with the fiscal consolidation policies that Government embarked during the period under review.

A slight reduction in lending rates was recorded at **24.6%** as at end 2017 from **29.49 0%** in 2016. Lending rates were still prohibitively high posing challenges for enhanced business activities.

The Kwacha remained relatively stable against the major convertible currencies. The Kwacha trade against the US Dollar by December 2017 averaged **K9.99 per US\$**.

With the above wider economic context, the Agency executed its mandate with an Annual Work Plan budgetary allocation of **K8.6 billion**.

The Agency received a boost on the first directly sourced local financing from the Public Public Partnership (PPP) Loan Facility of **K2.12 billion** through an Agreement signed on 24 June 2017 with the National Pension Scheme Authority (NAPSA) to finance the Ndola-Kitwe, Kitwe-Chingola, and Chingola Solwezi Road projects and construct Toll Plazas from which the 10 year Loan facility would be repaid.

During the period under review **1, 111** Interim Payment Certificates (IPCs) were processed, **544** for major contracts, and **567** were for Routine Maintenance Contracts and the Agency recorded **K8.84 million** as savings through internal systems and controls.

The Agency continued its implementation of the Road Tolling Programme. The target for 2017 was commission a total of 20 Inland Toll Stations. However by 31 December 2017, there were 9 operational toll stations and 4 weighbridge collection points operating as tolling points as well. The delay in meeting the target was mainly due to external factors.

By the close of 2017, **K667** million was raised in form of collected road tolls. This performance was about 98 percent achievement against a projected annual budget of **K682 million** for 2017. This appreciable increase represented an improvement in the annual toll collections by **51.1 percent** as compared with the collection performance in the previous year 2016.

Looking ahead in 2018, the Agency will use its strategic position in the Road Sector to enhance its mandate under the three pillars of resource mobilisation, fiduciary management and ensuring value for money and particularly increase the road Tolling footprint across the country to generate sustainable revenues for road Maintenance. .

Wallece Mumba

Acting Director/Chief Executive Officer

NRFA'S BOARD MEMBERS



Ms. Christabel Michel-Banda -
Board Chairperson



Mr. Kaitano Chungu
Vice Board Chairperson



Ms. Mwenya Kapasa



Mr. Joe Simachela



Mr. Mukuli Chikuba



Ms. Suya Bridget M.
Chidumayo



Ms. Mumeka Walumweya



Mr. Eugene Chungu



Mr. Nicholas
Chikwenya



Mr. Zindaba Soko-
Ex-officio



Eng. Elias Mwape -
Ex-officio



Eng. Wallece Mumba-
Secretary

NRFA'S MANAGEMENT STAFF



Eng. Wallece Mumba
Director/Chief Executive Officer



Mr. Vincent Nyambe
Director Fund
Management



Mr. Richard Shikoki
Director Internal Audit



Dr. Yohane Tembo
Director Programming
Monitoring & Evaluation



Mr. Crispin Chilikwela
Director Corporate
Services

1 INTRODUCTION



The National Road Fund Agency (NRFA), which plays a fiduciary oversight on all Road Sector Finances in Zambia, draws its mandate from the National Road Fund Act Number 13 of 2002. Its functions can be summed up into three key pillars of Resource Mobilisation, Fiduciary Management of Resources and Value for Money.

The Agency was created out of the Transport Policy formulated in May 2000 and established three Road Sector Agencies through Acts of Parliament, with NRFA financing Road Projects and Road Transport Services under the Road Transport and Safety Agency (RTSA), Road Development Agency (RDA) and projects under the Ministry responsible for Local Government.

Therefore, the NRFA is part of road sector institutions in Zambia whose governance structure comprises Committee of Ministers and Permanent Secretaries from key Ministries, Committee of Chairpersons of the Road Sector Boards, Road Sector Boards, and Road Sector Management.

The Agency's modus operandi is based on the Strategic Plan 2017 – 2021 which provides a clear blue print for the NRFA's long term approach to strategically execute its mandate as enshrined in the Act underpinned by the appointment as a Lead Tolls Agent in the implementation of Phase II of the National Road Tolling Programme.

The Strategic Plan's implementation timeframe is aligned to the 7 National Development Plan (7NDP) 2017 – 2021 whose theme is "Accelerating development efforts towards Vision 2030 without leaving anyone behind."

For its part, the 7NDP 2017 - 2021 is informed by a set of objectives including the improvement of infrastructure development in the transport and energy sectors, with emphasis on reliable, interconnected and relatively low cost transport and increased private sector participation, which are essential for achieving diversified and sustainable economic growth.

Therefore, the NRFA's Strategic Plan 2017-2021 is mutually supportive of the theme and key objectives of the 7NDP 2017 – 2021 and outlines a focused strategic direction as a critical enabler for the governance of the Agency.

In order to effectively deliver on its mandate as stipulated in the NRF Act. No 13 of 2002 and to meet the expected results enshrined in the Strategic Plan 2017-2021 of ensuring Satisfied Stakeholders, sustaining a Positive Corporate Image and providing an Excellent Service, the Agency currently operates under the framework of for Departments namely Fund Management, Programming Monitoring and Evaluation, Internal Audit, Corporate Services and Units which are Road Tolling, Public Relations, Procurement and Information Communication Technology (ICT).

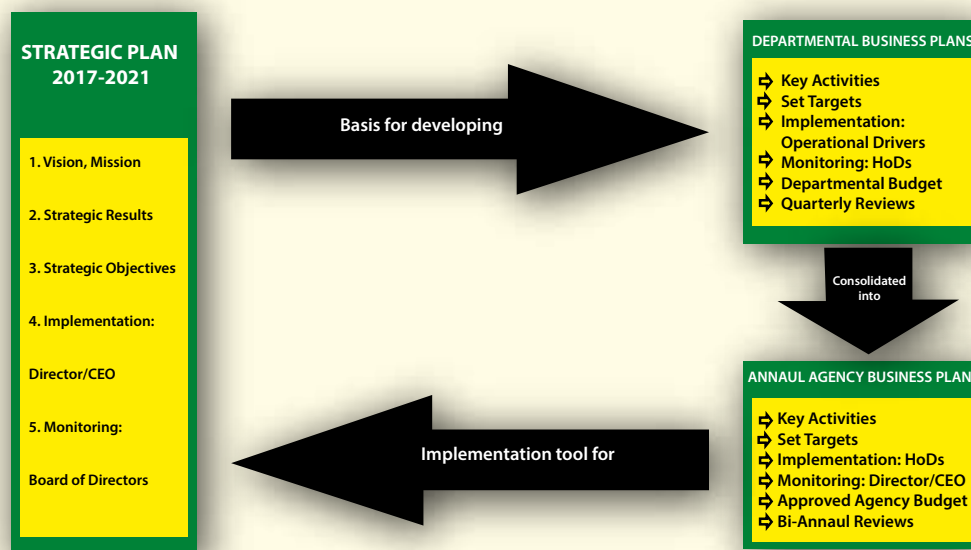
2 NRFA STRATEGIC DIRECTION

During 2017, the NRFA developed a Strategic Plan 2017 – 2021 which provides a clear blue print for the Agency's long term approach to strategically execute its mandate as enshrined in the National Road Fund act No. 13 of 2002. The Strategic Plan's implementation timeframe is aligned to the 7 National Development Plan (7NDP) 2017 – 2021

whose theme is "Accelerating development efforts towards Vision 2030 without leaving anyone behind." The Strategic Plan 2017 – 2021 was approved by the Board and is anchored on the vision and mission statement as presented in the Balanced Score Card below:



The Strategic Plan 2017-2021 shall be implemented through Annual Agency Business Plan shall be reviewed to assess and monitor the Agency's performance towards achievement of the ten strategic objectives.





Chingola - Solwezi Road before NAPSA funding (above) and after rehabilitation (below)



3 FUND MANAGEMENT

3.1 ROLES AND MANDATE

The Fund Management Department is responsible for the tracking of funds from collection points, ring fencing the Road Fund, control of its usage, and later disbursing it to the intended contracted road works and road transport services. The Department is the Focal Point in delivering the Agency's mandate to manage and administer the Road Fund which comprise two main sources of revenue, namely, Local Resources mainly from Tolling Revenue, Fuel Levy, Other Road User Charges (ORUCs) and Government of the Republic of Zambia (GRZ) through Project Direct Allocations and External Resources from Cooperating Partners (CPs).

The Local Resources of Tolling Revenue, Fuel Levy and ORUCs are contributions by the road user, together with the External Resources from CPs, are both dedicated towards the routine and periodic maintenance of the road network. The GRZ Project Direct Allocations provide funding for the rehabilitation, upgrading and new construction of road projects that GRZ selects each year under national interest.

As shall be highlighted in the subsequent sections of this Report, the Department contributed to the achievement of the Agency's key Strategic Objectives which included increased Revenue Base, Improved Fiduciary Management and improved Service Delivery.

3.2 NOTABLE ACHIEVEMENTS DURING 2017

3.2.1 Increased Road Sector Resource Base through Public Public Partnership (PPP)

The Road Sector received a boost on the first directly sourced local financing from the Public Public Partnership (PPP) Loan Facility of **K2.13 billion** through an Agreement signed on 24 June 2017 between the National Pension Scheme Authority (NAPSA), as a Public Pension House and the National Road Fund Agency (NRFA), as another Public Institution in the Road Sector.

3.2.2 The National Road Fund – 'Common Fund Basket'

Another major milestone during the year under review, was the successful preparation, audit and Board approval of the National Road Fund – 'Common Fund Basket' of the Road Sector - on accrual basis using the automated Financial Management System (FMS). The Common Fund Basket, for the first time, collates and summarises the Road Sectors overall financial performance, while also giving its financial position on the financing and funding from Cooperating Partners, as well as Local Financing and Funding from the Treasury at 31 December 2017. And it has the Net Asset Position on all Road Projects still under Capital Work In Progress (CWIP) of **K30.70 billion** at 31 December 2017

This is the ultimate financial position disclosure desirous to both the Cooperating Partners and the Government, for the Road Sector to be transparent on both Cooperating Partners and Treasury Resources, informative by giving a complete financial picture and accountable on its fiduciary management of the Road Fund, as per Sections 16, 17, 18 and 19 of the national Road Fund Act number 13 of 2002.

3.2.3 Successful unqualified audit of the 2017 Agency Financial Statements

The NRFA has also successfully prepared the unqualified audited quarterly and annual financial statements for both External and Local Financing and Funding, on accrual basis for the first time, for the year ended 31st December 2017.

3.2.4 Other notable achievements during 2017

3.2.4.1 Increased Tolls Collections

The Road Sector was able to collect a total of **K677 million**, which is **98%** of the 2017 Toll Collection Target of **K689 million** despite not opening the high traffic volume Toll Stations along the Ndola to Solwezi T2 and T3 Road Sections.

3.2.4.2 Successful Implementation of the Ndola – Kitwe – Chingola – Solwezi Road Section project

As at 31 December 2017, it was estimated that on average 62% of this Road Section had been completed due to the fresh capital injection disbursement of **K1.43 million** from NAPSA (Loan total **K2.13 billion**) during 2017. See **Table 1** below:

Table 1: Progress on NAPSA funde project

No.	Road Project	Contract Start Date	Contract End Date	Physical Progress at 31 December 2017
1	Ndola Kitwe Dual Carriage-way	28.11.2012	28.06. 2018	95% Physically Complete
2	Kitwe Chingola Dual Carriageway	19.06.2015	31.12.2018	62% Physically Complete
3	Chingola Solwezi Road Lot 1	19.06.2015	18.06.2018	93% Physically Complete
4	Chingola Solwezi Road Lot 2	01.06.2015	18.06.2018	78% Physically Complete
5	Chingola Solwezi Road Lot 3	22.05.2015	18.06.2018	88% Physically Complete
6	Levy Mwanawasa Toll Station - Ndola Kitwe	27.09.2017	25.04.2018	32% Physically Complete
7	Garnaton Toll Station - Kitwe Chingola	26.06.2017	15.03.2018	48% Physically Complete
8	Chingola Solwezi Toll Stations - Lot 1	TBA	18.06.2018	Mobilisation in progress
9	Simple Average Completion Rate			62% Physically Complete



Solwezi-Chingola Road Lot 1

3.2.5 Lusaka 400 Project Phase I Completion –And start of Phase II

The Lusaka 400 Project Phase I of **360 km** was successfully rehabilitated, paved and opened to traffic by 31 December 2017 in Lusaka. The launch of Phase II successfully commenced during 2017.

3.2.5.1 Link Zambia 8,000 Project progress

The unprecedented **Link Zambia 8,000 Project** under the Accelerated National Road Construction Programme (ANRP), which was launched on 20 September 2012, progressed further during 2017.

3.2.5.2 Successful commencement of the Improved Rural Connectivity Project (IRCP) under the World Bank

The Improved Rural Connectivity Project (IRCP) was initiated in 2016 at closure of the Road Rehabilitation Maintenance Programme Phase II (RRMP II). The Project preparatory Fund (PPF) was successfully approved in 2017 to facilitate preparations for the main Project Fund totaling **K2.00 billion (US \$200.00 million)** which will run for five (5) year period.

3.2.5.3 Advanced Preparatory Phase of the Project Funding towards the Rehabilitation of the Great North Road, Kafue – Mazabuka - Monze Road Section.

The Road Sector had reached advanced stages of securing the AfDB's **K300 million US \$30 million)** and BHM's **K1.80 billion (Euro170 million)** Credit Financing by 31 December 2017.

3.3 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE NATIONAL ROAD FUND FINANCIAL POSITION AT 31 DECEMBER 2017

The National Road Fund Receipts compared to Budget from 2006 to 2017 was 96% on average at 31 December 2017, as can be seen in **Table 2**, below.

Table 2: Total Road Fund Budget, Receipts and Disbursements – Eleven (11) year period from 2006 to 2017

No.	Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
		KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion	KMillion
1	Budget	858	787	1,210	1,357	1,294	3,044	4,273	4,607	4,943	5,466	6,630	6,105	40,574
2	Receipts	819	462	922	892	1,091	3,060	2,229	3,780	4,983	9,328	5,608	5,304	38,478
3	Disbursements	537	445	919	1,183	1,121	2,199	2,563	3,950	4,957	9,113	5,335	5,121	37,443
4	Mobilisation Capacity % –Receipts/ Budget	95%	59%	76%	66%	84%	101%	52%	82%	101%	171%	85%	87%	95%
5	Absorption capacity %– Disbursements/ Budget	63%	57%	76%	87%	87%	72%	60%	86%	100%	167%	80%	84%	92%

3.4 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE LOCAL RESEOURCES

There was a noticeable reduction in both receipts and disbursement levels during 2016 mainly due to the same factors highlighted in **Section 1.3**, above. However, the overall performance over the ten (10) year period – 2006 to 2016 - was above 100% on mobilization capacity while absorption capacity fell to 89%.

Table 3: Local Road Fund Budget, Receipts and Disbursements – Eleven (11) year period from 2006 to 2017

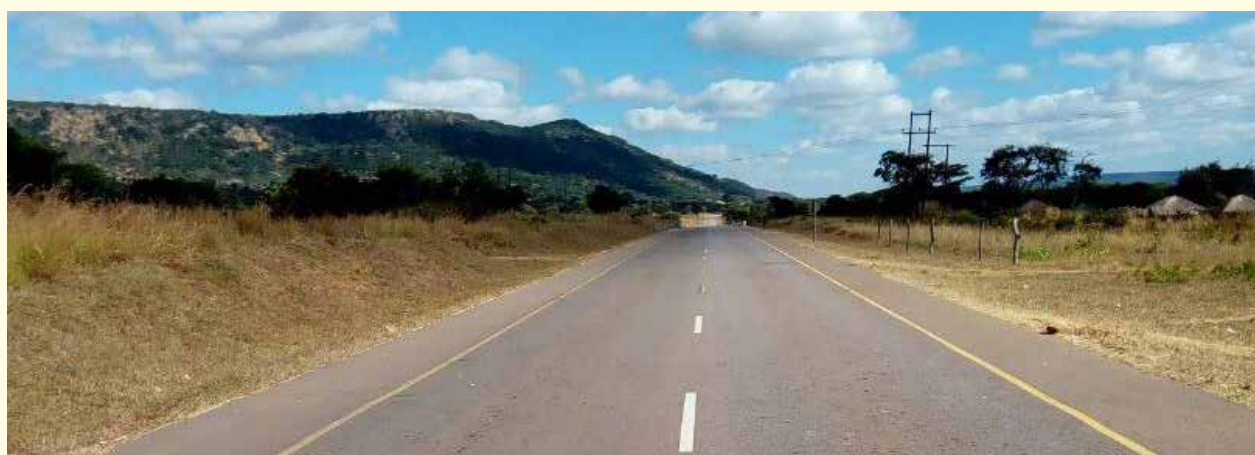
Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Budget	858	787	1,210	1,357	1,294	3,044	4,273	4,607	4,943	5,466	6,630	6,105	40,574
Receipts	819	462	922	892	1,091	3,060	2,229	3,780	4,983	9,328	5,608	5,304	38,478
Disbursements	537	445	919	1,183	1,121	2,199	2,563	3,950	4,957	9,113	5,335	5,121	37,443
Mobilisation Capacity % –Receipts/ Budget	95%	59%	76%	66%	84%	101%	52%	82%	101%	171%	85%	87%	95%
Absorption capacity %– Disbursements/Budget	63%	57%	76%	87%	87%	72%	60%	86%	100%	167%	80%	84%	92%

3.5 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE EXTERNAL RESOURCES

For the last eleven (11) years after the Road Sector reforms, the Cooperating Partners (CPs) have been supporting the Road Sector, through provision of Credits and Grants on the Core Road Network, by addressing the backlog of periodic maintenance of the road network. **Table 4** below shows support by Cooperating Partners during 2006 to 2017.

Table 4: External Road Fund Budget, Receipts and Disbursements from 2006 to 2017

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Budget	466	463	516	641	442	1,523	2,035	822	2,043	2,236	3,414	3,423	18,024
Receipts	309	81	264	106	59	857	794	262	1,807	4,975	1,998	2,739	14,251
Disbursements	224	70	153	171	62	730	775	432	1,818	4,760	1,998	2,614	13,807
Mobilisation capacity% –Receipts/ Budget	66%	17%	51%	17%	13%	56%	39%	32%	88%	222%	59%	80%	79%
Absorption capacity% –Disbursements/ Budget	72%	86%	58%	161%	105%	85%	98%	165%	101%	213%	100%	95%	77%



Mbala - Nakonde Road

In detail, Grants and Credit Funding from CPs during 2017 is summarized in **Table 5.**

Table 5: External Road Fund Budget, Receipts and Disbursements during 2017

No.	Cooperating Partner Name	Credit/ Grant	Type of Payment	Budget K Million	Receipts K Million	Expenditure K Million	Variance Receipts Vs Budget	
							K Million	%
1	African Development Bank (AfD)	Credit/ Grant	Direct Payments/Dedicated Bank Account	585	156	156	(429)	-73%
2	Africa Growth Fund Together (AGTF)	TBA	TBA	95	-	-	(95)	
3	The Arab Bank for Economic Development in Africa (BADEA)	Credit	Direct Payments	57	-	-	(57)	
4	Development Bank of Southern Africa (DBSA)	Credit	Dedicated Bank Account	90	-	-	(90)	
5	The Department of International Development (DFID)	Credit	Dedicated Bank Account	3	-	-	(3)	
6	European Investment Bank/European Union (EIB/EU)	Credit	Direct Payments/Dedicated Bank Account	219	49	49	(170)	-78%
7	EXIM Bank of China/China Development Bank Corporation	Credit	Direct Payments	821	1,014	1,014	193	24%
8	EXIM Bank of USA	TBA	TBA	68			(68)	
9	Germany Development Bank - KfW	Grant	Dedicated Bank Account	20	-	-	(20)	
10	Japanese International Cooperation Agency (JICA)	Credit	Direct Payments	6	8	8	2	34%
11	Kuwait Funds	Credit	Direct Payments	65	82	82	17	26%
12	Nordic Development Fund (NDF)	Credit	Direct Payments	5	-	-	(5)	
13	OPEC Fund for International Development (OFID)	Credit	Direct Payments	58	-	-	(58)	
14	Saudi Arabia	Credit	Direct Payments	50	-	-	(50)	
15	World Bank - IDA	Credit	Direct Payments/Dedicated Bank Account	378	7	7	(370)	-98%
16	Sub Total			2,518	1,316	1,316	(1,203)	-1065%
17	Contractor Facilitated	TBA	TBA	3,023	-	-	(3,023)	
18	PPP - NAPSA	Credit	Dedicated Bank Account	400	1,423	1,299	1,023	256%
19	Sub Total			3,423	1,423	1,299	(2,000)	156%



kazungula Bridge

3.5.1 The African Development Bank (AfDB) – Rehabilitation of Great North Road Chinsali- Nakonde Stretch

The African Development Fund signed a Loan agreement on 28 January 2016 with the Government of Zambia to finance the entire foreign currency cost (F.E) and part of the local currency (L.C) cost of the Chinsali-Nakonde Road Rehabilitation Project for a total amount of **K1,887.54 million (US\$193 million)**. The project cost was estimated at **K2, 501.33 million (US\$ 255.76 million)**, to be financed by the AfDB for a total of **K1, 887.54 million (US\$193 million)**, AGTF to finance a total of **K489.00 million (US\$ 50.00 million)** and GRZ's contribution at a total of **K124.79 million (US\$ 12.76 million)**.

The main Project was still under formulation and works and designs were completed in 2017. The expenditure towards Resettlement and Compensation of Project Affected Persons and works design consultancy was **K4.85 million (US \$0.52 million)** by 31 December 2017.

3.5.2 The African Development Bank (AfDB) Grant– Construction of the Kazungula Bridge

The Government of the Republic of Zambia, the African Development Bank (AfDB) and European Investment Bank (EIB), acting in its capacity as Manager of the EU-Africa Infrastructure Trust Fund (the "EU-AITF"), entered into a Grant Agreement for the total amount of **Euro 1.00 million**, on 8th day of June 2015 to fund the financial assistance relating to consultancy services of the following:

- a) Technical Assistance/Capacity Building.
- b) Establishment of the Kazungula Bridge Authority(KBA).
- c) Project Management services and Trade facilitation.

The Project commenced in 2016 and a total of **K1.27 million (Euro 0.11 million)** was disbursed by 31 December 2017.

3.5.3 The African Development Bank (AfDB) Loan– Construction of the Kazungula Bridge

This was a Loan Facility to both Governments of Botswana and Zambia which was earmarked for the implementation of four Lots as follows:

- a) **Lot 1:** Construction of the : (i) 930m long, 16.5m wide cable stayed road/rail Kazungula Bridge,

including the tolling facilities, (ii) one-stop-border post facilities (OSBP), (iii), bridge approach/access roads approximately 10km length;

- b) **Lot 2:** Consultancy services to undertake technical and financial audit services;
- c) **Lot 3:** Complementary Components which include: (i) Implementation of Environmental and Social Management Plan (ESMP) including sensitization programs (Road safety and HIV), collecting of socio-economic baseline data, provision of facilities for small market traders, and monitoring of the bio-physical environment during and post construction, and Resettlement and Compensation- the activities associated with resettlement and compensations of PAPs and comprise: relocation of Lumbo Village, construction of new housing units, amenities and services
- d) **Lot 4:** Consultancy services to carry out: (i) National Transport Master Plan Study (ii) Feasibility study and preliminary design of railway spur for (a) Livingstone-Kazungula-Sesheke and (b) Mpulungu to Nseluka.

The Bank cancelled **Lot 1 in 2015**, construction of the Kazungula Bridge because it did not agree with both Governments' procurement method used to select the current Contractor, Daewoo E&C. However, AfDB has agreed with the Government of Zambia to reassign the Loan amount of **UA36.00 million** to other Road Projects along the Nacala Corridor and finalisation of this reassignment is yet to be done on the Kafue Turnpike Turn off to Mazabuka Road Section.

Further, both Botswana and Zambian Governments agreed to meet the construction of the Kazungula Bridge on a 50/50% sharing basis of the contract amount of **US \$161.00 million**. For the Zambian Government this cost was currently being met from the Local Funding. The overall progress on the construction of the Kazungula Bridge Project was % by 31 December 2017.

The African Development Bank (AfDB) further provided the Grant proceeds for Lots 2,3 and 4, the construction of Complimentary Component around the Kazungula Bridge, which involved the construction of the Community School, Teachers Houses, Gravel Access Roads, Power Supply to the School, Water Reticulation and related Sanitary Facilities to the School, technical and financial audit services and consultancy services on the National Transport Master Plan Study (ii) Feasibility study and preliminary design of railway spur at a total cost of **K34.08 million (US \$3.45 million)** was disbursed by 31 December 2017.

The Government of Zambia through the Road Fund has so far disbursed a total of **K million (US \$ million) by end of 2017**.

3.5.4 The African Development Bank (AfDB) – Nacala Corridor II - Rehabilitation of the Great East Road (Nyimba to Petauke to Sinda)

The African Development Bank (AfDB) and the GRZ signed a Credit Agreement on 20 January 2011 for a total amount of **UA 69.36 million (US \$104.04 million)** to fund the rehabilitation of 114.78 km of the Great East Road from Nyimba to Petauke to Sinda. The works were undertaken at an excellent standard of workmanship except for the last 15km before Sinda which had to be repaired and surfaced during 2017. The Project was completed by June 2017 and was currently under defect liability period. A total of **K712.86 million (US \$85.38 million)** was disbursed by 31 December 2017.

3.5.5 The African Development Bank (AfDB) – Nacala Corridor IV - Construction of One Stop Border Posts (OSBP)

This is a Multinational project between the Governments of Malawi, Mozambique and Zambia, targeting the entire Nacala Road Corridor from Lusaka in Zambia through Malawi and Mozambique to the Nacala Port with an estimated Population of over 2 million people.

The Government of the Republic of Zambia entered into a Loan Agreement worth **(AU 5,000,000 (US \$8.46 million))** with the African Development Bank (AfDB) on 2nd day of June 2014 to finance the following:

- a) Construction and establishment of One –Stop- Boarder -Post (OSBP) at Mchinji and Mwami including installation of Hardware and Software and related project management costs.
- b) Technical Assistance (TA) in establishing OSBP and Capacity Building activities in both Malawi and Zambia.

The Project commenced in 2016 and a total amount of **K4.31 million (US \$0.43 million)** was disbursed by 31 December 2017.

3.5.6 The Arab Bank for Economic Development in Africa (BADEA) and Saudi Arabia– Upgrading of the Kalabo to Sikongo to Angola Border Road

The Arab Bank for Economic Development in Africa (BADEA) and the Government of the Republic of Zambia (GRZ) signed the Loan Agreement on 31 July 2010 for a total amount of **US \$46.00 million** to fund the upgrading of the Kalabo – Sikongo – Angola Border Road. The Consultancy Agreement to re-design the Kalabo to Sikongo to Angola Border Road was signed on 11 August 2011 between the Road Development Agency (RDA) and the Wanjui/Industrial Engineering and Consulting of Kuwait.

The Loan Agreement between the Government of the Republic of Zambia (GRZ) and Saudi Fund was signed on 3 May 2013.

The works will commence in 2017 after the completion of the re-design consultancy in 2016. A total amount of **K81.97 million (US \$6.20 million)** was disbursed by 31 December 2017.

3.5.7 The China Development Bank

The Government of the Republic of Zambia entered into a Loan Agreement with China Development Bank Co-operation for the financial assistance relating to the design and construction /upgrading of the Mansa to Luwingu (M3) Road, and 30km of township roads in Mansa and Luwingu for an amount of **K1,720.50 million (US\$175.92 million)**. Subsequently, on 27th December 2012, the Road Development Agency signed a contract with China Henan International Co-operation Group Co. Ltd to carry out the civil works for an amount of **K2,024.07 million (US\$206.96 million)**, where the Zambian Government, was to contribute a total of **K303.57 million (US\$31.04 million)** as Counterpart Funding in addition to the Loan amount of **K1,720.50 million (US\$175.92 million)** towards the road works. Two variations have since been made raising the Loan amount first to **K2,375.75 million US \$242.92 million** and finally to **K3,040.80 million (US \$310.92 million)** in 2016 to include Mansa and Luwingu Urban Roads.

All Loan disbursements from China Development Bank to pay the Contractor, China Henan International Co-operation Group Co. Ltd is in the form of direct payments upon certification of works by both the Road Development Agency and National Road Fund Agency.

The Mansa-Luwingu road was completed to the highest standard known in Zambia and the Road section is now under the Defects Liability Period. The Urban Roads in Mansa and Luwingu, were still on-going by year end. A total of **K2,39.77 million (US \$252.08 million)** was disbursed by 31 December 2017.

3.5.8 Contractor Financing – China Jiangxi Corporation for International Economic and Technical Cooperation

China Jiangxi 1.1.1 Corporation for International Economic and Technical Cooperation signed a Contractor Financing Agreement with the Government of Zambia of **K12.00 billion (US \$1.21 billion)** to construct the dual carriageway of **642 km** between Lusaka and Ndola in 2017. Works commenced during the last half of 2017 but no expenditure was yet recorded by 31 December 2017.

3.5.9 The Department of International Development (DFID) Fund

The Government of the Republic of Zambia and Tripartite comprising the Department of International Development (DFID) of the United Kingdom of the Great Britain and Northern Ireland and the Development Bank of Southern African (DBSA), as the Manager, signed the Grant Agreement for a total of **US \$29.76 million** to finance the Lusaka – Chirundu Road Link 4 and Kafue weighbridge on 9th February 2014. Both works commenced during 2015.

The construction for the ultra-modern electronic weighbridge was successfully completed at very high standard and was operational end of 2016. The Construction of the Lusaka – Chirundu Road Link 4 was completed in 2017 at very high standard of workmanship. A total cost of **K306.62 million (US \$18.08 million)** was disbursed by 31 December 2017.

3.5.10 The European Investment Bank (EIB) – Rehabilitation of the Nacala Corridor - Great East Road (Luangwa to Nyimba, Sinda to Katete, Chipata Town and Chipata to Mwami Border Post)

The European Investment Bank (EIB) and the Government of the Republic of Zambia signed a Credit Agreement on 12 December 2011 for a total amount of **Euro 80.00 million** to fund the rehabilitation of 163.97 km of the Great East Road from Luangwa to Nyimba, Sinda to Katete, Chipata Town and Chipata Town to Mwami Border Post. The Loan amount was revised to **Euro 143.81 million** to ensure completion of the works in time.

The road links have since been completed to a very high standard of workmanship except for a smaller portion of Luangwa-Nyimba escarpment section in which some failure in premix asphalt have been noted and remedial action was undertaken in 2017. The works were under various terms of Defects Liability Period by year end.

A total of **K1, 290.66 million (Euro 131.36 million)** was disbursed by 31 December 2017.

3.5.11 The Exim Bank of China

The Government of the Republic of Zambia has obtained the following three Credits from the Exim Bank of China:

- a) **The Mongu-Tapo section of the Mongu - Kalabo Road:** The Loan Agreement for a total of **US\$244.00 million** to finance the engineering design and construction of the Mongu-Tapo section of the Mongu - Kalabo Road was signed on July 4 2011. The Civil works contract was signed with AVIC international for an amount of **US\$286.94 million** on 31 December 2009, where the Government of Zambia's contribution amounts to 30% of the contract amount, while 70% of the Loan Agreement covered the contract amount balance.

The road and bridges works were fully completed to very high standards, commissioned and opened to traffic during 2016. The total of **K1, 962.85 million (US \$285.76 million)** was disbursed by 31 December 2017.

- b) **The Mbala - Nakonde Road (171.9KM):** A total of **1,188.00 million Yuan (US \$180.00 million)** was entered into by the RDA and China CAMC Engineering Co. Limited for the upgrading of Mbala to Nakonde Road (171.9KM) in the Northern Province. The Loan Agreement was signed on 11 April 2013 and the civil works contract was signed on 15th April 2011 and Works commenced during 2012.

The road works were fully completed to very high standards and opened to traffic during 2016. The total of **K1, 554.85 million (US \$179.22 million)** was disbursed by 31 December 2017.

- c) **The Lusaka 400 Urban Roads Project:** A financing contract of **US\$295.80 million** to finance the engineering, design, rehabilitation, construction and upgrade of selected urban roads in the city of Lusaka was signed on 17 July 2013. The Civil works contract amounts to US\$348.29 million and was signed on 29 August 2012 and the Government of Zambia's contribution to the Project amounts to 15% of the contract value.

Phase I roads up to about **360 km** was completed to acceptable standards and was opened to traffic during 2016.

Phase II roads works of up to about **146 km** which include Lumumba and Great North Road Sections between Heroes Stadium and Kabangwe, were commenced during 2017.



L-400 Phase II

The total of **K3, 504.43 million (US \$379.23 million)** was disbursed by 31 December 2017.

3.5.12 The Japan International Cooperation Agency (JICA) – Construction of the Kazungula Bridge

The Japan International Cooperation Agency (JICA) provided the Credit proceeds totaling **US \$8.60 million (Japanese Yen 886.00 million)** for the design review, tender documentation and supervision of the Kazungula Bridge, through an agreement with the Government of Zambia on 12 October 2012.

The total of **K38.93 million (US \$5.31 million)** was disbursed by 31 December 2017.

3.5.13 The KfW - Rural Transport for Poverty Reduction in the Southern Province

KfW of Germany signed a finance agreement for the Rural Transport for Poverty Reduction in the Southern Province on August 26, 2006 for a total of **K130.14 million (Euro 15.68 million)** with the Government of the Republic of Zambia.

The services and works contracts for the two consultancies, Gitec Consult GmbH, for the design of tender documents out of contract for tender process, evaluation and supervision of works, and Stange Consult

Gmbh, for the capacity building for small and medium sized contractors involved in the execution of maintenance works and small and medium works contracts done in Southern Province. The total of **K76.48 million** was disbursed by 31 December 2017.

3.5.14 The World Bank Loans

The World Bank (IDA)'s Road Rehabilitation Maintenance Programme (RRMP) support to GRZ under the second 10-year (2004-2014) ROADSIP II ended in 2016.

Preparations for the Improved Rural Connectivity Project (IRCP) for a Credit of **K2,000.00 billion (US \$200.00 million)** were commenced in 2016, which culminated in the approval of the Preparatory Project Fund (PPF) of **K30.00 million (US \$3.00 million)** on 13 September 2017 and a total of **K7.49 million (US \$0.77 million)** was disbursed by 31 December 2017.

The main objective of the Improved Rural Connectivity Project for Zambia are to: (1) Improve the Recipient's rural road accessibility for the communities in six top ranked provinces of Central, Eastern, Northern, Luapula, Southern and Muchinga.; (2) Strengthen institutional capacity for sustainable management of rural roads; and (3) Respond promptly and effectively to an Eligible Crisis or Emergency.

3.6 THE ROAD SECTOR CHALLENGES

3.6.1 The Road Sector Debt Position

The Road Sector Local Funded Short Term Debt rose by 12% to **K4.73 billion** at 31 December 2017, from **K4.10 billion** on 1 January 2017, having fluctuated during the year as follows:

Table 6: Road Sector Debt position

No.	Period End	1/1/2017	31/3/2017	30/6/2017	30/9/2017	31/12/2017
		ZMW Million	ZMW Million	ZMW Million	ZMW Million	ZMW Million
1	Foreign Chinese	2,434	2,391	2,179	2,240	2,351
2	Foreign Other	374	470	419	449	488
3	Sub Total	2,809	2,861	2,597	2,689	2,839
4	Local	1,299	1,413	1,481	1,653	1,894
5	Total	4,108	4,275	4,078	4,342	4,733
6	Movement - %	0%	4%	-5%	6%	9%

The Local Funded Debt at 31 December 2017 was aged as follows:

Table 7: Debt Ageing Analysis

No.	Age in Days	Age in Years	At 31 December 2017	
			ZMW	%
1	1 to 180	Last 6 Months - 2017	151,029,815	3.19%
2	181 to 360	First 6 Months - 2017	315,585,767	6.67%
3	361 to 720	2016	2,527,686,852	53.41%
4	721 to 1,080	2015	1,258,175,699	26.58%
5	1,081 to 1,440	2014	456,019,226	9.63%
6	1,441 to 1,800	2013	22,909,108	0.48%
7	1,801 to 2,160	2012	1,574,154	0.03%
8	Total		4,732,980,621	100.00%

There is need of liquidating this Local Funded Debt in the short to medium term, to ensure the Road Sector does not continue experiencing cash flow challenges.

3.6.2 The Lack of External Funding Support towards the Western Corridor Roads

The Western Corridor Roads Sections between Tateyoyo and Kaoma/Katunda Turn off on M9 and also Kazungula and Sesheke on M10 were not in a good condition requiring urgent rehabilitation from External Funding.

3.7 SHORT TO MEDIUM TERM STRATEGIES TOWARDS RESOLVING THE ROAD SECTOR CHALLENGES

3.7.1 Commencing Implementation of the 80/20% Road Projects Completion

The Road Sector review in the last Quarter of 2017, revealed that there were a number of Road Projects which were at 80% completion level. There is need of prioritizing funding towards completion of these Projects starting 2018, before considering the 20% completed Road Projects.

3.7.2 Completion of 40 Toll Stations to increase the Local Resource Collections

Completion of the remaining 40 Toll Stations during 2018 will lead a uniform increase of 6% up to 2026 to the Road Sector Resource base. This increase will be in addition to any Government increase in individual rates of the respective Road User Charges (RUCs) between 2019 and 2026.

Table 8: Road Tolling Collections

No.	Description	1.0 Road Tolling Collections										Total	
		2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	K Million	K Million
1	Inland Tolling	241	255	271	287	304	322	342	362	384	407	3,174	3,174
2	Weighbridge fines	15	16	17	18	19	20	21	22	24	25	195	195
3	Port of Entry	433	459	487	516	547	580	614	651	690	732	5,709	5,709
Total		689	730	774	820	869	922	977	1,036	1,098	1,163	9,077	9,077
2.0 Other Road User Charges													
1	Fuel Levy Collections	770	816	865	917	972	1,031	1,092	1,158	1,228	1,301	1,379	1,379
2	Road Taxes	451	478	506	537	569	603	639	678	718	761	807	807
Total		1,221	1,294	1,372	1,454	1,541	1,634	1,732	1,836	1,946	2,063	2,186	2,186
TOTAL RUCs - ZMW		1,910	2,024	2,146	2,274	2,411	2,555	2,709	2,871	3,043	3,226	11,264	11,264
TOTAL RUCs - %		Base Year	6%	6%	6%	6%	6%	6%	6%	6%	6%	54%	54%

3.7.3 Further broadened Local and External Resource Mobilisation

The Road Sector has continued sourcing Local and External Financing and an estimated **K600 million and Euro 170 million** were under discussions with Stanbic Bank Zambia Limited and BHM of UK, respectively. The Stanbic Bank Zambia Limited Loan Facility which will finance the Kazungula Bridge and the Toll Stations Construction Costs will be contracted by the NRFA, while the latter which is targeted towards complementing the AfDB Funding on the Kafue – Mazabuka – Monze Great north Road Section, will be contracted by the Ministry of Finance.

However, the addition of the Stanbic Bank Zambia Limited Loan Facility to the NRFA Loan Portfolio, will lead to the Debt/RUC ratio of as follows:

No.	Loan Facility	Loan Amount ZMW Million	NAPSA February 2018 Interest rate of 21.50% & 17.50% Stanbic as Quoted - ZMW	Both at 21.50% Interest Rate ZMW Million	Both At 20% Interest Rate ZMW Million	Both At 25% Interest Rate ZMW Million	Both At 30% Interest Rate ZMW Million	Both At 35% Interest Rate ZMW Million	Both At 40% Interest Rate ZMW Million	Both At 45% Interest Rate ZMW Million	Both At 50% Interest Rate ZMW Million
1	NAPSA	2,126.55	518.71	518.71	493.08	580.43	672.61	768.70	867.58	968.63	1,071.26
2	Stanbic	500.00	150.73	164.01	158.96	176.11	194.12	212.94	232.51	252.76	273.63
3	Total Annual Repayment	2,626.55	669.44	682.72	652.04	756.54	866.73	981.64	1,100.09	1,221.39	1,344.89
4	Total Monthly		55.79	56.89	54.34	63.05	72.23	81.80	91.67	101.78	112.07

Based on the total Loan Portfolio of **K2.66 billion** where **K2.16 billion** has been sourced from NAPSA and a total of **K0.50 billion** being sourced from Stanbic Bank Zambia Limited Loan, gives the following scenarios over the range of annual interest rates from 17.50% to 50.00%:

No.	Year Currency	2018 K M	2019 K M	2020 K M	2021 K M	2022 K M	2023 K M	2024 K M	2025 K M	2026 K M	Total K M
1	Total Road User Charges Revenues	1,902.70	2,016.86	2,137.87	2,266.15	2,402.11	2,546.24	2,699.02	2,860.96	3,032.61	21,864.53
	Loan Repayment Instalments										
2	Current at 21.50% - Total	682.72	682.72	682.72	682.72	682.72	682.72	682.72	682.72	682.72	6,144.48
	% of Revenue	36%	34%	32%	30%	28%	27%	25%	24%	23%	28%
3	Total	609.12	609.12	609.12	609.12	609.12	609.12	609.12	609.12	609.12	5,482.04
	% of Revenue	32%	30%	28%	27%	25%	24%	23%	21%	20%	25%
4	At 25%	717.03	717.03	717.03	717.03	717.03	717.03	717.03	717.03	717.03	6,453.24
	% of Revenue	38%	36%	34%	32%	30%	28%	27%	25%	24%	30%
5	At 30%	830.89	830.89	830.89	830.89	830.89	830.89	830.89	830.89	830.89	7,477.99
	% of Revenue	44%	41%	39%	37%	35%	33%	31%	29%	27%	34%
6	Total	949.44	949.44	949.44	949.44	949.44	949.44	949.44	949.44	949.44	8,544.92
	% of Revenue	50%	47%	44%	42%	40%	37%	35%	33%	31%	39%
7	At 40%	1,071.57	1,071.57	1,071.57	1,071.57	1,071.57	1,071.57	1,071.57	1,071.57	1,071.57	9,644.13
	% of Revenue	56%	53%	50%	47%	45%	42%	40%	37%	35%	44%
8	Total	1,196.38	1,196.38	1,196.38	1,196.38	1,196.38	1,196.38	1,196.38	1,196.38	1,196.38	10,767.41
	% of Revenue	63%	59%	56%	53%	50%	47%	44%	42%	39%	49%
9	At 50%	1,323.14	1,323.14	1,323.14	1,323.14	1,323.14	1,323.14	1,323.14	1,323.14	1,323.14	11,908.28
	% of Revenue	70%	66%	62%	58%	55%	52%	49%	46%	44%	54%

Assuming the average annual interest rates for both NAPSA and Stanbic Bank Zambia Limited could rise up to a maximum of **25%**, the Road Sector through NRFA could still borrow additional **K130.00 million** at a minimum of five (5) years with annual interest costs of **25%** to reach the recommended optimum **40%** Debt/RUCs ratio from 2018 onwards.

3.7.4 Implementation of the Parliamentary Annual Road List

There is need of considering the parliamentary approval of the Annual Road List as part of the Road Sector Annual Work Plan, which will thus ensure there is long term planning and implementation of all Road projects over a longer term within the Medium Term Framework (MTEF) fiscal space.

3.7.5 Road Sector strengthened Research in non-traditional Cost Effective Road Construction and Maintenance methods

There is need of investing and strengthening research in Low Cost Maintenance methods, many of which have been introduced to the Road Sector. The Tractor Road Maintenance regime, is one good low cost and ease to manage on the badly maintained Feeder and Rural Roads. This practice was being used throughout the Zimbabwe Road Network for the past ten (10) years. This Low Cost Maintenance could lower much future costs even on current Road Project Contracts, while ensuring maintenance of more kilometres at the current costs.

On paved Road Projects, there should be a concerted effort towards research into the available Low Cost Construction methods, which have been muted some time in Zambia but not taken up. Research should be conducted on Rubberised Asphalt and also on Artificial Laterite and Sealant Technology by Probase manufacturing Company. If these construction methods turn out to be low cost, then the current Road Project Contracts could be adjusted accordingly, while also ensuring construction of more kilometres at the current costs.

3.7.6 More concerted efforts in seeking External Funding towards the Western Corridor Road Projects

It has been noted that while the Mongu to Senanga to Sesheke Road Sections were in good conditions, this has encouraged some considerable traffic is to be using the following Western Corridor Road Section:

- a) Kasempa to Mumbwa to Kaoma to Mongu to Sesheke/Kazungula; and
- b) Kasempa to Kaoma to Mongu to Sesheke/Kazungula;

However, the Road Sector has continued looking for Cooperating Partner maintenance funding towards the rehabilitation of the Roads Sections between Tateyoyo and Kaoma/Katunda Turn off (M9) and also Kazungula and Sesheke (M10).

3.8 LONG TERM STRATEGIES TOWARDS RESOLVING THE ROAD SECTOR CHALLENGES

3.8.1 Implementation of the non-traditional Cost Effective Road Construction and Maintenance methods

The implementation of the non-traditional Cost Effective Road Construction and Maintenance methods in the long term is the only way forward towards forestalling the current debt burden and ensuring a 'Sustainable Road Fund' for road maintenance and construction.



Mongu-Kalabo Road



4. PROGRAMMING, MONITORING AND EVALUATION (PME)

4.1 ROLES AND MANDATE

The Programming, Monitoring and Evaluation (PM&E) Department has the following core functions; Programming, Monitoring, Evaluation, Technical Audits, Stakeholder Communication and feedback and Technical Assistance to road sector agencies. These functions are aimed at ascertaining and promoting Value for Money on the various road sector programmes, projects and related activities.

Programming under the PM&E Department involves a consultative process of planning and periodic reviews of the sector plans to ensure a balance between the road sector aspirations of designated implementing agencies and available funding. This process culminates into consolidated short, medium and long term Road Sector Plans and Strategies.

Enhanced Value for Money is key among the Strategic Objectives the Department achieved by assessing the monetary cost of the product or services against the desired quality/ quantity within an agreed timeframe hence the savings made.

The National Road Fund Agency (NRFA) has the fiduciary mandate under the National Road Fund Act No. 13 of 2002 to mobilise, administer and manage the Road Sector's local and external resources from the Government of Zambia and Cooperating Partners, respectively under the Road Fund. Management of the Road Fund culminates into a Road Sector Annual Work Plan (RSAWP) for projects to be undertaken each particular year.

4.2 2017 ROAD SECTOR ANNUAL WORK PLAN (RSAWP)

4.2.1 Preparation of RSAWP

The Road Sector Annual Work Plans (RSAWP) are one year implementation plans prepared by the Road Sector Agencies to meet the long term developmental Programmes contained in the National Development Plans (NDP). The 2017 RSAWP was aligned to the 7NDP with a strategic focus on agriculture development. The key driver for the preparation and implementation of the RSAWPs is the National Road Fund Agency (NRFA) in consultation with Ministry of Finance (MOF), Road Development Agency (RDA), Department of Infrastructure Development (DID) under the Ministry of Local Government (MLG), Road Transport and Safety Agency (RTSA), National Council for Construction (NCC), and the Ministry of Transport and Communication (MTC).

The resources for the work plans are drawn from local and external sources. Local resources comprise direct Government financing from the Treasury for capital projects and the Road User Charges (RUCs) such as Fuel Levy, Road taxes and Road Tolls. The external resource envelope comprises funding from Cooperating Partners in the form of loans and grants.

4.2.2 Sources of Funding for 2017 RSAWP

The 2017 RSAWP had a total value of K8.62 billion comprising 34% external financing (Loans and Grants), 31% from local resources in the form of direct GRZ funding from the Treasury and the Road Fund and 35% Contractor Facilitated Initiative. Figure4 1 shows the funding sources summary for the RSAWP 2017

Funding Sources

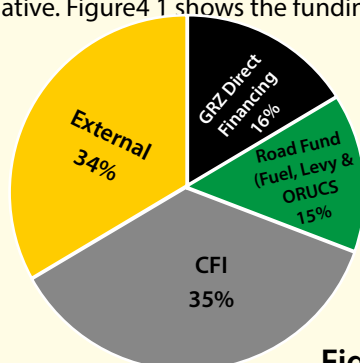


Figure4 1: 2017 RSAWP

Figure below shows a summary of Funding by Sector Agencies. The largest share of the resources of approximately (90%) was allocated to RDA which is responsible for a significant portion of the Core Road Network (CRN) which mainly comprises the Trunk, Main and District Roads. The lower order roads mainly the urban and primary feeder roads have been delegated to Local Road Authorities under the Ministry of Local Government (MLG). MLG had a 3% resource allocation in the 2017 RSAWP.

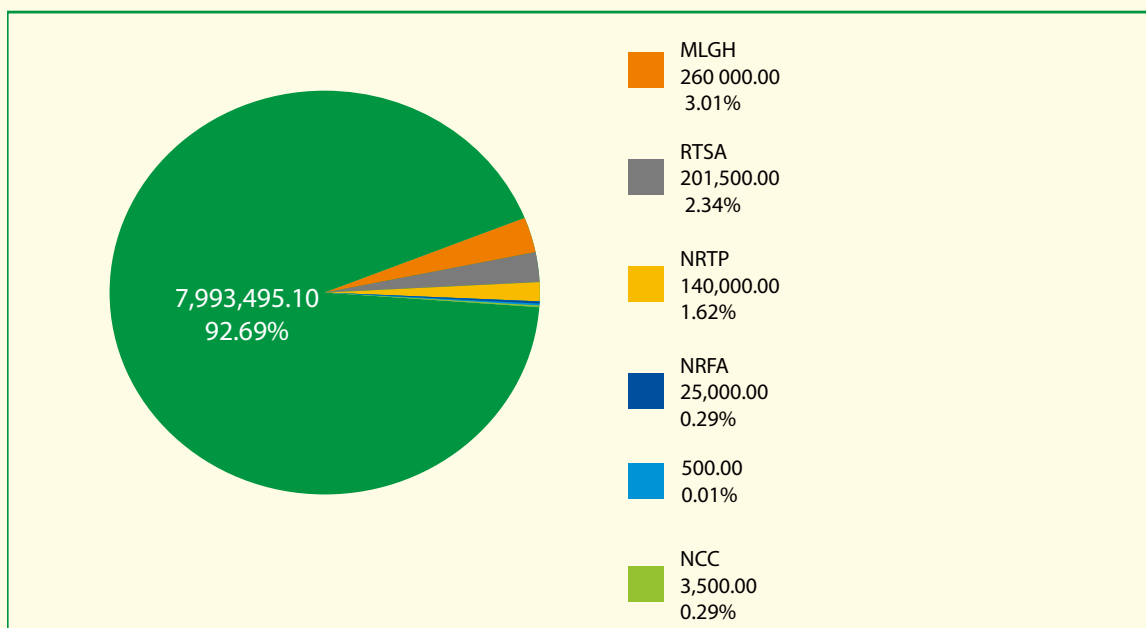


Figure 3 2: Funding by Agency

4.2.3 Funding by Province

Figure below shows a summary of the funding by Province. The largest share of the resources under AWP activities went to Muchinga Province and the lowest share went to Central Province.

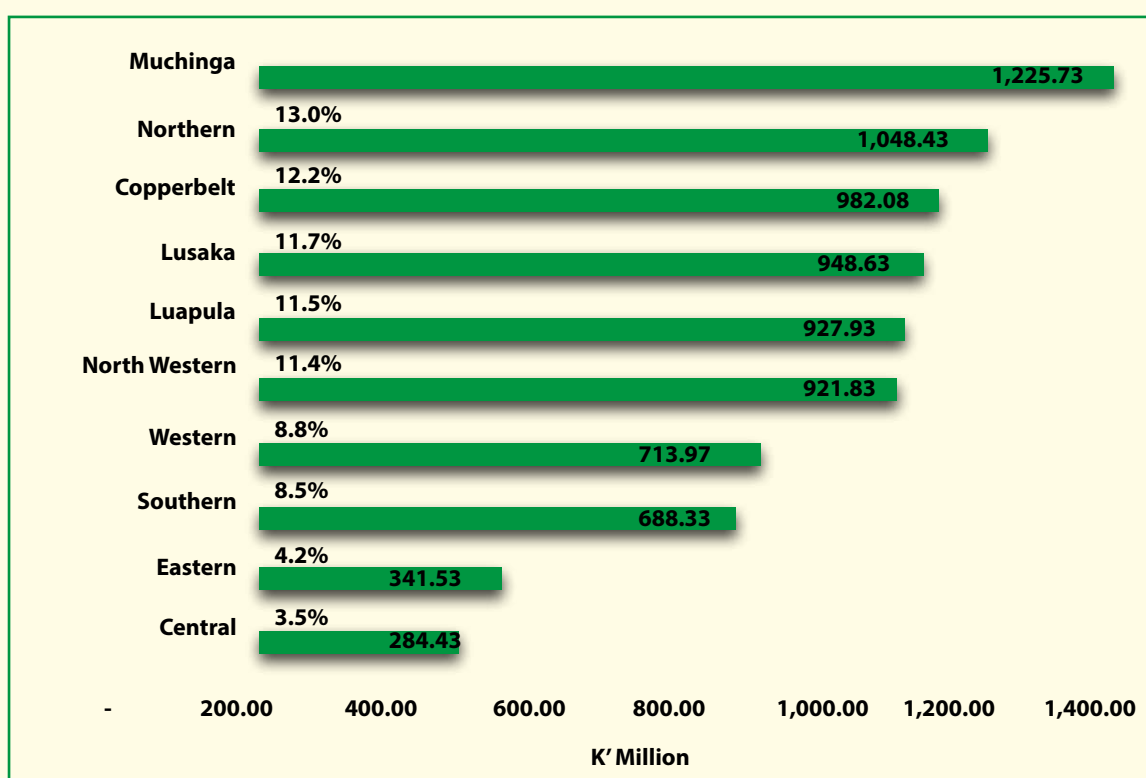


Figure 3-3 Funding by Province

4.2.4 2017 RSAWP Focus Areas

The 2017 RSAWP was driven by the need to provide various road maintenance activities on the CRN such as periodic maintenance, routine maintenance and emergency works in order to preserve the road infrastructure which was in good and fair condition. In addition to providing maintenance services, the implementation of the Link Zambia 8000 Programme was a key priority area. The Link Zambia 8000 Programme commenced in 2012 and is scheduled to be completed in 2023. The key objectives include upgrading roads and opening up the country side thus transforming the country from landlocked into a truly land linked country in Southern Africa. The implementation of the Programme will translate into increased benefits for the Road Users such as reduced travel time and reduced Vehicle Operating Costs (VOCs) as well as improved road safety. Furthermore, the implementation will translate into job creation for the majority of Zambians.

The 2017 RSAWP further addressed other aspects within the road sector such as the road tolling, axle load control programme, weighbridge construction and rehabilitation, road safety and transport services under RTSA as well as capacity building for both public institutions and ministries, road sector agencies and contractor capacity building and skills training programmes under NCC.

Table 4 1 below shows the distribution of the 2017 RSAWP with a total budgetary allocation of K8.62 billion breaking down into various interventions. New Construction and Upgrading projects which are capital projects had the largest allocation of 50% of the resource envelope followed by the rehabilitation programmes at 23%. The maintenance was allocated 8%.

Table 11: Funding by Programmes

Intervention	Amount K' billion	Percentage)
Upgrading	4,339.40	50%
Rehabilitation	1,989.84	23%
Maintenance	714.00	8%
Bridges	681.35	8%
Roads Safety	201.50	2%
Studies & Designs	183.84	2%
Toll Programme	140.00	2%
Dept Service	100.00	1%
Axle Load Control	95.40	1%
Capital Expenditure	79.22	1%
Others	99.45	1%
Total	8,623.99	100%

4.2.5 Funding Gap

It should be realised that a significant portion 66% of the RSAWP was financed through Local Resources which comprise the Treasury general tax, Fuel levy, and Other Road User Charges (ORUCs) such as road licences fees, weighbridge fees and fines, and toll fees. A portion of 34% was financed through the External Resources from Cooperating Partners.

Arising from this ambitious RSAWP, it became very evident that the local funds were not sufficient to successfully complete the initiated.

The resultant effect of this funding gap includes delayed payments, additional costs due to accrued interest, other contract related claims, slow physical progress on projects, loss of jobs, threats for suspension of works and this may lead to compromised quality of works in some cases. Overall, this leads to Government not meeting the targets in terms of provision of the road infrastructure services within the project cost and time.

In order to mitigate the funding gap, The NRFA initiated alternative non-traditional financing by acquiring of funds from local resources through a ZMW2.1bn loan from NAPSA for Ndola to Solwezi road projects. The NAPSA loan led to the acceleration of the projects and final completion is expected in the year 2018.

4.2.6 RSAWP Trends

Over the years, there had been a steady increase in funding to the road sector. This increase had been necessitated by the need to attain the developmental programmes defined in the Revised Sixth National Development Plan (R-SNDP) which commenced in 2011 to 2016 and now the Seventh National Development Plan (7NDP) from 2017 to 2021. Figure 4 4 shows a remarkable rise in the local resource component of the RSAWPs from 2006 to 2014. The external financing, on the other hand was relatively stable between 2007 and 2010 before the sharp increase between 2010 and 2012; however, a dip in funding was noted between 2012 and 2016, mainly due to reduced funding from Cooperating Partners but the situation changed in 2017 when external fund increased.

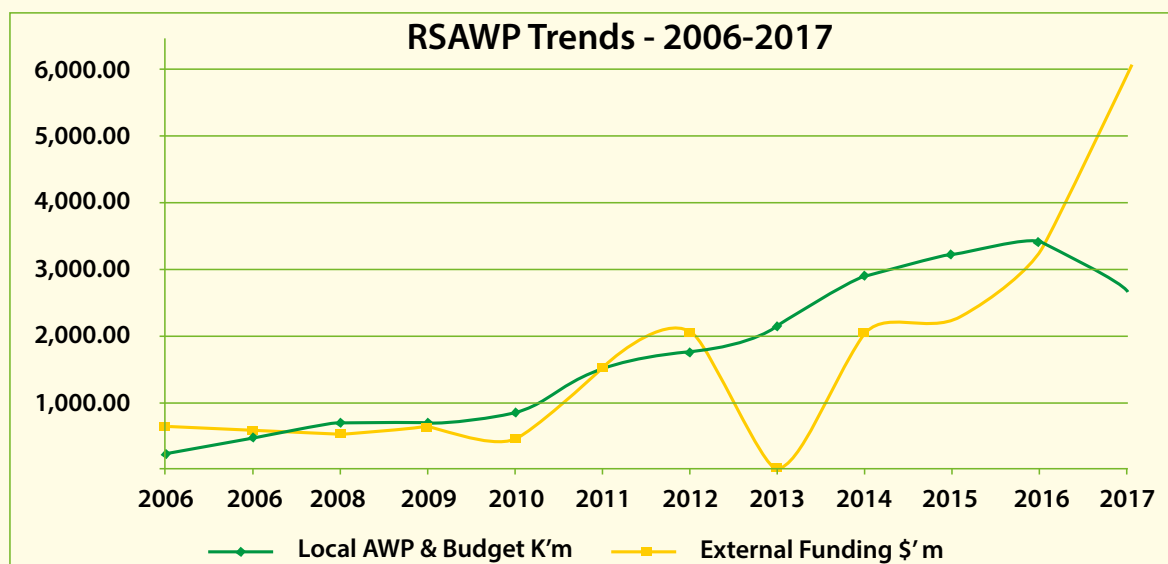


Figure 4 4: RSAWP Trends

4.3 ROAD SECTOR COORDINATION

4.3.1 Committee of Chairpersons

The Committee of Chairperson comprises Board Chairpersons of RDA, NRFA and RTSA enhances inter agency coordination and effective monitoring of the road sector activities. The Road Sector through the Committee of Chairpersons hold meetings to discuss various road sector issues affecting the sector and how to holistically resolve them. Several meetings were held in 2017 in order to iron out issues affecting the road sector and decisions were made to give direction on strategic road sector decisions.

4.3.2 Monitoring and Evaluation

Monitoring and Evaluation in the Road Sector is important for assessing performance of the various road projects and programmes in the sector. The assessment involves review of the progress, cost, quality and quantity of various work items on a contract. These activities are aimed at ascertaining and promoting Value for Money (VfM) on various road sector programmes, projects and related activities in the Road Sector as outlined below.

4.3.3 Desktop Audits

Road Sector Projects are undertaken by Implementing Agencies (IAs) that include the RDA, MLG through its councils the Local Road Authorities (LRAs) and other LRAs such as Zambia National Service (ZNS). The desktop audits involves review of documentation submitted to NRFA by IAs for payment which mainly include the Interim payment Certificates (IPCs) and Force Accounts claims. IPCs are invoices for projects outsourced to the private sector contractors and consultants while Force account claims are invoices for small projects undertaken in-house by the IAs and sent to the NRFA. Contract data for all contracted road sector projects was entered in Contract Management System (CMS), required documentation and approval was checked on claims received from IAs before passing them for payment. Any anomalies

noted are communicated to the originating IAs for correction so that claims meet the required standard for payment.

4.3.4 IPC Reviews and Processing

This process involves a thorough scrutiny of payment certificates submitted by RDA, MLG and RTSA. This process results in various Interim Payment Certificates (IPCs) being adjusted due to various reasons such as; mathematical errors, unsubstantiated and overstated quantities, payments may be withheld due to observations made during inspections and failure to provide required documentation as claimed for in the Bills of Quantity leads to deductions resulting into savings of the road fund.

A total number of 3,307 Interim Payment Certificates (IPCs) were processed in the 2017 out of which 1,588 were for major contracts while 1,719 IPCs were for Routine Maintenance Contracts. The decrease in the IPCs compared to 2016 (4,700 IPCs) was due to most projects having stalled because of limited funding during the year 2017.

In 2017, the agency recorded a total of K 8.84 million as savings as presented in Figure 4 5 below. The savings were as a result of computational errors, over certification, double submission of the same IPCs and unsubstantiated certification.

Figure 45: Summary Savings for 2017



It should be noted that from 2011 to 2017, NRFA had recorded cumulative savings of approximately **K 76.9 million** through the IPC Certification process as tabulated in Table 42 below.

Table 12: Summary Savings from 2011-2017

SAVINGS - 2011 -2017			
Year	Amount Saved/With-held on Contracts (K)	Amount Saved/With-held on Force Accounts (K)	Amount Saved/With-held Total (K)
2011	16,345,948.94		16,345,948.94
2012	10,261,150.03	816,287.94	11,077,437.97
2013	19,401,643.00	3,934,072.23	23,335,715.23
2014	1,452,816.68	283,750.76	1,736,567.44
2015	7,986,037.74	41,817.71	8,027,855.45
2016	7,324,867.22	205,676.80	7,530,544.02
2017	8,275,910.21	5 67,734.09	8,843,644.30
TOTAL	71,048,373.81	5,849,339.52	76,897,713.34

The highest figures were recorded in 2013 while the lowest was recorded in 2014 as noted from the table above. The agency will continue to engage implementing agencies to ensure reduction in errors and unsubstantiated certifications and establish a self-regulating approach by the implementing agencies going forward.

4.4 FIELD INSPECTIONS

This activity involves scheduled and random physical checks to monitor and verify quantities, quality, safety and general progress on the selected programmes and projects. Inspections are undertaken jointly with the implementing agencies or/and other related stakeholders. For instance, the inspection of the NAPSA Loan funded projects from Ndola to Solwezi on the Copperbelt and North Western Provinces to verify the quality and progress of projects which was undertaken in conjunction with NAPSA, MOF, MTC and MHID officials. During inspections mainly visual observations, measurements and in some cases basic tests are conducted. Inspections also allow NRFA to pick-out projects that may need further investigations through technical audits.

During the period under review, a total of one hundred and two (102) projects were inspected across the country.

Some Observations made during inspections are highlighted below.

Design Issues: In some cases designs were inadequate. For instance, designs did not take into consideration the flat terrain on the upgrading of the Choma urban roads resulting into a malfunctioning drainage system. Further, upgraded roads in urban centres such as Samfya had a posted speed limit 65km/h instead of 30-40Km/h for built up areas.

Contract Management: Some construction projects had commenced works without design and supervision consultants on site. Road signs were not installed and road line markings not undertaken on completed road works. In terms of project site management, it was observed that some contractors were not clearing out material from the road when carrying out drainage works which was hazardous to motorists. Implementing Agencies noted the deficiencies and agreed to provide enhanced specifications in order for contractors to adhere to better standards than current ones for line marking as most of road lime marking had faded.

Progress: A number of projects were stalled due to various reasons ranging from mainly delayed payments as major problem, contractor capacity, delayed approvals of variation orders and deferred projects. Where adequate funds had been provided such as the Ndola-Solwezi road projects funded by the NAPSA loan, Implementing Agencies were urged to instruct contractors to adhere to requested specifications and meet the targets as per agreed construction schedules in the contracts.

Quality: During inspections, some sections of roads had quality issues such as alligator cracks, shoving, rutting, and aggregates not binding. Some sections of the roads such as pedicle road the road was shoving and the contractor was instructed to redo the works by RDA.

Financial Issues: One of the major complaints raised by various contractors during site inspections was delayed and unpredictable payments which lead to extended delivery periods on various projects and cost overruns arising from contractual claims. It was observed that both local and foreign contractors were highly affected regarding non-payments.

This lead to contractors and consultants claiming for interest and standing time, making the project more expensive for the government than originally budgeted for.

Below are some photographs taken during inspections;

4.4.1 Photo gallery



Box culvert being installed on Chingola-Kasumbalesa in Chingola-Copperbelt Province



The paved section of the Chingola-Slowezi road project Lot 1-Copperbelt Province



Laying of Crushed Stone Base course Chingola -Solwezi Lot 3-North-Western Province



Completed Asphalt section-Chingola-Solwezi Lot 3-North-Western Province



Remedial Asphalt works in rutted sections on South bound Traffic lane-Ndola-Kitwe-Copperbelt Province



Inspection team on site with contractor and consultants representatives



Paved section on Mansa-Luwingu road Luapula Province



The milled section on Ndola-Kitwe road Copperbelt Province

4.5 EVALUATION

4.5.1 Technical Audit

The evaluation component mainly involves technical audits (in house and outsourced), desktop evaluations, HIV/AIDs monitoring and assessments and analysis of contracts allocation for local and foreign contractors in the road sector.

4.5.2 In House Technical Audits

An in-house technical audit was undertaken in Southern and Western Provinces;

1. Bottom Road - (Southern Province)



Prepared Subbase



Existing Culvert

2. Choma Urban Roads-China Jiangsu (Southern Province)



Paved Section



Lined Drainage

3. Kalabo-Sikongo-Sitola – Stefanutti (Western Province)



Prepared Subbase



Constucted Box Culvert

4.5.3 Technical Audit Outsourced

The 2017-2018 Technical Audit was under procurement and the contract would be signed in quarter 1 of 2018. The main objective of the assignment would be, to verify whether the public funds have been used efficiently, transparently and economically in accordance with the signed contracts. Standards and sound professional practice were followed, thus ascertaining Value for Money. Lessons from the Technical Audits are expected to be used for improvement of future projects.

4.5.4 HIV/AIDS Activities Assessment

Cross cutting issues such as HIV/AIDS activities are mainstreamed in road contracts to cater for environmental issues in the project areas. The Agency takes the HIV/AIDS issues seriously and monitors the activities in all major road project contracts.

For the period under review, NRFA, RDA and NAC monitored some HIV and AIDS activities on the rehabilitation of Great East Road (T4) Nyimba to Sinda , Luangwa and Kampemba bridges in Chama District, Isoka-Muyombe-Chama-Lundazi lot 5 and Kazungula Bridge Project.

On the Great East Road (T4) Nyimba to Sinda, it was noted that the contractor utilized the services of the Project Liaison Committee (PLC) since engaging an independent service provider would take a long time and the project would have been completed with implementation of the HIV/AIDS component. The PLC comprised different local stake holders among them the District Aids Task Force (DATF) who were spearheading the role for all the HIV activities in the projects. However, the team advised the contractor to concentrate resources on activities which would greatly impact the community like Condom distribution, Peer education among the workers and sensitization programmes in the community and radio programs.



Briefing from the Project team



Briefing from the Kazungula Council

The project sites visited needed to prioritise HIV and AIDS response programmes by ensuring that their Project Liaison Committee (PLC) worked closely with the District Aids Task Force (DATF) and local hospitals for continued interventions as stipulated in the HIV/AIDS activities guidelines on road projects which were developed NRFA , NAC and other stakeholders.

4.5.5 Desktop Evaluation

4.5.5.1 Analysis of Contract Allocation – Local/Foreign

This section provides an analysis of the distribution of contracts between the local and foreign contractors under the Road Sector project undertaken in 2017. The objective of the analysis is to give an indication of how the local construction industry is being supported under the Road Sector. The analysis gives an indication of the number of contracts, the value of contracts and the various interventions undertaken by each category.

At the time of the analysis undertaken in 2017, it was observed that out of a total of 442 on-going contracts, 349 were being executed by local contractors while 93 contracts by foreign contractors representing 79% for local and 21% for foreign contractors respectively as shown Figure 46 below. However, in terms of the value of contracts, about K 11.61 billion was for the 349 contracts by Local Contractors and K 29.11 billion for the 93 contracts by foreign contractors representing 29% for locals and 71% for foreign contractors in terms of value as presented Figure below.

Figure 4-6: Percentage Number ongoing projects-Local & Foreign

Percentage No. Ongoing Projects- Million

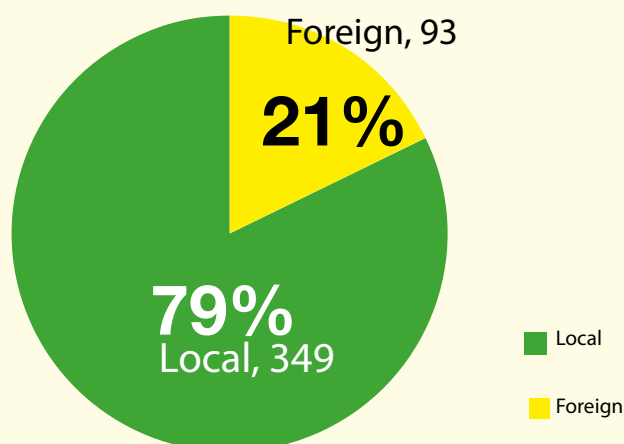
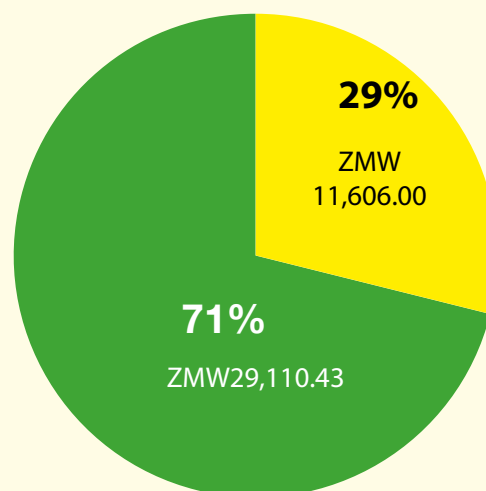


Figure 47: Value ongoing projects – Local & Foreign

Value Ongoing Projects- Million



4.5.6 Support to Local Contractors

The Agency spearheads the Construction Finance Initiative (CFI) The Construction Finance Initiative (CFI) is an initiative focusing on building capacity for local small and medium enterprise (SME) contractors in Zambia. It was noted that most of the local contractors had challenges in accessing facilities such as bid bonds, advance guarantees, and performance bonds, which were important in ensuring accessibility to the Road Sector works contracts. To have access to bid bonds, advance guarantees, and performance bonds they were required to provide collateral by the financial Institutions, which most of the small to medium contractors did not always possess. The need to resolve and soften the accessibility to these facilities, without or with minimal security, necessitated the two sister Agencies National Road Fund Agency (NRFA) and Road Development Agency (RDA) to come up with the CFI that created a win –win situation to the SME contractors, the Government, Agencies and indeed the private sector through signing of various memorandum of understanding (MOU) from 2011 to 2017.

The following were the main objectives of CFI:

- To facilitate SMEs' easier access to advance bank guarantees, bid bonds, performance bonds from financial institutions, without and/or with minimal security;
- To facilitate SMEs' ease access to equipment and construction materials without and/or with minimal security; and
- Have a coordinated public private capacity building initiative for SMEs in the Road Sector through project management partnerships among big contractors, financial institutions, Road Sector on managing SMEs' projects development and financial management.

The following MOUs have been signed from 2013 to 2017:

- Advantage Insurance
- Bell Equipment
- Cavmont Bank
- Citizens Economic Empowerment Commission
- Diamond Insurance
- Eco Bank

- g) Finance Bank
- h) Focus Financial Services
- i) Investrust Bank
- j) Madson Insurance
- k) Micro Finance
- l) Savenda Management Services
- m) Stanbic Bank
- n) Zanaco
- o) Addenda to signed MOUs to include- NCC, NAMSC, MLGH and ABCEC

More than 100 contractors have been able to access IPC discounting facilities from financial institutions from small amounts of K10,000.00 for routine maintenance contracts to over K1million for medium and big contractors.

The Agency pays local Subcontractors directly as opposed to the main contractor paying them. This is in order to mitigate the main contractor delaying payments to subcontractors and slowing growth for local contractors

In order to help build capacity of small scale contractors for sustainable feeder roads maintenance, the use of agricultural tractor towed road maintenance equipment was supported through a research project managed by The African Community Access Programme (AFCAP) and RDA, a six year DFID-funded programme launched in 2008, supported research and knowledge sharing between sub-Saharan African countries to enhance the uptake of low cost, proven solutions for rural access that maximise the use of local resources in 14 countries. This is an effective strategy that can help the country empower local contractors as well as maintain the feeder roads on a sustainable base and cost efficiently.

4.5.7 Value for Money (VfM)

Ascertaining value for money on all projects being funded by and through the National Road Fund Agency continues to be a primary focus in the road sector. In the year under review, much as has been the practice in previous years, several projects were subjected to a detailed evaluation in order to establish the extent to which the Government is obtaining value for money.



Core Drilling



Checking of Rutting

4.5.8 General Recommendations on VfM

1. There is need for enhanced Road Asset Preservation through;
 - a. Prioritizing the construction of weighbridges on our road network.
 - b. Conducting detailed feasibility and detailed engineering studies prior to tender process.
2. Deployment of stringent project supervision and management
3. Embrace and fully support road maintenance. This promotes the willingness to pay for Tolls.
4. Need to review the current payment system which is so biased toward Capital projects at the expense of even routine maintenance, force account and emergencies, where there is significant participation by Local Contractors.

4.5.9 Analysis of Intervention & Maintenance Vs Capital Projects

The analysis in the breakdown by intervention presented in Figure 3 3 below shows that, the biggest number of contracts awarded was routine maintenance which is awarded to local contractors. Routine maintenance is vegetation control and some minor carriageway repairs, line marking, pothole patching and drainage works. Upgrading, Rehabilitation and Construction takes up a considerable portion of the Annual Work Plan funds compared to maintenance projects as presented in Figure 3 4 below for the period 2012-2017.

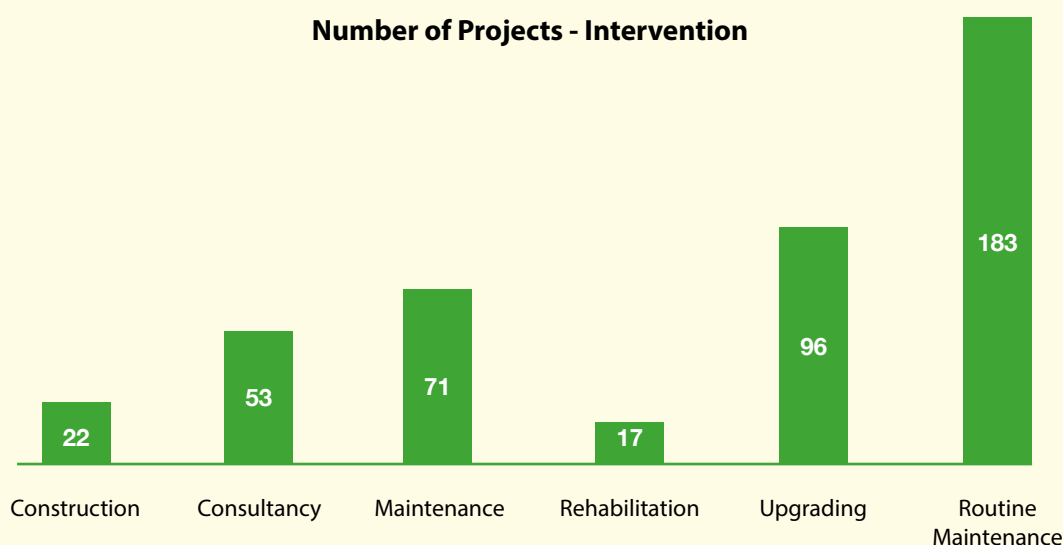
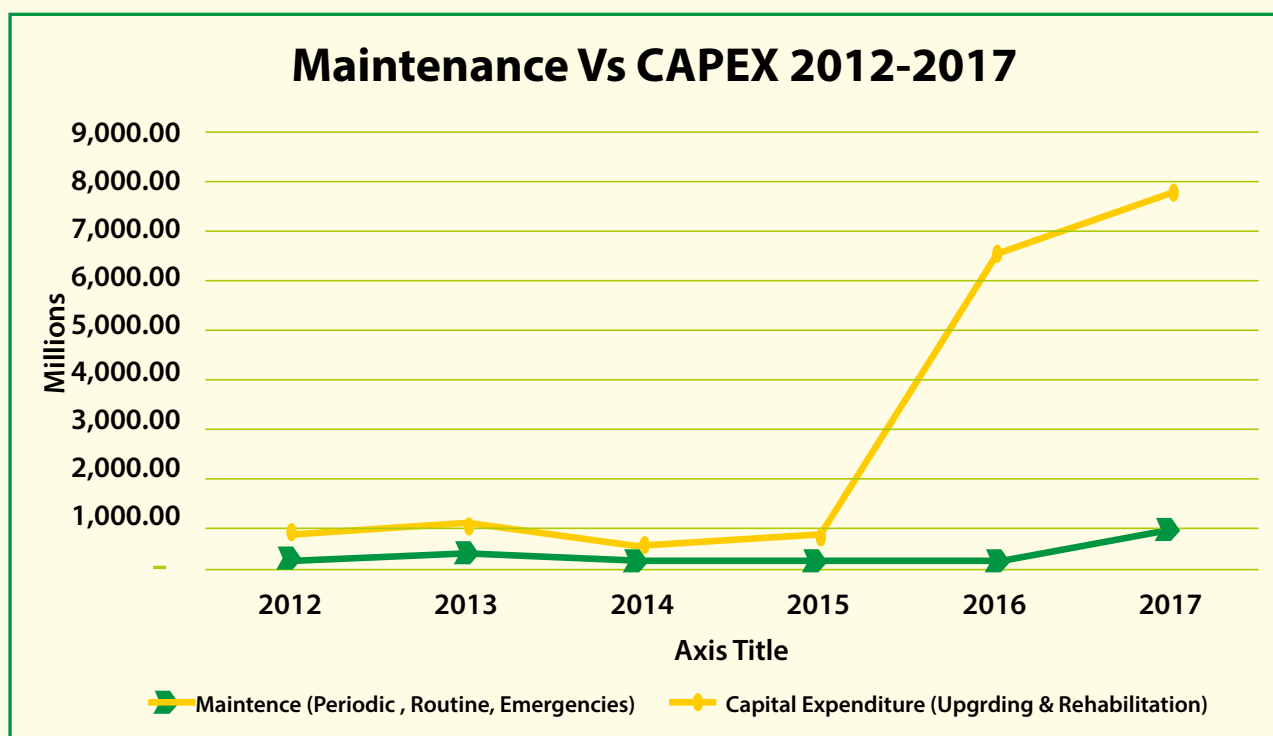


Figure 3 3: Number of projects by Intervention

Figure 3 4: Maintenance Vs Capital Projects

Note: There is need to review the current planning system which is so biased towards Capital projects as compared to Maintenance projects.

4.5.10 Road Toll Maintenance Programme (RoToMaP)

Road Toll Maintenance Programme (RoToMaP) involves the pothole patching, road markings and signage and construction of speed humps on the tolled roads and adjacent township roads connecting to tolled roads.

National Road Fund Agency is currently implementing Phase II of the National Road Tolling Programme covering all vehicle classifications. This phase commenced on 15th January 2016 as a way to expand the revenue base through the user-pays road financing principle. This approach enhances the prospects of sustainable road maintenance by ring-fencing tolls to specific road sections. The willingness-to-pay has been very high and this has raised stakeholder expectations of pothole-free and well maintained roads. As such, the NRFA had engaged the RDA and Local Road Authorities through MLG located along the tolled roads with the view to enhancing road maintenance and improve road safety on the tolled corridors through RoToMaP



Construction of access culverts on Lumumba Road



5. ROAD TOLLING UNIT

5.1 Role and Mandate

The mandate and role of the Road Tolling unit is to coordinate the planning and implementation of the National Road Tolling Programme (NTRP) which includes the formulation of strategies and policies for effective and efficient operation of Road Tolling activities in Zambia. The Road Tolling Unit carries out this mandate through the evaluation and selection of appropriate strategies for road toll infrastructure development, review and recommendation of the road toll regulatory framework and related ICT technologies to optimise the function of revenue collection for road maintenance.

5.2 NATIONAL ROAD TOLLING PROGRAMME

5.2.1 Introduction and Background

The National Road Fund Agency (NRFA) is a Lead Tolls Agent appointed by the Road Development Agency (RDA) through the provisions of the Tolls Act No. 14 of 2011 to administer and implement the National Road Tolling Program (NRTP). Under the NRTP, road tolls are collected from road users at both Ports of Entry and in-land Toll Stations.

Phase I of the NRTP was launched on November 1, 2013, with inland tolling operations targeting Heavy Goods Vehicles with a Gross Vehicle Mass (GVM) of at least 6.5tonnes which are by law required to be weighed at weighbridges. During this initial phase, collections of tolls were restricted to 10 ports of entry and eight (8) Weighbridges across the country. The strategy was to roll out tolling operations at minimal cost using existing infrastructure.

Phase II of the NRTP was commissioned on of 15st January 2016 with the commissioning of first ever two in-land Toll Stations at Manyumbi and Kafulafuta Toll Stations in Central and Copperbelt provinces respectively. At the close of 2017, the NRFA had 09 in-land toll stations in operation in addition to operations at various weighbridges and ports of entry. In 2017, the NRFA also effected the revised Toll Regulations under Statutory Instrument No. 85 of 2016 which also introduced mitigation measures such as Local User Discounts (LUDs) and Frequent User Discounts (FUDs) for road users who reside within 10km radius of Toll Plaza and those that frequently use the road to foster equity and affordability in the access of road infrastructure services.

5.3 Toll Revenue Collections

5.3.1 Revenue Collections

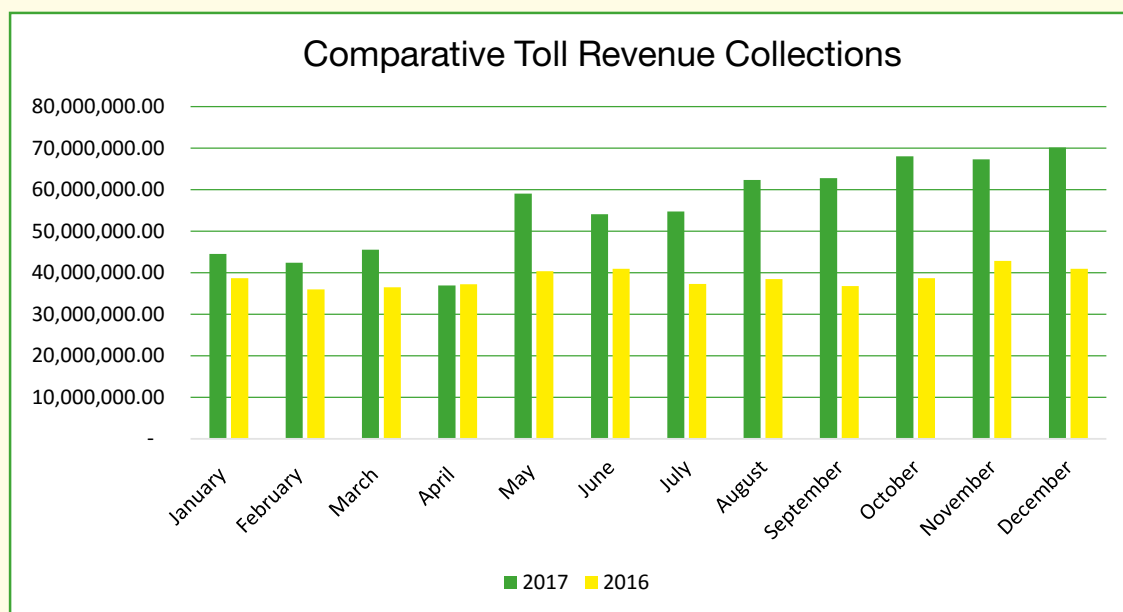
The cumulative total toll revenue collections for the 2017 financial year was K667. 658 million which is 98 percent of annual collection target budget of K682 million.

Table 13: Toll Collections for 2017- Projected Vs. Actuals

Description	Projected Collections	Actuals collections	Variance K'000	Collections efficiency performance
	Jan – Dec 2017 K'000	Jan – Dec 2017 K'000		
In land Tolling	292 260	236 613	-55 647	81%
Port of Entry	390 530	431 339	40 809	110%
Total	682 790	667 952	-14 838	98%

Out of the 09 in-land Toll stations, Manyumbi Toll Station had the highest revenue collection contributing 23% of the total in-land toll collection amounting to **K54. 18 million**.

The **ZMW667.9million** toll revenue collected in 2017 represents a **44 percent** increment over 2016 collections of **ZMW464. 779 million**.



This increase can be attributed to the following factors among others;

1. Introduction of value propositions such as Local User Discounts and Frequent User Discounts aimed at promoting equity and affordability among different classes of road users thereby encouraging toll road usage resulting in improved compliance rates in toll payments;
2. Revision of the toll tariffs to reflect regional toll prices as well as value for money;
3. Increase in the number of inland toll points effectively increasing the toll plaza footprint across the country.
4. Validation of port of entry receipts at all inland toll stations

CLASSIFICATION OF TOLL STATIONS

In 2017, the Agency introduced three (03) different types of toll station categories based on traffic volumes measured in vehicles per day (VPD). This was meant to achieve operational efficiencies as well as improve commercial viability of operating the toll infrastructure because resources allocated on each facility are directly related to the physical features such as the number of lanes etc.

Table 14: Types of Toll Stations and related traffic volumes

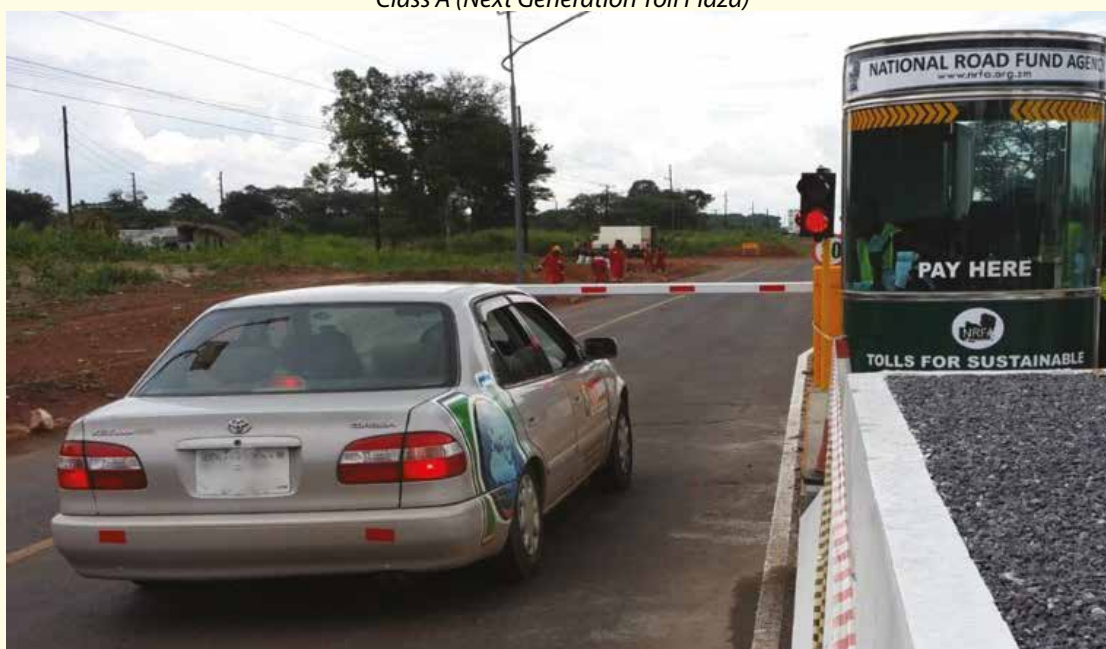
S/N	Toll Station Type	Traffic Volumes [vpd]	Examples of existing sites
1	Class A: Next Generation	Greater than 3000	Katuba, Shimabala, Chongwe, Mumbwa
2	Class B: Booth and Boom	800 to 2999	Manyumbi, Kafulafuta
3	Class C: Simplified	250 to 799	Kalense, Kakonde, Kateshi, Chembe

The Next Generation Toll Station is a fully-fledged plaza with all features of a modern plaza which includes a canopy, control building, surveillance system and an Advance Toll Management System (ATMS). The second category, the Booth and Boom Plaza was intentionally meant to be a temporary toll station pending the construction of the Next Generation Toll Station. However, the designs and construction thereof have been upgraded to include some of the features of the Next Generation Toll Station hence they have been adopted as a second level of toll plaza infrastructure.

The Simplified Toll Station is the most rudimentary of the three (03) categories with only a basic office building positioned off the carriageway and two (02) swing gates. Currently, all Simplified Toll Stations are operating without booths and canopies.



Class A (Next Generation Toll Plaza)



Class B (Booth and Boom)



Class C (Simplified Toll Station)

5.4 Toll Stations Delivered Against Planned

5.4.1 Number of Operational Toll Stations

In 2017, the first conventional toll plazas were commissioned by His Excellence the President of the Republic of Zambia Mr. Edgar C Lungu commissioned at four locations, namely Katuba (on T2 between Lusaka and Chisamba), at Shimabala (on T2 between Lusaka and Kafue), Mumbwa (M9 between Lusaka and Mumbwa) and Chongwe Toll Plaza (T4 between Lusaka and Chongwe). An additional three (03) simplified toll stations were commissioned at Kalense, Katenshi and Chembe bringing the total number of in-land toll station in operation to 13 as shown below

Table 15: Operation Toll Sites as at 31 December 2017

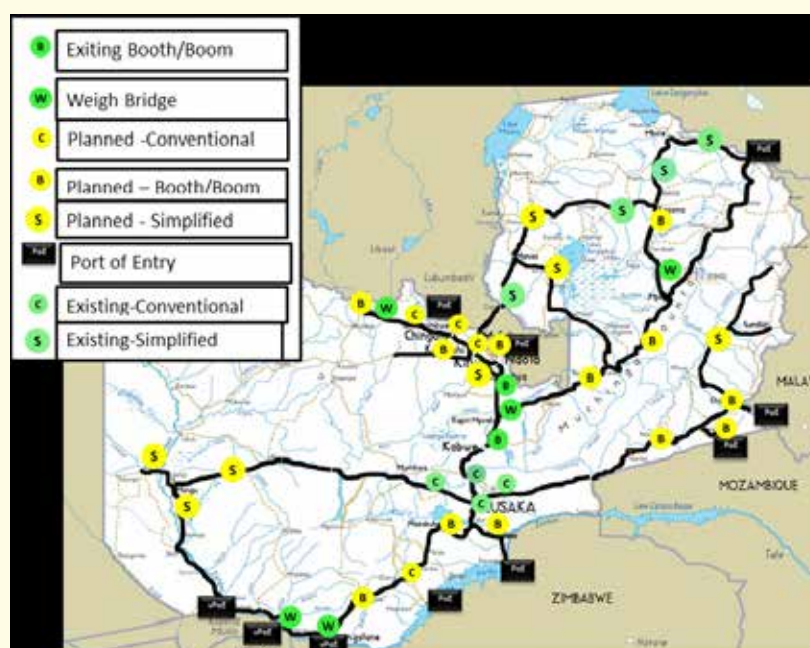
Type of Toll Plaza			
Next Generation	Booth and Boom	Weighbridges	Simplified
i. Shimabala	i. Manyumbi	i. Kazungula	i. Chembe
ii. Katuba	ii. Kafulafuta	ii. Kapiri Mposhi	ii. Kalense
iii. Mumbwa		iii. Livingstone	iii. Kateshi
iv. Chongwe		iv. Mpika	

There were on-going construction works for a further 09 Toll Stations which are expected to be commissioned in 2018 as shown below.

Table 16: Toll Stations expected to be commissioned in 2018

S/N	Toll Station Name	Estimated Annual Revenues (ZMW)
1	Choma	800 000.00
2	Solwezi-Mutanda	1 225 200.00
3	Levy Mwanawasa	4 000 000.00
4	Garneton Toll Plaza	4 500 000.00
5	Kapiri-Mkushi	1 452 000.00
6	Chipata-Katete (Chiwoko)	2 882 400.00
7	Nyimba-Petauke (Kamiza)	1 468 800.00
8	Zimba-Livingstone	951 600.00
9	Chilonga	909 600.00

Map Showing Tolling Locations for Existing and Planned.





President Edgar Lungu commissioned Katuba, Mumbwa, Shimabala and Chongwe Toll Plaza's on 27th April 2017

5.4.2 Electronic Toll Collection (ETC) Project

The National Road Fund Agency (NRFA) in its pursuit to enhance efficiency in its service provision engaged the services of Messrs. JMAAC Financial Services in Joint Venture (JV) with Messrs. Probabase Limited to develop an integration system for distribution and collection of tolls through an electronic platform.

For the period under review, the development of an integration system for distribution and collection of tolls had advanced and plans were to roll out the system to the first six (06) Toll Stations i.e. Shimabala, Katuba, Mumbwa, Chongwe, Kafulafuta and Manyumbi Toll Stations within Q1 of 2018.

The strategic focus of the Electronic Toll Collection (ETC) Solution is to transform the payment and collection of Road Tolls from Road Users whilst at the same time delivering high quality service to its clients through provision cash management solutions. The implementation of the ETC solution is meant to contribute the strategic objective results of Excellent Service, Operation Efficiency, Satisfied stakeholders and Positive corporate image as espoused in the NRFA 2017 – 2021 Strategic Plan.

The key benefits of ETC include the following;

- a. Reduce cash handling by enabling cashless collection of Road Tolls
- b. Promote use of cashless payment for road tolls thereby reduce risks associated with cash handling
- c. Reduce operation costs by elimination of the need of CIT and security costs
- d. Promote the use and re-use of existing agency information
- e. Manage electronic records (including e-mail) according to agency record schedules



e-Toll Card



Internal systems and controls were regularly audited

6. INTERNAL AUDIT

6.1 ROLE AND MANDATE

The Internal Audit Department was established in accordance with Section 11 of the Public Finance Act of 2004 and Regulation 6 of the Financial Regulations of 2006. The main objective is to provide independent and objective opinion on the effectiveness of the Agency's control environment in support of the achievement of the Agency's key objectives. The department is also responsible for ascertaining the adequacy of NRFA's policies and strategies setting out the prevention and detection of fraud and corruption in order to safeguard public funds and prevent damage to its reputation and image.

The approved Strategic Plan 2017 – 2021 envisions 'A Sustainable Road Fund', therefore, having effective internal control systems in place will support the achievement of this vision. Internal Audit comes in to test the effectiveness of internal controls set by management for achievement of set targets, goals and/or objectives.

6.1.1 Internal Audit Processes

The internal audit process begins with the risk based annual audit plan, which is updated annually and approved by the Audit and Risk Committee of the Board of Directors. Once approved, the plan becomes a guideline for conducting audits in the coming year. The plan is reviewed every quarter to ensure that all critical aspects of NRFA's systems and operations are examined and appropriate recommendations made for improved performance and adherence to all relevant accounting standards, policies, laws and regulations.

In addition to the audits performed under the plan, Internal Audit also conducts special audits and consulting work on demand by management. At individual audit assignment level, the internal audit process is divided into the following four (4) broad categories;

- a. Planning - this mainly involves setting the audit scope and objectives based on the individual audit assignment's risk assessment.
- b. Evaluation – this involves field work and testing i.e. testing the effectiveness of controls as well as substantive testing.
- c. Reporting – after appropriate reviews and quality control of all internal audit work, an audit report is published which provides an independent and objective opinion on the adequacy of internal controls, risk management and governance systems in operation and also recommends appropriate actions for improvements.
- d. Follow Up – these reviews are done for confirmation of planned actions and verification of management responses.

6.2 ROLE AND MANDATE

The main activities undertaken during the year included:

6.2.1 Quarterly Internal Audit Reviews

The main objective of these audits was to ensure that the Agency was in compliance with both internal procedures and various pieces of legislation that affect its operations such as the Public Finance Act No. 15 of 2004 and the Public Procurement Act No. 12 of 2008.

All the scheduled audits were completed and Internal Audit Reports were issued. Audit constantly followed up on all issues raised to ensure full implementation of the recommendations.

6.2.2 RDA Force Account Works (Applications and Retirements)

Each year, a provision for Force Account works is made in the AWP which are meant to cater for emergency repair works. These funds were disbursed by NRFA (on an imprest basis) after applications for specific works were received from the RDA Regional offices.

6.2.3 Procurement Audit

A procurement audit to ensure that NRFA is in full compliance with the Public Procurement Act No. 12 of 2008 and all circulars issued by the Zambia Public Procurement Authority was carried out.

6.2.4 Pre and Post Audit Review Payments

During the year, Internal Audit carried out pre and post audit reviews which helped the Agency make savings and recoveries of substantial amounts of money. A significant number of recommendations were made aimed at improving the payment processes.

6.2.5 Audit of Tolls and Weighbridge Fines

The main objective of these audits was to ensure that the Agency was in compliance with both internal procedures and various pieces of legislation that affect toll operations such as the Tolls Act No. 14 of 2011 and the Tolls Regulations No. 85 of 2016. These audits on inland toll fees and weighbridge fines covered included operational procedures, internal controls, review of systems and substantive tests on revenue collected on twelve (12) toll stations and twenty (20) audits and follow ups were done.

Internal Audit also undertook joint audits with RDA on weighbridge fines at Livingstone and Kazungula Weighbridges.

Recommendations on improvements to the system and operations were made and adopted for implementation by Management.

6.2.6 Special Audits

The department undertook three (3) special audits during the year as requested by Management. Major areas covered included; inconsistencies in toll charges, fraud and corruption.

6.3 CHALLENGES

The main challenges faced by the department have been

- The limited staffing levels - This has delayed the execution of certain activities such as the physical verification of various projects including force account works. Most audits are also time pressured and this has an effect on the quality and quantity of the audit output as most of the audits are time-pressured.
- Lack of Audit software for efficient and effective analysis of data.
- Lack of centralization of tolling systems making it difficult to do offsite analyses and review of data.

6.4 WAY FORWARD

- The department will recruit two (2) additional staff.
- The department is in the process of acquiring an Audit software to assist with efficient and effective data analytics.
- The department continues to place more emphasis on tolling operations as they are regarded as high risk due to the semi-automated processes which involve tolling staff handling large volumes of cash.
- The department will constantly engage ICT and Tolling Units to ensure centralization of tolling systems which shall aid offsite review and analyses of data.
- The department will continue to deliver high quality audit services and continuously improve audit and management processes through implementation and use of an audit software.
- The department will support and promote an organizational foundation of strong ethics, risk management, fraud awareness and internal controls through interactions and incorporating the same in audit recommendations
- Effective 2018, the department plans to report on the achievements made in the implementation of the strategic plan 2017-2021. The overall responsibility for the Internal Audit department will be to give assurance to the Board as to whether the strategic objectives are being achieved through the various audits conducted.

7 PROCUREMENT

7.1 ROLES AND MANDATE

The Procurement Unit's main function is to ensure that the Agency attains Value for Money by procuring goods and services in an economic, efficient and transparent manner. The Procurement function is meant to achieve the following objectives:

- Support Operational Requirements
- Manage the Procurement Process and the Supply Base efficiently and effectively
- Develop Strong Relationships with Other Functional Groups
- Develop Integrated Purchasing Strategies That Support Organizational Strategies, Goals and objectives

Some of the major procurements undertaken during the year included the installation of wide Area Network, Technical Audits of Road Projects, Testing, Commissioning and Maintenance of a Contract Management System, Procurement of Consultancy Services for the Design, Development, Testing, Commissioning and Maintenance of E-Toll Collection System. Other procurements included the following:

No.	Description of Items
1	Design, Printing, Supply and Delivery of Diaries for 2018
2	Tender for the rebranding of the Building Entrance and Reception Area
3	procurement of various stationery
4	Tender for the provision of cleaning services for the year 2018-2019
5	Tender for the supply and delivery of Solar Road Studs
6	Tender for the supply and delivery of office equipment for the new Toll Stations
7	Supply and Delivery of One Motor Vehicle
8	Tender for the Supply and delivery of various office requisites for the Toll Stations
9	Tender for the installation of a Firewall
10	Tender for the Supply, Delivery and Installation of CCTV Equipment at NRFA Control Room
11	Tender for the Supply, Delivery, Installation and Commissioning of the Traffic Lights, Stainless Steel Toll Booth and Automatic High Speed Boom Barriers
12	Tender for the Supply, Delivery, Installation and Commissioning of Solar Street Lights
13	Tender for the Supply and Delivery of Office Furniture for the new Toll Stations
14	Installation of Water Tanks at NRFA
15	Purchase of Reflective Winter Jackets
16	Purchase of an inventor
17	Purchase of Desktop Computers and Photocopiers
18	Procurement of Additional Licenses on Sunflow
19	Procurement of Inspection Equipment
20	Purchase of Military Tents
21	Purchase of Integrity Billboards





The 2017 International Trade Fair Winners - NRFA, pose for a photo with Republican President Edgar Chagwa Lungu and Ghanaian President Nana Akufo-Addo

8 PUBLIC RELATIONS

8.1 ROLES AND MANDATE

The Public Relations Unit interfaces between the Agency and its various stakeholders to achieve the strategic result of a positive corporate image. The Unit plans, and implements Public Relations programmes and activities, disseminates news and information on Agency activities through a variety of media to enhance the Agency's corporate image and gain goodwill, understanding and confidence from stakeholders. These programmes are implemented through the development of information materials, promotional items, publications, and websites and shows an exhibitions and other innovative means of communication.

During the period under review, Public Relations activities were informed by the Fourth Perspective in the Strategic Plan of Stakeholder Satisfaction and the First Objective of Exceeding Stakeholder Expectations by bolstering and communicating a healthy/positive brand outlook, which won it public confidence and support so much needed to effectively execute its mandate. The following were the activities undertaken:

- i. **TV Documentaries:** TV documentaries were produced highlighting general operations of the Agency and particularly the Road Tolling programme.
- ii. **Tolling Newsletter:** A newsletter, dubbed **Tolling News** was introduced and published quarterly for the information of all stakeholders.
- iii. **Radio and TV Adverts:** Radio and TV adverts on the commencement of road tolling and accessibility to Toll discounts were produced and aired.
- iv. **Traffic Watch:** Road Tolling messages were aired on Radio Phoenix's Traffic Watch radio programme three times per day for the information of all stakeholders.
- v. **ZNBC Main News:** Sponsorship of the 19:00 hours ZNBC main news through a branded clock enhanced the Agency's visibility and corporate image.
- vi. **News Releases:** were regularly done during the period under review with appearances on scheduled radio and TV programmes such as ZNBC's morning Live and Kwacha Good Morning Zambia.
- vii. **Branding of the Agency Premises:** The Agency's perimeter fence, guard room and reception areas were branded to enhance the Agency's Corporate Image with floor signage for the information visiting clients.
- viii. **2018 Calendars and Diaries:** The 2018 Calendars and Diaries were designed, printed and delivered to the Agency. They were packaged in branded NRFA corporate bags and distributed to various stakeholders.
- ix. **Shows and Exhibitions:** The Agency participated at the 2017 53rd Zambia International Trade Fair in Ndola where it scooped the Overall Exhibitor Award and was awarded three other prizes; 1st prize for Best Theme Interpretation(Innovation for Industrialisation), 1st prize Business Support Services(Corporate) and 2nd prize Most Innovative Public Sector Enterprise. The Agency also participated at the 91st Lusaka Agriculture and Commercial Show.



NRFA won three trophies at the 2017 Trade Fair



An exhibition balloon



Rebranded Road Fund House



NRFA Rebranded Reception Area



NRFA Publications



NRFA News Clock during ZNBC News

9 INFORMATION COMMUNICATION TECHNOLOGY

9.1 ROLES AND MANDATE

The ICT Unit is responsible for supporting business objectives of the Agency through the use of Information and Communications technology. ICT describes various technologies that make information and communication services available to a wide range of users. The term is used broadly to address a range of established and relatively new technologies.

The specific functions of the Unit can be summed up as follows:

- i. Formulate and implement ICT strategies that supports the organization's business objectives in an effective and efficient manner.
- ii. Manage and support ICT tools used for collection, storage, processing, management, security and distribution of data.
- iii. Protect the ICT infrastructure and corporate data against attacks from viruses, cybercriminals and other threats.
- iv. Formulation and implementation of ICT policies to ensure correct use of ICT's in the organisation
- v. Provision of various user support for productive use of ICT resources.
- vi. Provision and support of an ICT network to support effective communication and collaboration.

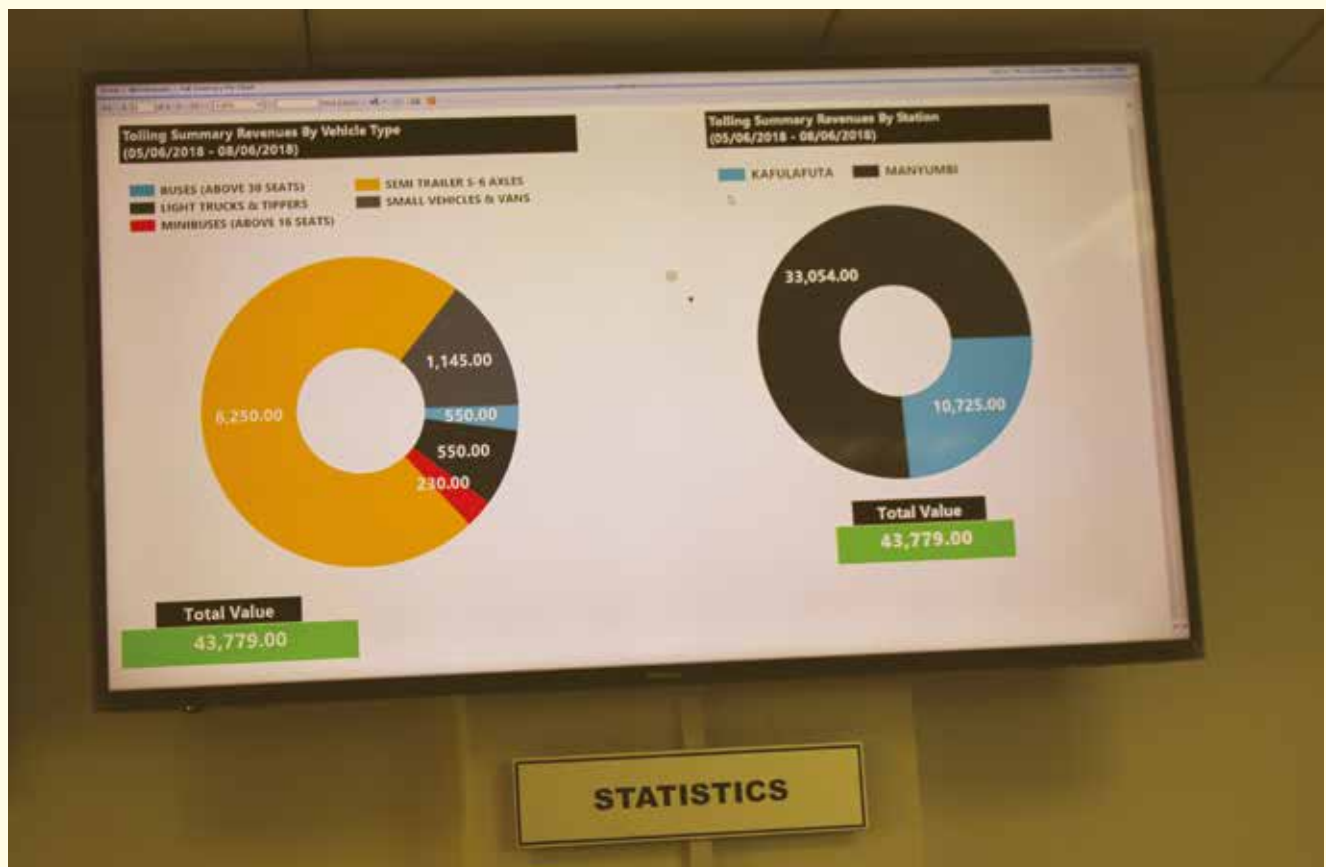
The ICT Unit's main activities during the period under review were linked to the Strategic Plan as it endeavored to achieve Strategic Objectives of Enhancing Business Systems and Processes and Enhancing Support Infrastructure, respectively.



Monitoring of Toll operations at NRFA Control Centre



Network Monitoring System observes Network availability and strength



The Information Management System record Toll Collections on daily basis

The following are some of the activities that the ICT unit undertook in the period under review;

i. Setup of corporate email

Corporate email server was setup at National Road Fund Agency (NRFA) for communication. Staff were able to send emails from the NRFA mail server. The mail server hosting at NRFA greatly improved communications in the Agency.

ii. Deploying of the Electronic Cashless Solution

A project was undertaken to implement a cashless solution at toll stations. The project aimed at reducing cash transactions at toll stations. The cashless solution would allow users to start using cards and other innovative means of payment. Piloting of the cashless solution started at Shimabala and was to be rolled out to all toll stations once the piloting was completely finished.

iii. Beaming of Closed Circuit Television (CCTV) feed at Head Office

CCTV footage at toll stations were successfully beamed in the Control room at NRFA head office. This was intended to help in monitoring of tolling activities at the toll stations.

iv. Deploying of Toll Management Systems

The unit worked to actively install and deploy the Tolling system at the toll stations that were opened in the period of review.

v. Implementation of the Wide Area Network

The National Road Fund Agency implemented a Wide Area Network (WAN) for six (06) toll stations. A WAN is an interconnection of computer networks. The toll stations that were interconnected are; Shimabala, Mumbwa, Katuba, Chongwe, Manyumbi and Kafulafuta. The WAN facilitated the transmission of data and video from the above mentioned toll stations to the NRFA Head Office. Since data transmission to head office had been facilitated, access to centralised services was made possible.



NRFA Business Manager Mr. Daniel Mtonga (left) explains operations of the Control Centre to Officers from the Ministry of Finance during a tour.



Monitoring Live feed from Toll Stations



NRFA Staff in wellness and team building sessions

10. CORPORATE SERVICES

10.1 ROLES AND MANDATE

The Corporate Services Department contributes to the overall attainment of the Strategic Plan and objectives of the Agency by carrying out the roles of Human Resources Management and General Administration. The Department also facilitates Board Affairs, Integrity Committee programs, and African Road Maintenance Funds Association (ARMFA) programs. The Department is also responsible for maintenance of Industrial Relations and Corporate Governance to promote industrial harmony and high productivity. In this regard, the Department interprets and maintains Conditions of Service and develops and implements effective Human Resource policies and strategies which support the achievement of Agency objectives.

The Department's activities as outlined under the following subheads were informed by the Agency's ten Strategic Objectives, key among them was the Enhancement of Human Capital:

10.2 HUMAN RESOURCES MANAGEMENT

The department facilitated a conducive working environment and there was no recorded industrial unrest during the period under review.

10.2.1 Employee Compliment

During the year under review, the total number of employees was **253** as at 31st December, 2017 against a provisionally approved establishment of **263** employees. The distribution of employees by gender is as follows:

Department	Female	Male	Total
Head Office	17	30	47
Manyumbi Toll Station	6	17	23
Kafulafuta Toll Station	10	12	22
Shimabala Toll Station	9	18	27
Livingstone Weigh Bridge	3	1	4
Kazungula Weigh Bridge	0	5	5
Kapiri Mposhi Weigh Bridge	5	8	13
Mpika Weigh Bridge	0	7	7
Katuba Toll Station	18	20	38
Mumbwa Toll Station	5	18	23
Kateshi Toll Station	1	8	9
Kalense Toll Station	0	9	9
Chembe Toll Station	3	2	5
Chongwe Toll Station	6	15	21
Actual Total	83	170	253
Variance	n/a	n/a	10
Percentage	32.8%	67.2%	100%

10.2.2 Staff Recruitments

With the opening up of Tolling Stations across the country, the Agency revised its recruitment policy by introducing a system where prospective employees are being sourced from within the localities where the Toll Stations would be operating from by giving preference to candidates who reside in the respective areas.

This kind of recruitment contributed to creation of employment opportunities in the locality, helped the Agency in reducing recruitment and settling costs associated with migrating employees from far areas and also helped the local residents to appreciate and own the Road Tolling programme. To this effect, prospective employees for the Toll Stations listed below were sourced from within the areas:

No.	Toll Station	Location	Employees appointed from within the area
1.	Chongwe Toll Station	Chongwe District	16
2.	Kalense Toll Station	Kasama District	8
3.	Kateshi Toll Station	Kasama	7
4.	Chembe Toll Station	Kasama	4

During the year under review, (2017), there was a total of One Hundred and Twenty Three (123) staff appointments.

10.2.3 Separation

There were seven (7) separations during the period under review representing an overall staff turnover of 2.8 percent. The modes of separations were as follows:

No.	Mode of separation	Total number
1.	Resignation	3
2.	Non-Renewal of Service of Contract	3
3.	Death	1
<i>Total</i>		7
<i>Annual Staff Turnover rate</i>		2.8%

10.2.4 Industrial Relations and Formation of a Trade Union

The Industrial Relations atmosphere during the period under review was calm and no industrial unrest was recorded. The Agency commenced the process of establishing a Trade Union to represent non-management employees interests. A draft Recognition Agreement was received from Road Sector and Allied workers Union. The draft is being reviewed before the two (2) parties sign the Agreement.

10.2.5 Staff Training and Development

The Agency continued to invest in its employees through training and development interventions in order to enhance capacity. Training needs were identified during Staff Performance Evaluation but the Agency was unable to facilitate training of all employees who were identified for training due to financial constraints.

However, respective employees were accorded opportunities to attend short term capacity building and networking programs organized by the following professional bodies:

- The Professional Secretaries of Zambia symposium under the theme: **"Breaking Barriers to Ignite the Passion in the Profession."**
- The Engineering Institute of Zambia Symposium under the theme: **"Industrialization: Sustainability and Efficiency"**
- The Zambia Institute of Purchasing and Supplies conference under the theme: **"A Nation of Supply Chain excellence in the economic recovery process: A Case of Zambia."**

- iv. The Zambia Institute of Chartered Accountants Conference under the theme: **“Transformation and Professionalism: The Accountants in the new Age of Business.”**
- v. The Zambia Institute of Human Resources Management Regional Workshop under the theme: **“From Transactional to Strategic Human Resources Management.”**

10.2.6 Participation at National Events

The Agency accorded employees an opportunity to join the rest of the country in the commemorating of various international events and took part in the following:

- i. International Women’s Day held on 8th March, 2017;
- ii. International Labour Day held on 1st May, 2017;
- iii. International Anti-Corruption Day held on 11th December, 2017 under the theme, **“United Against Corruption”**.
- iv. International World AIDS Day on 11th December, 2017 under the theme **“Ending AIDS by 2030 starts With Me”**.
- v. Road Safety Week held to from 18th to 23rd December, 2017 under the theme under the theme **“A Way of Life- Slow, Sober, Secure, Silent, Seen”**.



NRFA Staff celebrate Labour Day

10.2.7 Workplace Social Support Activity

As part of Wellness and Team Building Strategy, NRFA Staff undertook several activities such as aerobics sessions and participated in the National Health Week that was held in May, 2017. These Activities were held as part of the Team Building Strategies as stipulated in the Agency Strategic Plan 2017 to 2021.

10.2.8 Awards and Commendation Ceremony

In order to recognize and encourage hard work and high performance, the Agency developed an Awards and Commendation Policy. To this effect, an Awards Giving Ceremony was held on 8th September, 2017 and a total of thirteen (13) employees received awards under the categories shown below:

- i. Innovativeness and Skillful Performance Award
- ii. Devotion to Duty Award

- iii. Distinguished Service Award
- iv. The Integrity Award
- v. Long Service Award



NRFA PME Assistant John Simfukwe poses for a photo with NRFA Director / CEO Eng. Wallece Mumba after being awarded the Innovativeness and Skillful Performance Award

10.3 GENERAL ADMINISTRATION

10.3.1 Legal Matters/ Asset Verification

- i. **Review of the Road Fund Agency No. 13 of 2002:** One of the challenges that the Agency had been experiencing for years has been the limitations in the NRF Act No. 13 of 2002. And in order to address this challenge, the Agency commenced the process to review this important piece of legislation. The review would involve desk top review of various pieces of Legislation, Benchmarking with other countries, Public Consultations in all provinces and engagement of a Legislative Drafter to come up with a Draft Bill. By the end of the period under review, the Agency had reviewed various pieces of Legislations, and benchmarked with other countries.
- ii **Asset Verification:** In order to ascertain the location of all Agency Assets and items in all Toll Stations and Head Office, the Agency conducted an Asset Verification Exercise which also facilitated an updated Asset Register. Further, the Ministry of Works and Supply, Valuation Department was engaged to conduct a Financial Valuation of all Agency assets.

10.3.2 Board Affairs

- i. **Board and Committee meetings:** The Board of Directors which provides Strategic direction and oversight on the Agency met as follows during the period:

No.	Description	First quarter	Second quarter	Third quarter	Fourth quarter	Total Number
1.	Board	4	3	2	2	11
2.	Finance and Technical Committee	3	1	2	1	7
3.	Audit and Risk Committee	2	1	1	1	5
4.	Administration Committee	1	2	3	1	7
5.	Committee of Chairperson	Nil	1	2	3	6

- ii. **Board of Directors Field Visits:** In order for the Board members to appreciate and familiarize themselves with issues that they preside and provide Strategic direction over, the members visited the following road projects which are financed by the NRFA.

Quarter 1: Western Province

Repair Works on Lusaka – Mongu Road, Senanga – Sioma Road, Construction of Sioma Bridge Construction of Sioma to Nangweshi Road, Construction of Mongu – Tapo Road ,Construction of Kalabo – Sikongo Road, Maintenance of Mongu – Limulunga Road, Rehabilitation of Kafue Hook Bridge.



Board Members inspect the Lusaka -Mongu Road

Quarter 2: Eastern Province

Luangwa - Feira Road, Luangwa – Nyimba – Sinda – Mtenguleni – Mwami Road Project, Chipata – Mfuwe Road, Chipata – Chadiza Road, Katete Urban Roads.



Board Members inspect the Nyimba to Sinda Great East Road

Quarter 3: Muchinga Province

Chilonga Toll Site
Mpika Nabwalya LOT 1
Mpika Urban Roads
Matumbo to Luangwa River LOT 1
Muyombe Junction to Chama LOT 2
Matumbo and Kampemba Bridge
Isoka Muyombe LOT 1
Chinsali Urban Road
Samfya to Chinsali LOT 1 and 2

Quarter 4: Central and Copper belt Provinces

Manyumbi Toll Station Construction Site
Kafulafuta Toll Station Construction Site
Rehabilitation of Kafulafuta Weigh Bridge
Levy Mwanawasa Toll Station Construction Site
Periodic Maintenance of Ndola – Kitwe Dual Carriage Way
Construction of Kitwe – Chingola Dual Carriage Way
Rehabilitation of Chingola – Solwezi Road LOT1,2,3
Solwezi – Mutanda Toll Station Construction Site
Upgrading of Ndola – Mufulira Mokambo Road

10.3.3 Integrity Committee

- i. Sensitization meetings:** The Integrity Committee members held sensitization meetings with employees based at the Toll Stations. The main focus of discussion was to sensitize staff on the dangers of Corruption and Bribery. The meetings were also attended by the Desk Officer from the Anti-Corruption Commission.

In view of the sensitization meetings, there have been a number of cases being reported where motorists attempt to bribe Toll Collectors. These cases are being reported to the Anti-Corruption Commission for further action.
- ii. Appointment of Focal Point Persons:** Focal Point Persons were appointed at all Toll Stations and Weigh Bridges. As per requirement by the Anti-Corruption Commission Act, all appointed Focal Point Persons underwent training conducted by the Anti-Corruption Commission.
- iii. Road Sector Integrity Committee meeting:** During the period under review, the three (3) Road Sector Integrity Committees comprising RDA, NRFA and RTSA Integrity Committees held meetings to discuss cross cutting issues on Corruption Prevention in the Road Sector.



Drug Enforcement Commission (DEC) Mathias Kamanga Officer gives a presentation at a sensitization meeting with Toll Collectors in Mumbwa

10.3.4 African Road maintenance Funds Association (ARMFA)

ARMFA is a non-political Organization of 34 African Countries where Road Fund exists. The main objective of the Association is to share information on the funding of Road Maintenance in respective countries and improve operations of the members.

NRFA was the immediate Past President and Secretariat during the period under review.



Ms. Christabel Michel- Banda , NRFA Board Chairperson during question and answer session at ARMFA AGM

11 ACHIEVEMENTS AND LOOKING AHEAD

One of the Agency's major achievements was the development of a Strategic Plan 2017 – 2021 which provided the NRFA with a clear blue print for its long term approach to strategically execute the mandate of Resource Mobilisation, Fiduciary Management of Resources and Ensuring Value for Money as enshrined in the Road Fund Act No. 13 of 2002 with a renewed mission to 'effectively manage and administer the Road Fund in a transparent and sustainable way so as to ensure value for money and stimulate socio-economic development.'

On the face of this new strategic direction, the NRFA mobilised road sector resources from a diverse of sources and disbursed these funds to the intended road projects. As a lead Tolls Agent, the NRFA raised K667, 658, 305 in form of collected road tolls.

This performance was about 98 percent achievement against a projected annual budget of K682 million for 2017. This appreciable increase represented an improvement in the annual toll collections by 51.1 percent as compared with the collection performance in the previous year 2016.

Further, the Agency obtained a loan facility from NAPSA in the amount of K2.12 billion for the Ndola-Kitwe, Kitwe-Chingola and Chingola Solwezi Road project. This facility eased pressure on the treasury in financing road projects and was in line with Government's policy directive to enhance domestic resource mobilization and refocusing of public spending on core public sector mandates.

The Agency enhanced its corporate image by scooping the Overall Exhibitor Award at the Zambia International Trade Fair, 1st prize for Best Theme Interpretation(Innovation for Industrialisation), 1st prize Business Support Services(Corporate) and 2nd prize Most Innovative Public Sector Enterprise.

Moving forward, the NRFA will work at expanding the Road Tolling footprint and operationalize the cashless payment system, enhance internal controls and systems.

The Agency would also implement the Contract Management System, and the Financial Management System and enhance financial and technical audits to realise value for money.

All this will be achieved through engagement with implementing Agencies and Institutions through collaborative technical meetings and Staff, Management, Board and Committee of Chairperson levels.

Looking ahead the Agency continues to embrace its Core Values with a clear focus on the Strategic Results of Satisfied Stakeholders, Positive Corporate Image and an Excellent Service in its drive towards a Sustainable Road Fund.

FINANCIAL STATEMENTS

For the year ended 31st December

FINANCIAL STATEMENTS

For the year ended 31st December

12 FINANCIAL STATEMENTS

For the year ended 31st December

NATIONAL ROAD FUND AGENCY
STATEMENT OF DIRECTORS' RESPONSIBILITIES
NATIONAL ROAD FUND
Financial Statements
For the year ended 31 December 2017

The law requires the Directors to prepare Road Fund Financial Statements for each financial year that give a true and fair view of the state of affairs of the National Road Fund Agency (NRFA) as at the end of the financial year and of its surplus or deficit. It also requires the Directors to ensure that the Agency keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The Directors accept responsibility for the annual Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the law. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Road Fund and of its surplus in accordance with International Public Sector Accounting Standards. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least twelve months from the date of this statement.



Eng. Wallece Mumba
Director/Chief Executive Officer



Ms Christabel Michel Banda
Board Chairperson

28th March 2018



REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the National Road Fund, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion the financial statements give a true and fair view of the financial position of the National Road Fund as at 31 December 2017 and of its financial performance and cash flows for the period ended and have been properly prepared in accordance with the International Public Sector Accounting Standards

Emphasis of matter

The accompanying financial statements have been prepared assuming that the Agency will continue as a going concern. As discussed in note 2 to the financial statements, the agency's current liabilities exceeded its current assets by K 5,005,530,114 that raises substantial doubt about the Agency's ability to continue as a going concern beyond a reasonable time. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

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 Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express 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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY

Responsibilities of Management and those charged with Governance for the Financial Statements

Management are responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines 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, management is responsible for assessing the Secretariat'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 management decides to cease operations, or have no realistic alternative but to do so. Those charged with Governance are responsible for overseeing the National Road Fund's reporting process.

Auditor's Responsibility 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 Fund's internal control.
- Conclude on the appropriateness of management's 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 National Road Fund'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 Fund 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the National Road Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the National Road Fund audit. We remain solely responsible for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD MEMBERS OF NATIONAL ROAD FUND AGENCY**

We communicate with those charged with governance 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.

Report on other Regulatory Requirements

In our opinion the financial statements of the National Road Fund as of 31 December 2017 have been properly prepared in accordance with the Road Fund Act and the accounting and other records have been properly kept in accordance with the Act.

Mark Daniels
Chartered Accountants
Lusaka

30/3/ 2018

WKKK Kasongo
Winston Kasongo AUD/F003/27
Partner signing on behalf of the firm

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2017

Statement of Financial Performance

		Year Ended 31 December 2017 ZMW
	Notes	
Income		
	4	<u>2,615,167,710</u>
Expenditure		
Ministry of Housing and Infrastructure Development	5	2,159,644
Ministry of Local Government	6	12,779,330
Ministry of Transport and Communication	7	2,540,565
National Road Fund Agency	8	78,886,477
Road Development Agency	9	350,907,126
Road Transport and Safety Agency	10	<u>272,740,609</u>
Total		<u>720,013,751</u>
Operating Surplus		1,895,153,959
Finance Costs	11	<u>211,381,445</u>
Surplus for the Year		<u>1,683,772,514</u>

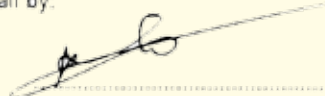
Statement of Financial Position

	Notes	Year Ended 31 December 2017 ZMW
Current Assets		
Advances to Road Sector Institutions	12	139,258,491
Other Receivables	13	65,395,008
Cash and Bank	14	442,290,391
		<u>646,943,890</u>
Non-Current Assets		
CWIP - Road Works Construction Costs	15	33,002,761,745
CWIP - Road Structures Construction Costs	16	1,232,482,463
Advances to Contractors and Consultants	17	4,498,686,118
Other Road Project Costs	18	53,243,227
Loan Guarantee	19	1,851,617,916
		<u>40,638,791,469</u>
Total Assets		<u>41,285,735,359</u>
Current Liabilities		
Road Works and Services Liabilities	20	5,562,033,880
Other Creditors and Accruals	21	90,440,124
		<u>5,652,474,004</u>
Non-Current Liabilities		
Long Term Loans	22	3,285,447,286
Retention Costs Payable to Contractors	23	1,511,524,090
Other Reserves	24	139,909,018
		<u>4,936,880,394</u>
Total Liabilities		<u>10,589,354,398</u>
Net Assets		
Accumulated Fund		1,683,772,514
Capital Grants		29,012,608,447
		<u>30,696,380,961</u>
Total Liabilities and Net Assets		<u>41,285,735,359</u>

The financial statements on pages 10 to 21 were approved for issue by the Board members
On 28th March 2018 and signed on its behalf by:



Eng. Wallece Mumba
Director/Chief Executive Officer



Ms Christabel Michel Banda
Board Chairperson

The notes on pages 10 to 21 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2017

Statement of Changes in Net Assets

	Capital Grant	Accumulated Fund	Total
	ZMW	ZMW	ZMW
Balance At 1 st January 2017	-	-	-
Surplus for the Year	-	1,683,772,514	1,683,772,514
Additions	29,012,608,447	-	29,012,608,447
Balance At 31 December 2017	29,012,608,447	1,683,772,514	30,696,380,961

The notes on pages 10 to 21 form part of these financial statements.

Statement of Cash Flows

	Notes	Year Ended 31 December 2017 ZMW
Cash flows from operating activities		
Surplus For The Year		1,683,772,514
(Increase) in Advances to Road Sector Institutions		(139,258,491)
(Increase) in Other Receivables		(65,395,008)
Increase in Road Works and Services Liabilities		5,562,033,880
Increase in Creditors and Accruals		90,440,124
Net cash inflow from operating activities		7,131,593,019
Investing activities		
Acquisitions of Non Current Assets		(40,638,791,469)
Net cash used in Investing Activities		(40,638,791,469)
Financing activities		
Long Term Loans		3,285,447,286
Capital Grants		29,012,608,447
Retention Costs Payable to Contractors		1,511,524,090
Other Reserves		139,909,018
Net cash (used) in financing activities		33,949,488,841
Net increase in cash and cash equivalents		442,290,391
Cash and cash equivalents at beginning of the Year		-
Cash and cash equivalents at end of the Year	14	442,290,391

The notes on pages 10 to 21 form part of these Financial Statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2017

Notes

1 Principal activity of the National Road Fund Agency

The National Road Fund Agency (NRFA) was established by the National Road Fund Act No. 13 of 2002. The NRFA is a statutory organisation whose function is to administer and manage the Road Fund.

2 Statement of Compliance and Basis of Preparation – IPSAS 1

- (a) The agency's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Zambian Kwacha, which is the functional and reporting currency of the agency. T

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The financial statements are prepared on accrual basis.

The preparation of financial statements in conformity with IPSAS which requires the use of estimates and assumptions. It also requires management to exercise its judgment in the process of applying the NRFA's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements have been accounted for accordingly in these financial statements.

(b) Going Concern

At the balance sheet date the agency's current liabilities exceeded its current assets by K 5,005,530,114.

The NRFA is dependent on both Government Project Funding and the Treasury releases of Road User Charges (RUCs), the latter comes from the collection of the following RUCs:

- i. Fuel Levy collected by the Zambia Revenue Authority (ZRA);
- ii. Toll Fees collected at Border Entries by the Road Transport and Safety Agency (RTSA);
- iii. Toll Fees collected from Inland Toll and Weighbridge Stations by the NRFA;
- iv. Road Tax, Vehicle and Driver Licence Fees collected by the Road Transport and Safety Agency (RTSA); and
- v. Weighbridge Fee and Fines collected at all Weighbridge Stations by the NRFA.

The Directors believe that NRFA will be a going concern on the foreseeable future and that the NRFA will be able to meet all its dues. Therefore, the Directors have determined it appropriate that Financial Statements be prepared on a going concern basis.

Notes (Continued)

3 Summary of significant accounting policies

(a) Property, Plant and Equipment

The cost of an item of Property, Plant and Equipment are recognised as an asset when it is probable that future economic benefits associated with the item will flow to the NRFA and the cost of the item can be measured reliably.

The costs include costs incurred initially to acquire or construct an item of Property, Plant and Equipment, and costs incurred to add to, maintain and significant replace parts of it. Routine maintenance of Property is expensed and charged to the Statement of Comprehensive Income during the period or year they are incurred.

Property, Plant and Machinery are stated at historical cost. All costs include those directly attributable to bring the assets to working condition for their intended use and includes professional fees and contractual costs relating to standing time and interest charges on delayed payment of amounts due to supplier of the works and services on the Property, Plant and Machinery.

Property here refers to the cost of road construction and road structure construction costs, which is capitalised during the construction period and ultimately expensed on completion of the road construction upon a completion certificate been issued by the Implementing Institution and received by NRFA.

Land, Plant and Machinery are expensed and charged to the Statement of Comprehensive Income during the period or year they are incurred. These are ultimately capitalised by the respective recipient Road Sector Institutions.

b) Advance Payments to Contractors, Consultants and Suppliers of Goods and Services

The Advance Payment is a contractual obligation by the Implementing Institution towards the Contractors, Consultants and Suppliers of Goods and Services when included in the road works or goods or service contract and the contract is fully signed between the Implementing Institution and Contractors, Consultants and Suppliers of Goods and Services.

The Advance Payments are stated at historical cost and recoverable from the Contractors, Consultants and Suppliers of Goods and Services over the contract period.

(c) Foreign Currencies

Balances in foreign currencies have been converted translated into Zambian Kwacha at the rates of exchange ruling at the balance sheet date. Transactions during the year are translated at the transaction rates ruling at the relevant dates. Exchange differences arising from these transactions are included in the Statement of Comprehensive Income as either exchange gains or losses.

d) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on a call with banks, other short term highly liquid investments with original maturities of three months or less, and overdrafts are included within short term loans in current liabilities on the balance sheet.

Notes (continued)

3 Summary of significant accounting policies (continued)

e) Government Grants

Government grants are not recognized until there is reasonable assurance that the Agency will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the NRFA should purchase, construct or otherwise acquire non-current assets such as buildings, motor vehicles, office equipment are recognized as deferred income in the balance sheet and amortised to the income statement on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government Grants that are received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the NRFA with no future related costs are recognized in the income statement in the period in which they become receivable.

f) Government Loan Guarantees

Government Financial Assistance to the National Road Fund Agency (NRFA) in form of Loan Guarantees, which requires the Government of Zambia through the Ministry of Finance to make specified payments to reimburse the respective Loan Issuer on behalf of the Agency as the Borrower or for a loss the respective Loan Issuer may incur when the Agency fails to make the specified Loan Capital and Interest payments when due in accordance with the Loan Agreement, has been recognised as an Asset to the Agency based on the running Loan balance at each period and year end.

g) Income Recognition

Income is recognized when it is probable that future economic benefits will flow to the NRFA and these benefits can be measured reliably.

h) Financial Risk Management

Income is recognized when it is probable that future economic benefits will flow to the NRFA and these benefits can be measured reliably.

(i) Interest Rate Risk

The National Road Fund Agency (NRFA) exposure to interest rate risk is limited to the extent that the National Road Fund Agency (NRFA) does not carry interest bearing financial assets except for operational bank balances. However, there is some interest rate risk limited to the fixed interest bearing contractual liabilities on road works and some supplies which may arise due to the delayed settlement of these bills.

(ii) Currency Risk

The Agency currency risk is limited to currency exposures on the foreign currency works and services contracts signed by the Road Sector Implementing Institutions, whose contractual payments is met by the Agency.

Notes (continued)

3 Summary of significant accounting policies (continued)

h) Financial Risk Management (continued)

(iii) Credit Risk

Potential concentration of credit risk consists mainly of cash and cash equivalents, and receivables. The Agency limits its counterparty exposure by dealing with established banks. The Agency has a policy of managing credit exposure to contractors and consultants by obtaining bonds and bank guarantees from well established financial institutions.

(iv) Liquidity Risk

Liquidity risk arises primarily from an uncertainty in funding from the Treasury and expenditure flows. The Agency manages liquidity risks through the compilation and monitoring of cash flow forecasts. In addition, the Agency liaises closely with the Ministry of Finance to ensure that adequate Treasury releases are made during the respective period to fund the Road Sector expenditures within the budget limits.

Further, the Agency monitors the Road Sector Implementing Institutions commitments and expenditure levels and where budget levels are exceeded, the Ministry of Finance is requested for additional funding.

4. Income

	Year ended 31 December 2017 ZMW
Fuel Levy	770,149,220
Tolling - NRFA	240,804,899
Tolling - RTSA	433,110,805
Road Tax, Motor and Drivers Licenses	450,703,329
Weighbridge Fines and Fees	14,762,853
Interest income	376,690
Exchange Gains	600,044
Recovery of RUCs from Prior Years	579,859,015
Government Grant Income – DBSA	124,800,855
Total	2,615,167,710

5. Ministry of Housing and Infrastructure Development

Functions and Meetings	50,400
Monitoring and Evaluation	337,963
Motor Vehicles	1,424,762
Workshops, Seminars and Training	346,519
Total	2,159,644

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2017

Notes (continued)

	Year Ended 31 December 2017 ZMW
6. Ministry of Local Government	
Design and Build	777,956
Office Equipment and Furniture	318,886
Periodic Maintenance	1,581,841
Routine Maintenance	9,643,234
Workshops, Seminars and Training	457,413
Total	12,779,330
7. Ministry of Transport and Communication	
Functions and Meetings	630,841
Monitoring and Evaluation	5,396
Motor Vehicles	166,104
Office Equipment and Furniture	23,188
Operational Expenditure	48,140
Workshops, Seminars and Training	1,666,896
Total	2,540,565
8. National Road Fund Agency	
Advertising	1,429,973
Audit Fees - Financial & Technical	460,778
Bank Charges	154,690
Functions and Meetings	1,288,810
Monitoring and Evaluations	571,378
Motor vehicles	1,466,930
Office Equipment and Furniture	1,753,426
Operational Expenditure	29,365,724
Professional and Legal Fees	517,654
Systems Development	4,712,100
Testing Equipment and Protective Clothing	143,541
Tolling Equipment and Infrastructure	3,485,052
Tolling Operations	30,282,536
Workshops, Seminars and Training	3,253,885
Total	78,886,477

Notes (continued)

	Year Ended 31 December 2017 ZMW
9. Road Development Agency	
Advertising	345,623
Audit-Financial and Technical	771,334
Axle Load	63,072
Bridges Construction	2,373,094
Emergences	5,697,182
Functions and Meetings	728,947
Integrity Committee Costs	289,762
Land and Buildings	257,400
Monitoring and Evaluations	115,068
Motor Vehicles	4,038,471
Office Equipment and Furniture	1,865,510
Periodic Maintenance	45,369,931
Professional and Legal Fees	50,000
Operational Expenditure	11,747,899
Rehabilitation	3,757,166
Resettlement and Compensations	3,445,707
Routine Maintenance and Vegetation Control	234,976,682
Studies – Designs,	28,629,768
Systems Development	2,736,300
Upgrading and New Construction	3,057,350
Workshops and Seminars	590,860
Total	350,907,126
10. Road Transport and Safety Agency	
Land and Buildings	22,512,225
Motor Vehicles	19,984,439
Office Equipment and Furniture	2,551,593
Operational Expenditure	90,673,535
Road Safety	47,106,604
Systems Development	89,889,337
Workshops and Seminars	22,876
Total	272,740,609

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2017

Notes (continued)

	Year Ended 31 December 2017 ZMW
11. Finance Costs	
DBSA Loan Interest Costs	124,800,855
NAPSA Loan Interest Costs	86,580,590
	<u>211,381,445</u>

The National Road Fund Agency signed a loan agreement with Development Bank of Southern Africa Limited (DBSA) on 22nd December 2010 for a loan facility of US\$ 262.00 million. The Loan Facility was for the construction and rehabilitation of the following three Western Corridor public roads in Zambia of Kalulushi - Lufwanyama, Kabompo - Chavuma and Senanga - Sesheke and the Sioma Bridge. This Single Currency Term Loan Facility is repayable in 20 years and it had the Loan Capital grace period of 12 months with the biannual disbursement dates of 1st April and 1st October, starting on 1st October 2012.

The Agency signed the second Loan Agreement with the National Pension Scheme Authority (NAPSA) on 24 June 2017 for a total of K2.13 billion to finance the rehabilitation and construction of the T2 from Ndola - Kitwe - Chingola to Solwezi. As at 31 December 2017 a total of K1.21 million had been received by the NRFA from NAPSA. The Loan was secured on the Road Fund Road User Charges (RUCs) Collections. The above Loan Repayment represent Loan Interest Costs from the first Loan Interest due date of 17 July 2017 to the year end.

12. Advances to Road Sector Institutions

	Year Ended 31 December 2017 ZMW
Ministry of Finance	451,800
Ministry of Housing and Infrastructure Development (MHID)	1,060,888
Ministry of Local Government (MLG)	2,050,000
Ministry of Transport and Communication (MTC)	781,566
Ministry of Works and Supply (MWS)	41,185
National Council For Construction (NCC)	3,372,412
National Road Fund Agency (NRFA)	2,407,792
Road Development Agency (RDA) - Head Office	83,254,098
Road Development Agency (RDA) - Regional Offices	35,396,590
Road Transport and Safety Agency (RTSA)	8,442,160
Zambia National Service (ZNS)	2,000,000
Total	<u>139,258,491</u>

Notes (continued)

	Year Ended 31 December 2017 ZMW
13. Other Receivables	
Loan Guarantee Receivable	34,283,280
Grant Income Receivable	31,111,728
Total	65,395,008
14. Cash and Bank	
Bank of Zambia – DBSA - ZMW	67,799,796
Bank of Zambia – DBSA - US \$	67,869,158
ZANACO – DBSA – US \$	4,773,750
Bank of Zambia – Road Fund - ZMW	3,792,892
ZANACO – Road Fund - ZMW	50,850,786
ZANACO – Road Fund - US \$	3,980,462
Citibank – NAPSA - ZMW	124,485,858
ZANACO – AfDB Nacala IV - ZMW	407
ZANACO – AfDB Nacala IV - US \$	5,075
Bank of Zambia – AfDB Nacala IV – US \$	6,100
Investrust Bank – KfW - Euro	132,410
Investrust Bank – KfW - ZMW	1,466,450
ZANACO - DFID – US \$	2,766,823
Indo Zambia Bank – IRCP - US \$	18,530,195
Indo Zambia Bank – IRCP - ZMW	416,484
Indo Zambia Bank – IRCP - US \$	3,939,466
Finance Bank – EIB - Euro	91,474,279
Total	442,290,391
15. CWIP - Road Works Construction Costs	
CWIP - Routine Maintenance	37,571,576
CWIP - Periodic Maintenance	3,271,563,769
CWIP - PM Interest on Delayed Payments	55,185,075
CWIP - Rehabilitation	11,265,362,642
CWIP - Rehab Interest on Delayed Payments	16,331,960
CWIP - Upgrading	15,497,511,143
CWIP - Upgrading Interest on Delayed Payments	167,567,006
CWIP - New Construction	2,678,491,705
CWIP - New Construction Interest on Delayed payments	13,176,869
Total	33,002,761,745

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2017

Notes (continued)

	Year Ended 31 December 2017 ZMW
16. CWIP - - Road Structures Construction Costs	
CWIP - Toll Stations	210,292,472
CWIP - Toll Stations Interest on Delayed Payments	98,158
CWIP - Bridges	999,852,138
CWIP - Bridges Interest on Delayed Payments	9,879,705
CWIP - Weighbridges	12,359,990
Total	1,232,482,463
17. CWIP - Advances to Contractors and Consultants	
Advances - CWIP - Routine Maintenance	935,372
Advances - CWIP - Periodic Maintenance	465,223,733
Advances - CWIP - Rehabilitation	1,519,082,742
Advances - CWIP - Upgrading	2,407,389,077
Advances - CWIP - New Construction	2,236,526
Advances - CWIP - Toll Stations	9,953,287
Advances - CWIP - Bridges	93,362,222
Advances - CWIP - Weighbridges	503,159
Total	4,498,686,118
18. Other Road Project Costs	
Audit Financial & Technical	362,084
Bank Charges	105,073
Capacity Building	3,203,743
Motor Vehicles	1,144,117
Office Equipment	590,378
Office Furniture	227,083
Feasibility Studies, Engineering and Designs	27,317,902
Complimentary Component Activities	9,764,310
Exchange Losses	10,528,537
Total	53,243,227
19. Loan Guarantee	
GRZ Loan Guarantee on DBSA	1,851,617,916

Notes (continued)

20. (a) Road Works and Services Liabilities

	Year Ended 31 December 2017 ZMW
Foreign Contractors and Consultants - Chinese	3,103,084,274
Foreign Contractors and Consultants - Other	519,284,222
Total Foreign	3,622,368,496
Local Contractors and Consultants	1,939,665,384
Total	5,562,033,880

(b) Liabilities by Road Sector Institution

Ministry of Housing and Infrastructure Development (MHID)	2,115,217
Ministry of Local Government (MLG)	999,021,930
Ministry of Transport and Communication (MTC)	101,670
Ministry of Works and Supply (MWS)	48,600
National Road Fund Agency (NRFA)	19,722,511
Road Development Agency (RDA)	4,422,079,842
Road Transport and Safety Agency (RTSA)	118,944,110
Total	5,562,033,880

(c) Liabilities - Projects	Foreign Chinese ZMW	Foreign Other ZMW	Local ZMW	Total ZMW
AfDB - Chinsali Nakonde	-	331,560	151,585	483,145
AfDB - Kazungula	-	-	-	-
B/Grant	-	109,698	-	109,698
AfDB - Kazungula	-	-	-	-
B/Loan	-	894,846	-	894,846
AfDB - Nacala II	-	27,647,724	-	27,647,724
AfDB - Nacala IV	-	1,508,809	-	1,508,809
BADEA - Copperbelt	-	-	-	-
Towns	-	-	892,806	892,806
China Development	-	-	-	-
Bank	180,741,229	-	-	180,741,229
DFID	53,521,544	-	-	53,521,544
EXIM Bank of China	153,528,583	-	-	153,528,583
JICA	-	1,246,267	-	1,246,267
Kalabo Sikongo	179,259,581	-	-	179,259,581
Angola	-	-	-	-
KfW - RTRP	-	-	1,466,450	1,466,450
NAPSA	184,849,758	-	42,676,219	227,525,977
Road Fund	2,351,183,579	487,545,318	1,894,251,724	4,732,980,621
World Bank	-	-	226,600	226,600
Total	3,103,084,274	519,284,222	1,939,665,384	5,562,033,880

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2017

Notes (continued)

(d) Ageing Analysis

Description	Days	Years	Year Ended 31 December 2017 ZMW
Six Months old	0 - 180	2017	517,572,598
1 Year Old	180 - 360	2017	676,382,864
2 Years Old	361 - 720	2016	2,627,772,630
3 Years Old	721 - 1,080	2015	1,259,803,300
4 Years Old	1,081 - 1,440	2014	456,019,226
5 Years Old	1,441 - 1,800	2013	22,909,108
6 Years Old	1,801 - 2,160	2012	1,574,154
Total			5,562,033,880

21. Other Creditors and Accruals	
Loan Capital Payable	34,283,280
Loan Interest Payable	31,111,728
Audit Fees – Financial - Payable	422,471
Bank Interest	303,643
Exchange Gains	24,319,002
Total	90,440,124

22. Long Term Loans	
DBSA Loan Facility – 20 Year Loan	1,851,617,915
NAPSA Loan – 10 Year Loan	1,433,829,371
Total	3,285,447,286

23. Retention Costs Payable to Contractors	
Retention - CWIP Periodic Maintenance	196,954,845
Retention - CWIP Rehabilitation	471,366,945
Retention - CWIP Upgrading	773,693,141
Retention - CWIP New Construction	390,738
Retention - CWIP Toll Stations	3,656,152
Retention - CWIP Bridges	59,149,439
Retention-CWIP-Weighbridges	6,253,594
Retention-CWIP-Complimentary Components	59,236
Total	1,511,524,090

24. Other Reserves	
Maintenance Reserve-DBSA	5,406,419
Debt Service Reserve-DBSA	134,502,599
Total	139,909,018

Notes (continued)

25. Events occurring after the Statement of Financial Position

The Agency is not aware of any matter or circumstances since the financial year end and the date of this report, not otherwise dealt with in the financial statements, which significantly affects the financial position of the Agency and the results of its operations.

26. Commitments

The capital commitments as at the Year Ended 31 December 2017 were limited to the maximum cost of implementing the 2018 Annual Work Plan and Budget by 31 December 2018.

27. Taxation

The National Road Fund Agency (NRFA) is exempt from the provision of Income Tax Act.

28. Comparative Figures

Where necessary, figures for the prior periods or years have been restated to afford easy comparison with the current period or year figures and to take into account the correction of prior year period errors and changes in accounting policies.

29. Contingent Liabilities

There were contingent liabilities pertaining to delayed interest penalties on the delayed payment of the Road Works and Services Liabilities in **Note 20** above, which can only be reasonably estimated when they materialise in later years.



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