NATIONAL ROAD FUND AGENCY

ANNUAL REPORT 2018

"A Sustainable Road Fund"

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2018
ANNUAL REPORT

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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

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS 8

CHAIRPERSON'S FORWORD 10

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REPORT 11

NRFA'S BOARD MEMBERS 13

NRFA'S MANAGEMENT STAFF 14

1 INTRODUCTION 17

2 STRATEGIC PLAN 2017 - 2021 17

3 FUND MANAGEMENT 19

3.1 ROLES AND MANDATE 19

3.2 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE NATIONAL ROAD FUND FINANCIAL POSITION AS AT 31ST DECEMBER 2018 19

3.3 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE LOCAL RESOURCES 20

3.4 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF EXTERNAL RESOURCES 21

3.5 ROAD SECTOR ANNUAL WORK PLAN FINANCIAL PERFORMANCE 23

3.6 ROAD USER CHARGES COLLECTIONS 24

3.7 NOTBALE ACHIEVEMENTS 26

3.7.1 Consolidation and submission of the 2019 Road Sector Annual Work Plan and Budget 26

3.7.2 Preparation of unqualified 2018 Financial Statements 26

3.7.3 Preparation of Management Accounts 26

3.7.3 Co-ordination of Auditor Generals Audit 26

3.7.4 Recognition of Toll Revenue Prepayments 26

3.7.5 Continued Enhancement of the Financial Management System 26

3.7.6 Automation and linking of payment system to commercial banks 26

3.7.7 Increased Tolls Collection 26

3.7.8 Develop the Resource Mobilization Strategy for non-traditional sources 26

3.7.9 Achievement of Project Effectiveness under the Improved Rural Connectivity Project (IRCP) under the World Bank. 27 27

3.8 CHALLENGES 28

3.8.1 Lack of Integrated Systems between FMS and Contract Management System and Registry 28

3.8.2 Delayed Payments 28

4 ROAD TOLLING DEPARTMENT 29

4.1 ROLES AND MANDATE 29

4.2 THE NATIONAL ROAD TOLLING PROGRAMME 29

4.2.1 Introduction and Background 29

4.2.2 Toll Revenue Collections from 2014-2018 29

4.3 ROAD TOLLING OPERATIONS AND REVENUE COLLECTIONS 29

4.3.1 Revenue Collections 29

4.3.2 Electronic Toll Collection System 31

4.3.3 Traffic Information 31

4.4 ROAD TOLLING INFRASTRUCTURE DEVELOPMENT 31

5 MONITORING AND EVALUATION (M&E) 33

5.1 ROLES AND RESPONSIBILITIES 33
5.2 ACTIVITIES UNDERTAKEN IN 2018 33
5.2.1 Road Sector Funding Analysis 33
5.2.2 Funding Allocation Analysis by Province 34
5.2.3 Funding Analysis by Intervention 35
5.2.4 2018 RSAWP Focus Areas 35
5.3 MONITORING 35
5.3.1 Review of Project reports and Documents 35
5.3.2 IPC Reviews and Processing 36
5.3.3 Field Inspections 37
5.3.4 Field Inspections Photo gallery 38
5.4 EVALUATION 40
5.4.1 Technical Audit 40
5.4.2 In House Technical Audits 40
5.4.3 Outsourced Technical Audit 41
5.4.4 HIV/AIDS Activities Assessment 43
5.5 DESKTOP EVALUATION 43
5.5.1 Analysis of Contract Allocation-Local and Foreign 43
5.5.2 Maintenance Vs Capital Projects 47
5.5.3 effectiveness of 20% Subcontracting Study 47

6 INTERNAL AUDIT 51

6.1 ROLES AND MANDATE 51
6.2 THE INTERNAL AUDIT PROCESS 51
6.3 ACTIVITIES UNDERTAKEN DURING THE YEAR 51
6.3.1 Quarterly Internal Audit reviews 51
6.3.2 Force Account Works (Applications and Retirements) 52
6.3.3 Procurement Audit 52
6.3.4 Pre Audit Review of Payments 52
6.3.5 Audit of Tolling Operations 52
6.3.6 Special Audits 52
6.3.7 Audit Software 52
6.3.8 Audit of Sun VI Accounting Software 52
6.3.9 Review of Risk Management system 52

7 PUBLIC RELATIONS 55

7.1 ROLES AND MANDATE 55
7.2 KEY ACTIVITIES UNDERTAKEN IN 2018 PUBLIC 55
7.2.1 Copperbelt Mining, Industrial and Agricultural Trade Expo 55
7.2.2 Zambia International Trade Fair 55
7.2.3 Lusaka Agricultural and Commercial Show 55
7.2.4 Provincial Expos 56
7.2.5 Sponsorship of News clock on ZNBC TV 56

77.2.6 Public Campaign ahead of Road Tolling Commencements 56
7.2.7 'My Road' Television Programmes 56
7.2.8 Media Institute of Southern Africa Golden Key Award 56

8 PROCUREMENT **59**

8.1 ROLES AND MANDATE 59

9 CORPORATE SERVICES **63**

9.1 ROLES AND MANDATE 63
9.1 HUMAN RESOURCES MANAGEMENT 63
9.1.1 Employee Compliment 63
9.1.2 Implementation of the Sub-Policy on Recruitement 66
9.1.3 Staff Turnover by Positions 66
9.1.4 Disciplinary Cases 66
9.1.5 Employee Satisfaction Survey 66
9.1.6 Staff Training and Development 66
9.1.7 Launch of Kaizen Programme 67
9.1.8 Policy review and formulation 67
9.1.9 Participation in National Events 67
9.1.10 Workplace Social Support Activity 67
9.1.11 Awards and Commendation 67
9.1.12 Enforcement of Compliance levels on the payment of Toll fees 67
9.1.13 Review of the Road Fund Agency No. 13 of 2002 67
9.2 INFORMATION COMMUNICATION TECHNOLOGY UNIT (ICT) 68
9.2.1 Roles and Mandate 68
9.3 BOARD AFFAIRS 68
9.3.1 Committee and Board meetings 69
9.3.2 Board of Directors' Field Visits 69
9.3.3 Capacity Building for Board Members 70
9.4 INTEGRITY COMMITTEE PROGRAMS 70
9.4.1 Annual Corruption Prevention Action Plan 70
9.4.2 Staff Sensitization meetings 70
9.4.3 Appointment of Focal Point Persons (FPPs) 70
9.4.4 NRFA Integrity Committee collaboration with other stakeholders 71
9.5 AFRICAN ROAD MAINTENANCE FUNDS ASSOCIATION (ARMFA) 71
9.5.1 ARMFA Southern Africa Focal Group (ASAFG) Workshop 71
9.5.2 ARMFA Southern Africa Focal Group meeting 72
9.5.3 ARMFA Executive Committee meetings 72
9.5.4 Kenya Roads Board Exchange visit 72
9.6 INFORMATION COMMUNICATION TECHNOLOGY (ICT) 72

10 OUTLOOK FOR 2019 **72**

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

CHAIRPERSON'S FORWORD

It is my pleasure to present the National Road Fund Agency (NRFA) Annual Report and Financial Statements for the year ended 31st December 2018.

During the period under review, the Agency undertook various strategic activities and programmes that were aimed at enhancing the revenue base and optimizing operational efficiency of the Agency. Key among these activities included the operationalization of additional Toll Stations and the review of the organizational structure to respond to the broadened mandate of the Agency.

The review of the National Road Fund Act No. 13 of 2002 which commenced in 2017 further progressed during the period under review with a nationwide stakeholder consultative process. The aim of this review process is to strengthen the Agency's mandate in view of the added roles and responsibilities meeting the road sector dynamics.

In its quest to ensure adherence to the key mandate of Resource Mobilization, Fiduciary Management of Resources and ensuring Value for Money in the road infrastructure development and road transport services in the country, the Agency attained key milestones that were aimed at ensuring a balance between capital projects and sustainable road maintenance.

The Board guided management through the Finance and Technical Committee and the Audit Committee with a view to further ensuring a more effective and enhanced Fiduciary Management of all resources under the Road Fund, particularly in view of the implementation of the National Road Tolling Programme that has resulted in increased cash collections at Tolling Stations. This resulted in elimination of system glitches at Toll Stations with only minor system exceptional items reported.

The Agency's Strategic Plan 2017-2021 remained a key pillar in ensuring effective implementation of our mandate. Through this tool a number of activities were undertaken, reviewed and measured.

The Agency continued to engage stakeholders both within the Road Sector and outside with a view to addressing some of the challenges that the sector currently faces and this was made possible through the support rendered to the Agency by the Government through the Ministry of Finance. This allowed the Agency to re -focus and re strategize so as to ensure that some of the proposed solutions were implemented.

The year 2019 will present opportunities as the demand for road infrastructure development continues to rise against a limited resource base. Therefore, enhanced resource mobilization will remain critical for the Agency to attain its mandate and ensure that the Road Asset is effectively and efficiently managed.

The Agency through the guidance of the Board shall also remain alive to the need to ensure implementation of all key activities and programmes in line with the Austerity measures as been pronounced and directed by the Government.

The Agency remains resolute in providing policy guidance to Management as it focusses on implementing its Strategic Plan.

I now invite you to read through our Annual Report which is very elaborative and hope that you will find the information as contained very useful and informative.

Christabel-Michel Banda
Board Chairperson

DIRECTOR/CHIEF EXECUTIVE OFFICER'S REPORT

This report highlights key activities undertaken by the National Road Fund Agency (NRFA) during the period 1st January to 31st December 2018, drawing its legal mandate from the National Road Fund (NRF) Act No 13 of 2002.

NRFA remains committed to Resource Mobilisation, Fiduciary Management of Resources and Value for Money. During 2018, the Agency continued to operate within Government Policy on road infrastructure development, maintenance and financing, in line with various key monetary and fiscal measures that the Government through the Ministry of Finance had introduced. The Agency constructively engaged various stakeholders as key to the Agency's Strategic themes of Service Excellency and Operational Efficiency which are enshrined in the Agency's Strategic Plan 2017 to 2021.

The year 2018 was progressive as the Agency built on the successes and challenges recorded in 2017 which provided a basis for development of the business plan and implementation of activities thereof. The activities as prescribed in the business related to revenue enhancement through the opening of new Toll Stations and also resource mobilisation initiatives through the partnership with the National Pension Scheme Authority (NAPSA). The Agency continued to promote robust stakeholder engagements to enhance a good corporate image.

The Agency operated under a relatively stable and resilient economic environment. The performance was largely supported by relative macroeconomic stability as well as less volatile commodity prices particularly Copper. This notwithstanding, several downside risks to the economic performance were encountered during the period under review.

The 2018 Road Sector Annual Work Plan budgetary allocation was K8.6 billion which comprised 40% local funding and 60% external funding. The Local Resources included funding from NAPSA under the NRFA-NAPSA Loan facility. Total receipts during the period under review was K7.3 billion out of the K 8.6 billion representing 85% of the budget. Of these receipts, K4 billion was local funding while K 3.3 Billion was external funding representing 55% and 45% respectively.

The Agency continued to provide checks and balances within the road sector through various monitoring and evaluation activities such as processing of Interim Payment Certificates (IPC), inspection of projects and technical audits. Through IPC processing, the Agency recorded savings of K8.99 million in 2018 and K84.43 million cumulatively from 2011.

For the financial year ending 2018 with respect to the Road Tolling Programme, a total of K 908.59 Million was collected from both inland and port of entry toll stations against the planned budget of ZMW 845.61 Million. The total collections from both inland and port of entry exceeded the 2018 projected revenue target by 7% whilst also comparatively, toll revenues for 2018 increased by 36% over the same period in 2017.

The National Road Tolling Programme (NRTP) has progressively continued to register growth in toll revenue collections since commencement in 2013 with an average annual revenue growth of 29% over a five period (2014 to 2018). Furthermore, toll revenues collections for the five year period ending December 2018 peaked at K2.7 billion representing an annual average contribution of 18% to the local resources component of the Road Sector infrastructure financing requirements. Contribution of tolls to locally mobilized road sector resources have on an annual basis been growing from 10% in 2014 to around 26% in 2018.

As at the end of 2018, 32 toll collection points were operational across the country comprising 14 in-land toll stations, 4 weighbridges and 09 ports of entry.

This progress is as a result of the continued investment in the National Road Tolling Programme (NRTP), covering both the development of Road Toll Infrastructure, Systems and Human Resource capacity building. The NRTP promises great potential in bridging the financing gap in the implementation of the Road Sector Work programmes in general, but also in meeting the requirements for road maintenance of the nation's Road Network in particular.

The Agency continued to explore innovative ways of raising additional revenues in order to meet the financing gap arising from the ever increasing demand for road infrastructure across the country.

Looking ahead, the Agency shall, with the support of stakeholders execute its mandate, diligently with particular emphasis on enhancing systems and controls which will go a long way in ensuring financial viability of the institution, systematic road infrastructure development and ultimately the national economy driven by a Sustainable Road Fund.

Wallece Mumba
Director/Chief Executive Officer

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. Jones Chomba

Mr. Zindaba Soko
Ex-officio

Eng. Elias Mwape
Ex-officio

Eng. Wallece Mumba
Secretary

MANAGEMENT STAFF

Eng. Wallece Mumba
Director/Chief Executive Officer

Mr. Vincent Nyambe
Director Fund Management

Mr. Crispin Chilikwela
Director Corporate Services

Mr. Daniel Mtonga
Director Road Tolling

Mr. Richard Shikoki
Director Internal Audit

Dr. Yohane Tembo
Director Monitoring & Evaluation

NRFA Received Golden Key Award from MISA - Zambia as the most open and transparent public institution

1 INTRODUCTION

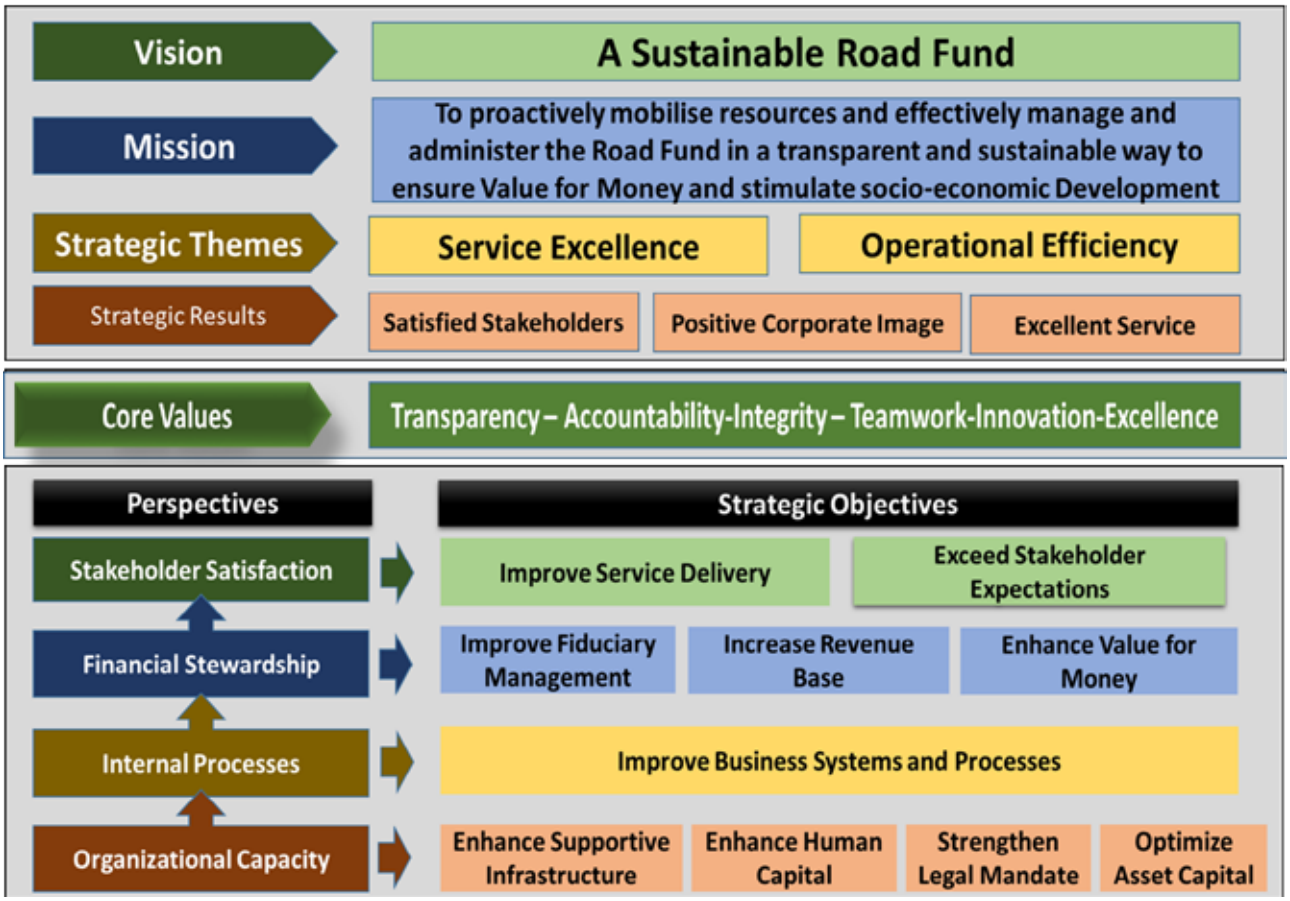
This Annual Report covers the period from 1st January to 31st December 2018 and highlights the major activities undertaken by the NRFA during this period.

The functions of the Agency as prescribed in the National Road Fund Act 13 of 2002 are anchored on the three thematic areas of Resource Mobilisation, Fiduciary Management of Resources and Value for Money. Key in its resource mobilisation function is the Agency's role as the lead Tolls Agent in the implementation of Phase II of the National Road Tolling Programme (NRTP).

The NRFA's modus operandi is informed by the Strategic Plan as a building block for a Sustainable Road Fund. The Agency developed the 2017-2021 Strategic Plan as a blue print on which all activities are based.

2 STRATEGIC PLAN 2017 - 2021

During 2018, the NRFA executed its mandate in line with its Strategic Plan 2017 – 2021 which provides a clear road map through business plans from individual Departments and Units. The key Agency activities fell under the ten strategic objectives enshrined in the Strategic Plan 2017 – 2021 whose themes included Operational Efficiency and Service Excellence as shown in the Balanced Score Card below:



NRFA Board Chairperson Ms Christabel Michel - Banda presents a token of appreciation to President Edgar Lungu after the commissioning of the Michael Chilufya Sata Toll Gate between Ndola and Kitwe

3 FUND MANAGEMENT

3.1 ROLES AND MANDATE

The Fund Management Department is responsible for administering the Road Fund. This involves tracking funds collected from Road User charges, and ensuring that all such funds collected are remitted into the Road Fund. The Department further controls the usage of funds by ensuring that the funds are disbursed for intended road works and road transport, traffic and safety management activities.

The Road Fund comprises two main sources of revenue namely Local and External Resources. The Local Resources consist of Road User Charges (Tolling Revenue, Fuel Levy, Road Taxes, Driver License fees, weighbridge fees and fines), GRZ budget allocations and local loans obtained from local financial houses. The External Resources include Loans and Grants signed by the Ministry of Finance with Bi lateral and Multi-lateral Partners.

Highlighted below are the Departments contribution in meeting the Agency's key strategic objectives which include increased revenue base, improved fiduciary management and improved service delivery.

3.2 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE NATIONAL ROAD FUND FINANCIAL POSITION AS AT 31ST DECEMBER 2018

The Road Sector received a total of **K7, 356 million** during the year 2018, where a total of **K4, 015 million** was from Local Funding and the balance of **K3, 341 million** from External Funding, as shown in **Table 1** below:

The National Road Fund receipts compared to budget from 2006 to 2018 was 90% on average as shown under the table below mainly due to GRZ's continued support to the Road Sector demonstrated by complete release of RUCs into the Road Fund and increased GRZ project allocations.

Table 1: Total Road Fund Budget, Receipts and Disbursements- Thirteen year period from 2006 to 2018

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million
Budget	835.00	787.00	1,053.38	1,356.85	1,294.48	3,043.99	4,272.70	3,298.93	4,943.20	5,462.17	6,629.94	8,623.69	8,660.31	50,261.63
Receipts	579.06	436.97	713.24	892.41	1,150.16	3,050.96	2,216.78	3,779.39	4,973.06	9,262.52	5,412.78	5,225.90	7,355.49	45,048.72
Disbursements	399.55	450.16	537.07	1,118.02	1,183.38	2,216.98	2,705.29	4,166.98	4,956.78	9,098.31	5,366.11	5,225.90	7,355.35	44,779.87
Mobilisation Capacity %- Receipts/Budget	69%	56%	68%	66%	89%	100%	52%	115%	101%	170%	82%	61%	85%	90%
Absorption capacity %- Disbursements/ Budget	48%	57%	51%	82%	91%	73%	63%	126%	100%	167%	81%	61%	85%	89%

3.3 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF THE LOCAL RESOURCES

There was a slight increase in the mobilization capacity and absorption capacity under the Local Resources shown as 117% and 16% respectively, on average, over the period from 2006 to 2018. This increase was mainly due to the increased receipts, in particular the GRZ project allocations and NAPSA facility which was fully disbursed during the year. Further, absorption capacity has been positively influenced by the number of projects that are currently under implementation as per the 2018 RSAWP.

Table 2: Local Road Fund Budget, Receipts and Disbursements- Thirteen year period from 2006 to 2018

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million
Budget	477.00	477.00	537.88	715.45	852.84	1,520.70	2,237.91	2,476.76	2,900.50	3,226.34	3,413.84	2,682.49	3,466.71	24,985.41
Receipts	493.06	366.97	449.04	786.63	1,091.00	2,194.37	1,422.30	3,517.72	3,165.99	4,338.00	1,999.99	3,909.90	3,792.13	27,527.10
Disbursements	312.55	375.16	430.67	901.73	1,121.00	1,486.91	1,930.51	3,735.40	3,138.50	4,338.72	2,028.68	3,909.90	3,341.23	27,050.96
Mobilisation Capacity %- Receipts/Budget	103%	77%	83%	110%	128%	144%	64%	142%	109%	134%	59%	198%	109%	110%
Absorption capacity%- Disbursements/ Budget	66%	79%	80%	126%	131%	98%	86%	151%	108%	134%	59%	191%	96%	108%

3.4 MOBILISATION, MANAGEMENT AND ADMINISTRATION OF EXTERNAL RESOURCES

The external resources in general continued to show a downward trend in receipts mainly due to delayed project implementation on projects financed by BADEA whilst other projects financed by EIB, Exim Bank of USA and Contractor Facilitated Financing WERE still waiting financial closure. During the year under review, projects financed by EXIM bank of China and China Development Bank continued to show steady implementation progress with no delays experienced in release of funds.

Table 3: External Road Fund Budget, Receipts and Disbursements - Thirteen year period from 2006 to 2018

Source	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million
Budget	358.00	310.00	515.50	641.40	441.64	1,523.29	2,034.79	822.17	2,042.70	2,235.83	3,216.10	5,941.20	5,193.60	25,276.22
Receipts	86.00	70.00	264.20	105.78	59.16	856.59	794.48	261.67	1,807.07	4,924.52	3,412.79	1,316.00	3,341.00	17,299.25
Disbursements	87.00	75.00	106.40	216.29	62.38	730.07	774.78	431.58	1,818.28	4,759.59	3,337.43	1,316.00	3,341.23	17,056.02
Mobilisation Capacity %- Receipts/Budget	24%	23%	51%	16%	13%	56%	39%	32%	88%	220%	106%	22%	64%	68%
Absorption capacity%- Disbursements/ Budget	24%	24%	21%	34%	14%	48%	38%	52%	89%	213%	104%	22%	64%	67%

In table 4 below, the detailed 2018 External Road Fund budget, receipts and expenditure are shown:

No.	Cooperating Partner Name	Credit/ Grant	Type of Payment	Budget	Receipts	Expenditure	Variance Receipts vs Budget	
				K'Million	K'Million	K'Million	K'million	%
1	African Development Bank (AfDB)	Credit/Grant		476.50	317.20	317.20	(159.30)	-33%
3	The Arab Bank for Economic Development in Africa (BADEA)	Credit	Direct payments	110.00	23.54	23.54	(86.46)	-79%
4	Development Bank of Southern Africa	Credit	Dedicated Bank Account	20.00	-	-	(20.00)	-100%
6	European Investment Bank/European Union (EIB/EU)	Credit	Direct payments/ Dedicated Bank Account	190.00	-	-	(190.00)	-100%
7	EXIM Bank of China/ China Development Bank Corporation	Credit	Direct payments	1,897.00	2,783.78	2,783.78	886.78	47%
8	EXIM Bank of USA	TBA	TBA	68.00	-	-	(68.00)	-100%
9	Germany Development Bank-KfW	Grant	Dedicated Bank Account	27.00	-	1.17	(27.00)	-100%
10	Japanese International Cooperation Agency (JICA)	Credit	Direct payments	6.00	12.12	12.12	6.12	102%
11	Kuwait Funds	Credit	Direct payments	65.00	25.86	25.86	(39.14)	-60%
12	Nordic Development Fund (NDF)	Credit	Direct payments	10.00	-	-	(10.00)	-100%
13	OPEC Fund for International Development (OFID)	Credit	Direct payments	90.00	23.54	23.54	(66.46)	-74%
14	Saudi Arabia	Credit	Direct payments	50.00	26.29	26.29	(23.72)	-47%
15	World Bank-IDA	Credit	Direct payments/ Dedicated Bank Account	420.10	127.73	127.73	(292.37)	-70%
16	Sub Total			3,429.60	3,340.05	3,341.23	(89.55)	-3%
17	Contractor Facilitated	TBA	TBA	1,419.00	-	-	(1,419.00)	-100%
18	PPP			345.00	-	-	(345.00)	-100%
19	Subtotal			5,193.60	3,340.05	3,341.23	(1,853.55)	-36%

3.5 ROAD SECTOR 2018 ANNUAL WORK PLAN IMPLEMENTATION

The 2018 Road Sector budget was K 8,660 million and a total of K7, 133 million was received during the year, comprising K3, 792 million from Local Resources and K3, 341 million from External Resources. The recorded variance of K1,526.96 million was mostly attributed to the delayed procurement processes with respect to Externally funded projects resulting in non- receipt of funds.

Table 5 below highlights the revenue receipts against the budgeted amount for the year 2018 in comparison to 2017.

Table 5: Road Sector Receipts versus Budget

NATIONAL ROAD FUND AGENCY									
2018 ROAD SECTOR BUDGET VERSUS 2018 RECEIPTS AT 31 DECEMBER 2018									
No.	Fund Sources	**2018 Budget**	**2018 Receipts**	**2017 Budget**	**2017 Receipts**	2018	2017	2018 vs. 2017 Receipts	
						Budget vs. Receipts		Receipts	
		ZMW Million	**ZMW Million**	**ZMW Million**	**ZMW Million**	ZMW Million	ZMW Million	ZMW Million	%
1	Fuel Levy & GRZ Project Funds	**2,543.71**	**3,117.64**	**2,682.80**	**2,486.90**	573.93	(195.90)	630.74	25%
2	NAPSA	**923.00**	**674.49**	**400.00**	**1,423.00**	(248.51)	1,023.00	(748.51)	-53%
3	Total Local Funding	**3,466.71**	**3,792.13**	**3,082.80**	**3,909.90**	325.42	827.10	(117.77)	-3%
4	External Funding	**3,429.60**	**557.45**	**2,518.30**	**1,316.00**	(2,872.15)	(1,202.30)	(758.55)	-58%
5	Public Private Partnerships (PPP)	**345.00**	**-**	**-**	**-**	(345.00)	-	-	
6	Contractor Facilitated Financing	**1,419.00**	**2,783.78**	**3,022.90**	**-**	1,364.78	(3,022.90)	2,783.78	-
7	Total External Funding	**5,193.60**	**3,341.23**	**5,541.20**	**1,316.00**	(1,852.37)	(4,225.20)	2,025.23	0%
8	Grand Total	**8,660.31**	**7,133.35**	**8,624.00**	**5,225.90**	(1,526.96)	(3,398.10)	1,907.45	37%

3.6 ROAD USER CHARGES COLLECTIONS

During the period under review, Road User Charges collections particularly from inland Tolling increased from K1,909.52 million in 2017 to K2,107.21 million in 2018) due to the opening up of Two Toll stations namely; Michael Chilufya Sata and Humphrey Mulemba.

Table 6: Road Sector Receipts versus Budget

No.	Funding Source	2018 ZMW Million	2017 ZMW Million	Change ZMW Million	% Change
1	Fuel Levy	709.80	770.15	-60.35	-8%
2	Inland Tolling NRFA	342.46	240.80	101.66	42%
3	Port of Entry Tolling	572.86	433.11	139.75	32%
4	Road Tax and Licenses	461.35	450.70	10.65	2%
5	Weighbridge Fees and Fines	20.74	14.76	5.98	41%
6	**TOTAL**	**2,107.21**	**1,909.52**	**197.69**	**10%**

In 2018, the Agency received revenue from different sources which included fuel levy, Tolls from inland and ports of entry, road tax and license fees from RTSA as well as weighbridge fines and fees. The 8% fall in fuel levy was due to decrease in fuel demand beause of price increases during 2018. In addition to the collections under the stated sources of K2,107million, receipts of K1,000 million were received as part of the GRZ project funding towards the 2018 RSAWP. Figure 1 provides a detailed analysis of RUC's collections in comparison to Fund releases from the Treasury while figure 2 presents a pictorial view of the percentages of contributions per source.

Table 7: Local Funding Collections versus Receipts

No.	Period	Road User Charges Collections						RUCs Treasury Receipts	Variance Over/ (Under) Funding
		Fuel Levy ZRA	Inland Tolling NRFA	Port of Entry Tolling RTSA	Road Tax and Licenses RTSA	Weighbridge Fees and Fines NRFA	Total Collections		
		K'million	K'million	K'million	K'million	K'million	K'million	K'million	K'million
1	Qtr. 1	163.44	65.45	120.33	125.82	4.52	479.56	476.33	-3.24
2	Qtr. 2	168.96	77.54	125.24	98.46	5.13	475.33	736.46	261.13
3	Qtr. 3	189.91	89.76	158.70	97.98	5.96	542.31	1,316.47	774.15
4	Qtr. 4	187.48	109.71	168.58	139.10	5.13	610.00	588.47	-21.53
TOTALS		**709.80**	**342.46**	**572.86**	**461.35**	**20.74**	**2107.21**	**3,117.72**	**1,010.51**

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Figure 1: Shows a graphical representation of Local Funding Collections versus Receipts

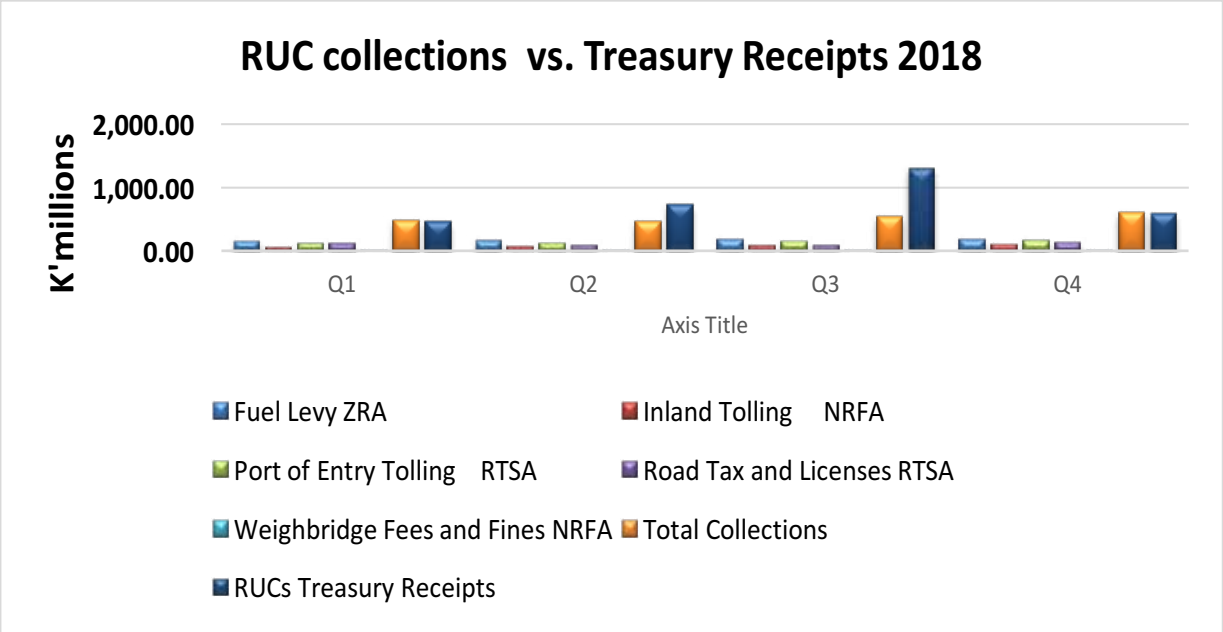
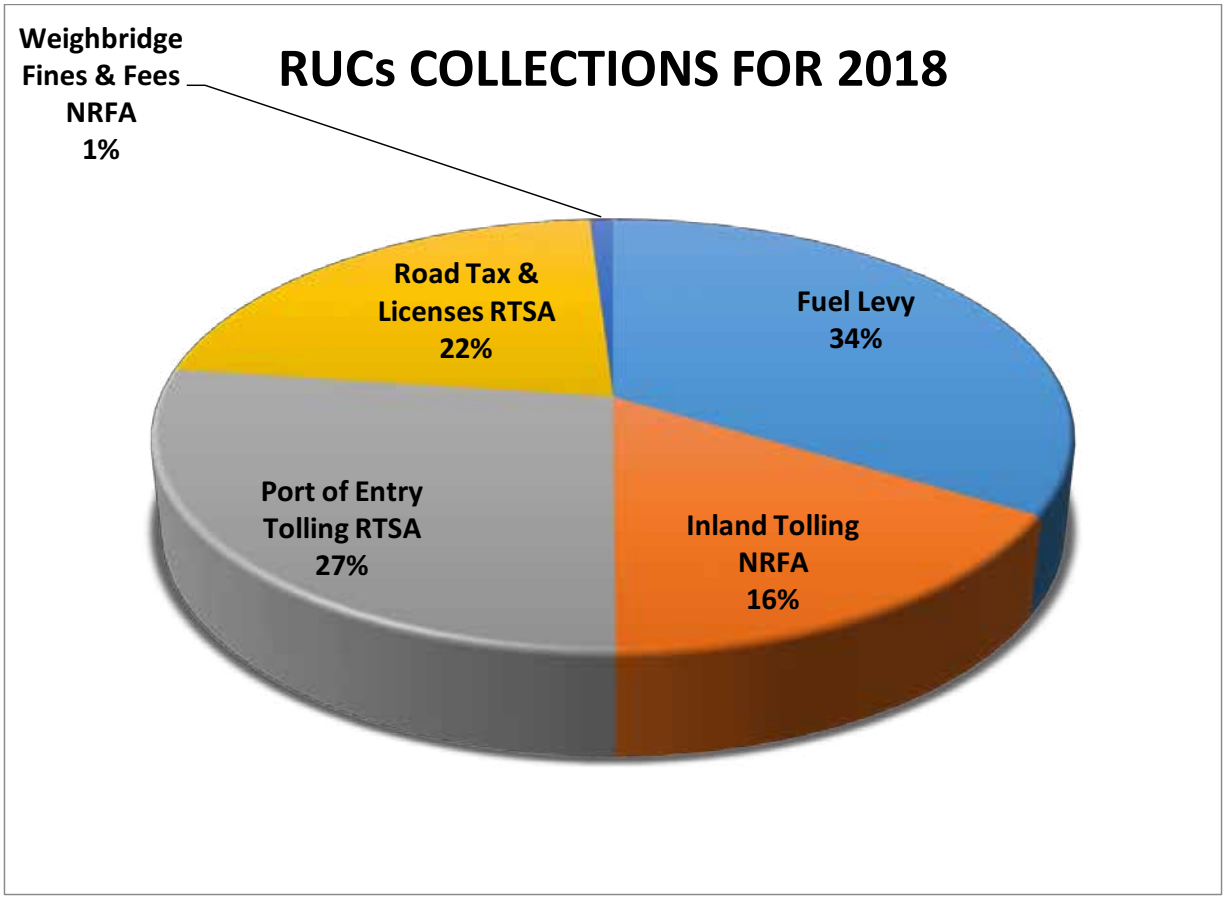


Figure 2 below shows the total composition of RUCs collected in 2018.



3.7 NOTBALE ACHIEVEMENTS

The following were some of the notable achievements attained by the department during the period under review.

3.7.1 Consolidation and submission of the 2019 Road Sector Annual Work Plan and Budget

The 2019 Road Sector Annual Work Plan and Budget amounting to K6.45 billion was successfully consolidated and submitted to the Ministry of finance for inclusion in the 2019 National Budget.

3.7.2 Preparation of unqualified 2018 Financial Statements

The NRFA successfully prepared unqualified audited quarterly and annual financial statements for both external and local financing and funding for the year ended 31 December 2018.

3.7.3 Preparation of Management Accounts

All management accounts for the quarter ended 31 March, 30 June, 30 September and 31 December were successfully prepared and presented to the Board.

3.7.3 Co-ordination of Auditor Generals Audit

The Department successfully coordinated the Auditors Generals audit on the Agency Operations from 2013 to 2017 and tolling operations for the year 2018, with majority of audit issues raised resolved.

3.7.4 Recognition of Toll Revenue Prepayments

The department successfully commenced the recognition of prepayments from toll receipts and launched the system that enables the department to view utilization of prepayments in real time.

3.7.5 Continued Enhancement of the Financial Management System

The department has continued to use the upgraded Sunsystem accounting package which also includes an automated payment platform, Sunflow. Several enhancements to the FMS were effected during the period under review such as (i) increase in number of payment runs per financier (ii) emailing of remittance advices to payees (iii) development of fixed assets register and (iv) automation of bank reconciliation statements.

3.7.6 Automation and linking of payment system to commercial banks

The payment system Sunflow was successfully linked to the commercial banks payment platforms.

3.7.7 Increased Tolls Collection

The Road Sector was able to collect a total of K915 million which surpassed the 2018 Toll Collection Target of K845 million.

3.7.8 Develop the Resource Mobilization Strategy for non-traditional sources

A request for additional funding was made to NAPSA during the period under review and negotiations have reached an advanced stage.

3.7.9 Achievement of Project Effectiveness under the Improved Rural Connectivity Project (IRCP) under the World Bank.

The ICRP under the World Bank achieved project effectiveness during the period under review with the World Bank disbursing an initial advance of US$10.72 million during the period under review.

3.8 CHALLENGES

Notwithstanding the successes scored by the Department during the period, a number of challenges were faced as follows:

3.8.1 Lack of Integrated Systems between FMS and Contract Management System and Registry

The FMS system is a standalone system and is still in the process of being linked to critical Information systems within the Agency such as Contract Management System and Document Management System.

3.8.2 Delayed Payments

Delayed payments despite sufficient funding from the Ministry of Finance due to increasing debt arrears from prior years.

2018 saw increased Toll revenue collections due to openning up of new Toll Stations

The above Toll Station was under construction between Kitwe and Chingola

4 ROAD TOLLING DEPARTMENT

4.1 Roles and Mandate

The Road Tolling Department (RTD) is responsible for the planning, coordination, and implementation of the NRTP. This entails the formulation of technical policies and implementation of strategies relating to the NRTP in order to achieve efficient and effective Road Tolling Operations which contributes to the overall objective of a sustainable Road Fund. RTD coordinates and collaborates with other road sector agencies such as the Road Development Agency (RDA) and the Road Transport and Safety Agency (RTSA) and regularly conducts reviews on the tolling legal framework and Toll Management Systems to ensure that the Zambian tolling operations remain in touch with best industry Standard Practice.

4.2 THE NATIONAL ROAD TOLLING PROGRAMME

4.2.1 Introduction and Background

NRTP has since introduction in 2013 continued to significantly contribute to the development of the road infrastructure in the country. Resources generated from collection of road tolls are being utilised to supplement the required funding for the construction, rehabilitation and maintenance of the Road Network across the country in accordance with the provisions of the Tolls Act No. 14 of 2011.

4.2.2 Toll Revenue Collections from 2014-2018

The programme has progressively continued to register growth in toll revenue collections since commencement in 2013 with an average annual revenue growth of 29% over a five-year period (2014 to 2018). Furthermore, total toll revenues collections for the five-year period ending 31st December 2018 peaked at **K2.7 billion** representing an annual average contribution of 18% to the local resources component of the Road Sector infrastructure financing requirements. Contribution of tolls to locally mobilised road sector resources have on an annual basis been growing from 10% in 2014.

Table 8: Five Year Road Sector Annual Work Plans Vs Road Toll Revenue Contribution

No.	Budget Line	2014 K'000	2015 K'000	2016 K'000	2017 K'000	2018 K'000	Total K'000
1	Local AWP	2,900.50	3,226.34	3,413.84	2,682.80	3,466.70	15,690.18
2	Foreign AWP	2,042.70	2,235.83	3,216.10	5,941.20	5,193.60	18,629.43
3	Total	4,943.20	5,462.17	6,629.94	8,624.00	8,660.30	34,319.61
Toll Revenue Collections		296.83	428.17	464.78	667.95	908.59	2,766.32
10 % Contribution to Local Resources			13%	14%	25%	26%	18%

As at the end of 2018, the number of operational toll stations stood at 16 in-land toll stations (12 conventional and 04 Weighbridges) and 09 ports of entry.

This progress is as a result of the continued dedicated investment in the implementation of the National Road Tolling Programme, covering both the development of Road Toll Infrastructure, Systems and Human Resource capacity building. The NRTP can contribute to bridging the financing gap in the implementation of the road maintenance programmes in general.

4.3 ROAD TOLLING OPERATIONS AND REVENUE COLLECTIONS

4.3.1 Revenue Collections

For the financial year ending 2018, a total of **K908.589 million** was collected from both inland and port of entry toll stations against the planned budget of **ZMW 845.610 Million.**

Toll revenue collections for the period 1st January to 31st December 2018 are as indicated in table 14 below;

Table: 9 : Jan - Dec2018 Toll Collections: Projected Vs. Actuals

Description	2018 Budget	Projected Collections Jan-Dec 2018	Actuals Collections Jan-Dec 2018	Variance	Collection efficiency performance
	K'000	K'000	K'000	K'000	%
In land Tolling	358,785	358,785	344,578	(14,207)	96%
Port of Entry	486,825	486,825	564,394	77,569	116%
Total	845,610	845,610	908,972	63,362	107%

The total collections from both inland and port of entry exceeded the 2018 projected revenue target by 7% whilst also comparatively, toll revenues for 2018 increased by 36% over the same period in 2017.

4.3.2 Electronic Toll Collection System

The Electronic Toll Collection System (E-TC) was officially launched in 2018. The launch of the ETC payment platform is aimed at facilitating convenience of payment and mitigate risks associated with cash handling as well as ensure efficiency and cost effectiveness in cash management processes in the entire tolling value chain.

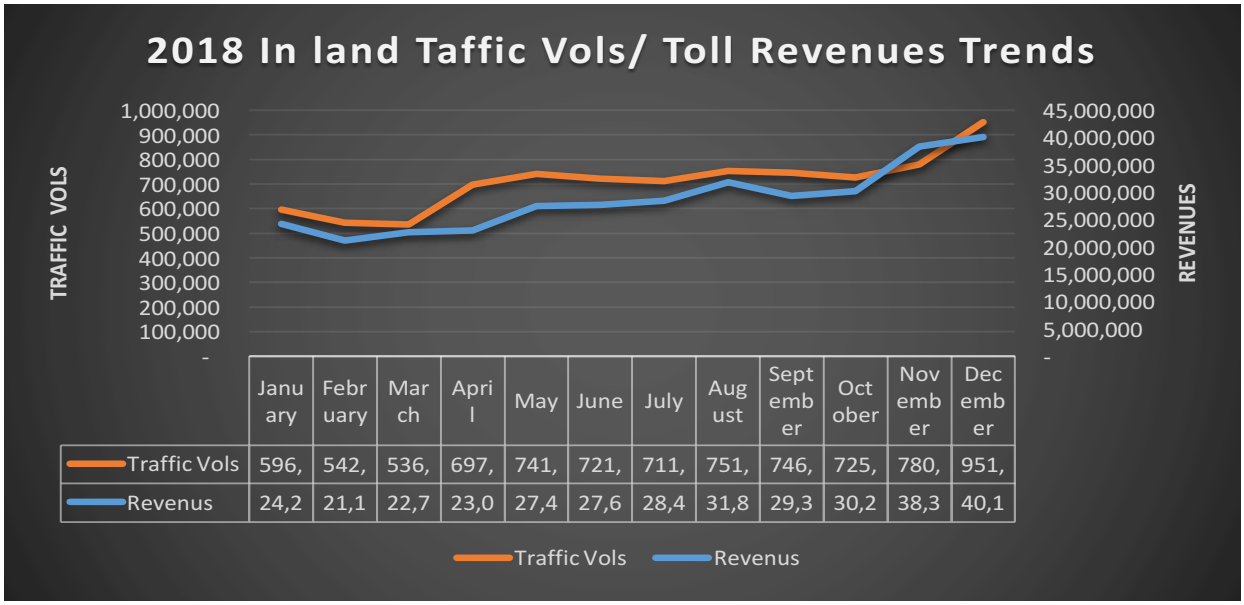
As at the end of 2018, ETC platform had over 28 corporate clients with over 2,500 cards in circulation. The ETC platform had since been initially deployed at eight (08) of the sixteen (16) Toll stations across the country. Namely; Shimabala, Katuba, Chongwe, Mumbwa, Manyumbi, Kafulafuta, Michael Chilufya Sata, and Humphrey Mulemba Toll Station.

4.3.3 Traffic Information

A total of 8,502,797 transactions/ traffic volume was processed at the 16 in land toll stations in 2018.

As at the end of December, the number of transactions/ traffic volume under Frequent User discounts (FUD) was 1,083,064, representing an average of 13% of the total traffic volume whilst Local User Discount (LUD) transactions/traffic volume stood at 264,135 which was 3% of the total processed traffic. Figure 3. below shows the 2018 trend of traffic Vs revenues.

Figure 3. Traffic Vs Revenues trend January to December 2018



	January	February	March	April	May	June	July	August	September	October	November	December
Traffic Vols	596,	542,	536,	697,	741,	721,	711,	751,	746,	725,	780,	951,
Revenus	24,2	21,1	22,7	23,0	27,4	27,6	28,4	31,8	29,3	30,2	38,3	40,1

4.4 ROAD TOLLING INFRASTRUCTURE DEVELOPMENT

During 2018, an additional three (03) toll stations were commissioned, namely; Kakonde, Michael C Sata and Humphrey Mulemba Toll Stations.

Class A Next Generation Toll Station; Traffic volumes of more than 3000 vehicles per day. This comes with all the features of a modern plaza which includes a canopy, control building, surveillance system and an Advance Toll Management System (ATMS);

Class B Booth and boom Toll Station; Traffic volumes of between 800 and 2999 vehicles per day. This comes with scaled down features consisting of a canopy, control building surveillance system and a toll collection system and;

Class C Simplified Toll Station; Traffic volumes of between 250 and 799 vehicles per day. This is a basic toll station with a control building positioned off the carriage way with a toll collection system.

As at the end of 2018, 18 Toll Stations were at various stages of constructions as shown in Table10 below.

Table 10: Toll Plazas under construction

S/N	Category	Name	Status
1	Class A	Manyumbi	Under Construction
2		Kafulafuta	Under Construction
3		Choma	Under Construction
4		Garneton	Under Construction
5		Muchinshi	Under Construction
6	Class B	Kapiri	Under Construction
7		Kamiza	Under Construction
8		Chiwoko	Under Construction
9		Chilonga	Under Construction
10		Livingstone	Under Construction
11		Kalulushi	Under Construction
12	Class C	Ntoposhi	Under Construction
13		Musaila	Under Construction
14		Luansobe	Under Construction
15		Tapo	Completed
16		Lui	Completed
17		Mweeke	Completed
18		Bahati	Construction to Commence

NRFA Board Members Inspecting Road Projects

5 MONITORING AND EVALUATION (M&E)

5.1 Roles and Responsibilities

The M&E Department has the following core functions; Programming, Monitoring, Evaluation, Technical Audits, Stakeholder Communication, preparation of technical financing proposals, sector reports and provides Technical Assistance and capacity building to road sector Agencies. The department also vets all contracts and Road projects proposals from all implementing Agencies for clearance before signing contracts. These functions are aimed at ascertaining and promoting Value for Money on the various road sector programmes, projects and related activities. M&E is the technical linkage between NRFA and the implementing Agencies in the Road sector.

5.2 Activities Undertaken in 2018

5.2.1 Road Sector Funding Analysis

The 2018 RSAWP was prepared in joint consultation with the relevant stakeholders in the transport sector and these included NRFA, RDA, MLG, MTC, RTSA, NCC, DoW, MHID and MoF. The 2018 RSAWP had a total value of K8,660 million comprising 40% external financing (Loans and Grants), 40% from local resources in the form of direct GRZ funding from the Treasury and the Road Fund,16% Contractor Facilitated Initiative (CFI) and 4% Public Private Partnership (PPP). Figure 4 below shows the funding sources summary for the 2018 RSAWP

Figure 4: Funding Sources of RSAWP

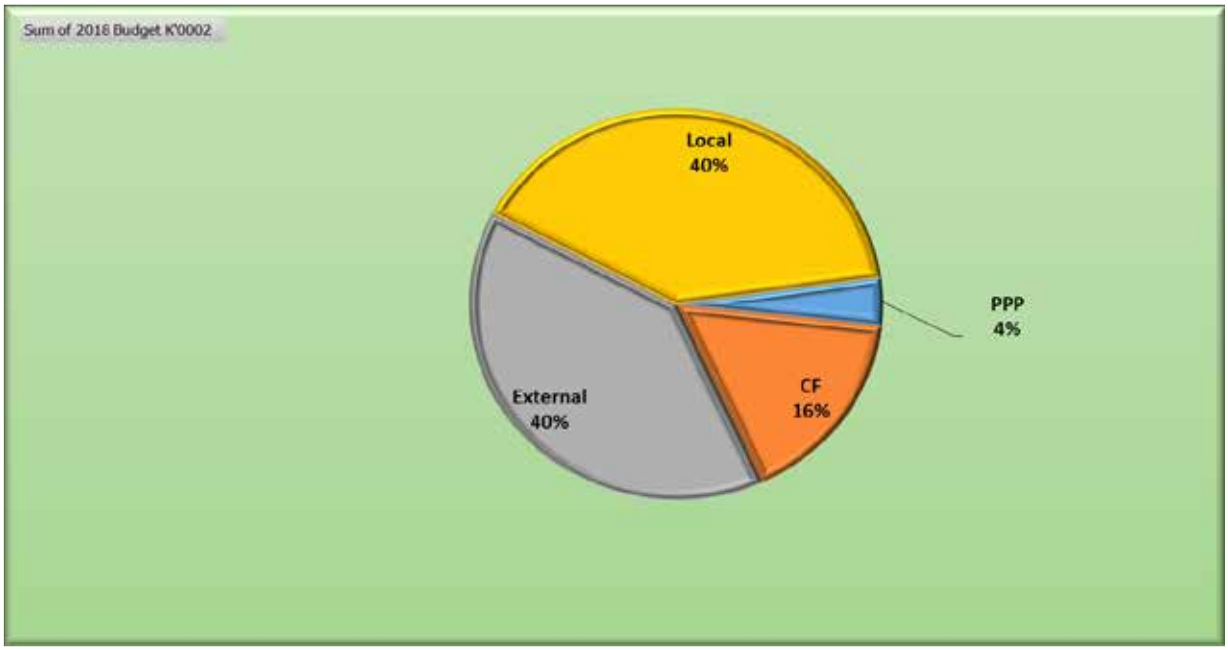
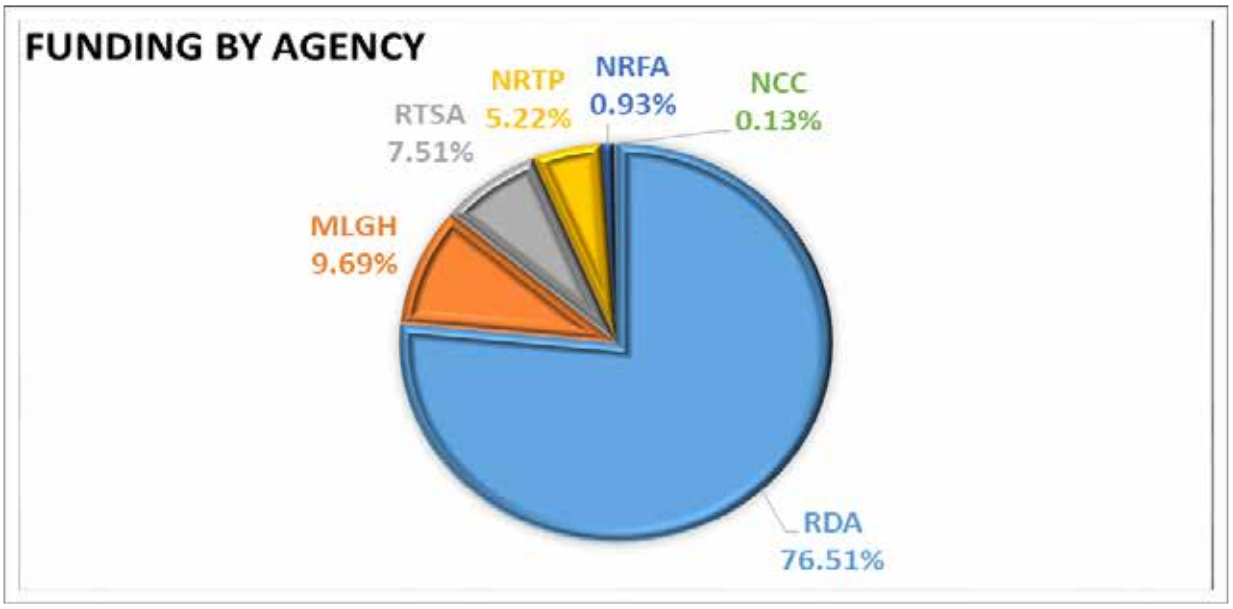


Figure Figure 5 below shows a summary of Funding by Sector Agencies. The largest share of the resources of approximately (76.51%) was allocated to RDA which is responsible for a significant portion of the Core Road Network (CRN) which mainly comprises the Trunk, Main and District Roads. The lower order 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 share of 10% of the resource allocation in the 2017 RSAWP.

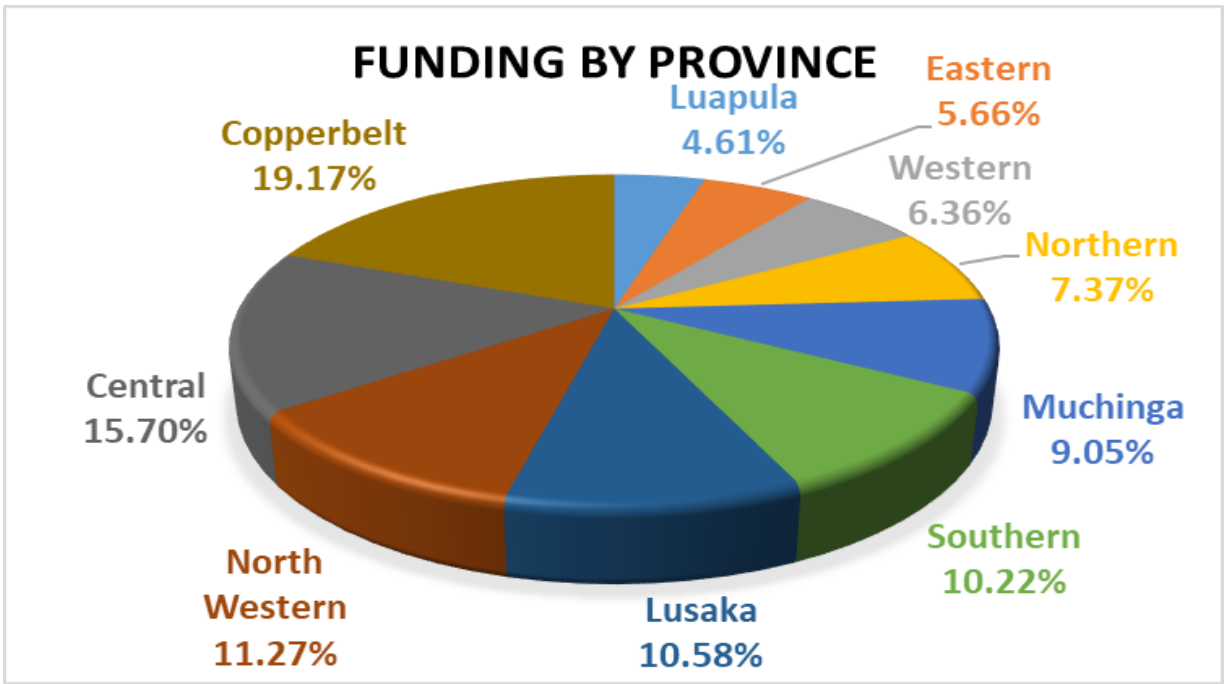
Figure 5 Funding by Agency



5.2.2 Funding Allocation Analysis by Province

Figure 5 below shows a summary of the funding by Province. The largest share of the resources under the 2018 other AWP activities went to Copperbelt Province at 19.17% and the lower share went to Luapula Province at 4.61%.

Figure 6: Funding Allocation by Province



5.2.3 Funding Analysis by Intervention

Table 11 below shows the distribution of the 2018 RSAWP with a total budgetary allocation of **K8,660 million** breaking down into various interventions. Capital Expenditure and Upgrading projects which are capital projects had the largest allocation of 42.3% of the resource envelope followed by the rehabilitation programmes at 26.17%. The maintenance allocation dropped down from 8.03% in 2017 to 6.05% in 2018.

Table 11 AWP Budget by Intervention

Intervention	Amount K'Billion	Percentage
Road ReserveEnforcen	1,000.00	0.01%
ESCO	2,000.00	0.02%
Publicity	2,000.00	0.02%
Legal	19,000.00	0.22%
Compensation	32,000.00	0.37%
Capital Expenditure	88,500.00	1.02%
RDA Project Operation	134,695.93	1.56%
Axle Load Control	199,000.00	2.30%
Studies &Designs	203,900.00	2.35%
RTSA	300,000.00	3.46%
DebtService	380,000.00	4.39%
TollProgramme	441,444.00	5.10%
Bridges	491,200.00	5.67%
Maintenance	524,300.00	6.05%
Rehabilitation	2,266,474.75	26.17%
Upgrading	3,574,800.00	41.28%
Total	**8,660,314.68**	**100**

5.2.4 2018 RSAWP Focus Areas

The 2018 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, Zambia Township Roads, Kazungula Bridge Project, Lusaka to Ndola dual carriageway and NAPSA funded corridor Ndola to Solwezi were among the key priority projects.

5.3 MONITORING

During the period under review the department monitored and evaluated **127** on going road contracts in the sector to assess and review the progress, cost, quality and quantity of various work items on the contracts.

5.3.1 Review of Project reports and Documents

The desktop audits involved review of documentation submitted to NRFA by implementing Agencies for payment which mainly includes the Interim Payment Certificates (IPCs) and Force Accounts. Contract data was entered in Contract Management System (CMS), required documentation and approval was checked on claims received from Implementing Agencies (IAs) before passing for payment. Any anomalies noted are communicated to the originating IAs for correction so that claims meet the required standard for payment.

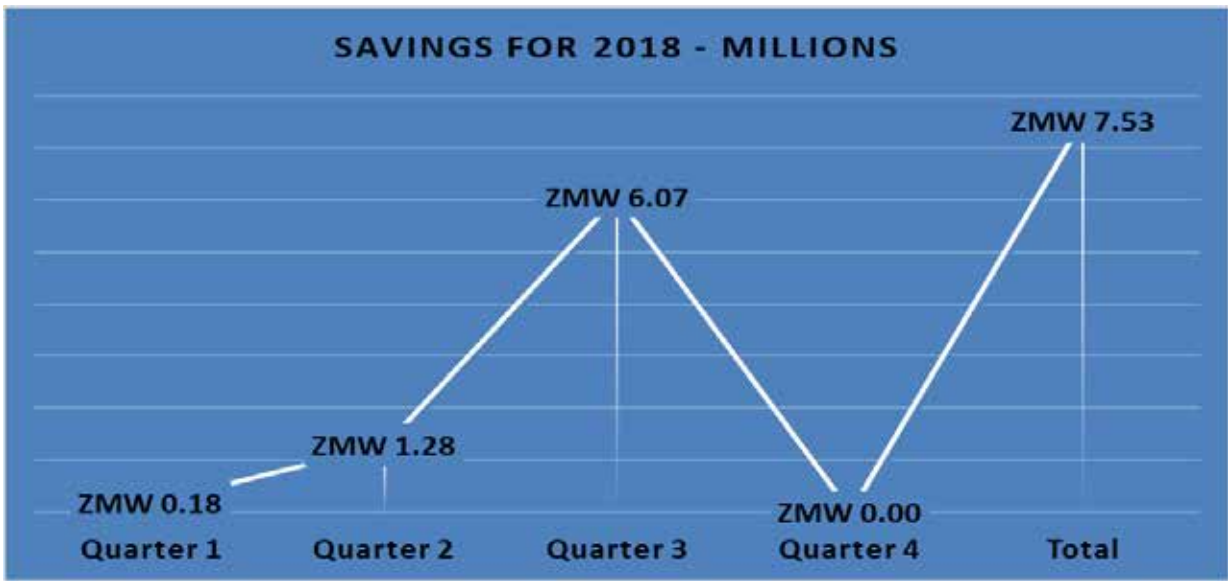
5.3.2 IPC Reviews and Processing

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 withheld due to observations made during inspections and failure to provide required documentation as indicated in the Bills of Quantity resulting into savings.

A total number of **4,922** Interim Payment Certificates (IPCs) were processed in 2018 out of which **1,824** were for major contracts while **3,098** IPCs were for Routine Maintenance Contracts. There were more IPCs submitted in 2018 compared to 2017 (**3,307 IPCs**) due to the new signed contracts.

In 2018, the Agency recorded a total of **K7.53million** as savings as presented in Figure 31 below compared to **K8.84** million for 2017 as a result of computational errors, over certification, double submission of the same IPCs and unsubstantiated certification. The drop in the savings during the year is an indication that the implementing agencies are improving their certification process based on the continuous engagement with the department.

Figure 7: Summary Savings for 2018



It should be noted that from 2011 to 2018, NRFA had recorded cumulative savings of approximately **K 84.43 million** through the IPC Certification process as tabulated in Table 12 below:

Table 12: Summary Savings from 2011-2018

SAVINGS - 2011 -2018			
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	567,734.09	8,843,644.30
2018	7,529,936.53	-	7,529,936.53
TOTAL	**78,578,310.34**	**5,849,339.52**	**84,427,649.87**

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

5.3.3 Field Inspections

During field inspections the department mainly conduct visual observations, measurements and in some cases tests are conducted. In cases where detailed investigations are required on specific projects, the department conducts such through out-sourcing technical audits by an independent consultants. 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.

During the period under review, a total of One Hundred and Twenty-Seven (127) projects were inspected across the country compared to Ninety-Five (95) projects inspected in 2017.

The field inspections reviewed some deficiencies bordering on design, contract management and issues which were communicated to the implementing Agencies for their action and remedy.

The department took the board of directors for field inspections to selected road projects in Luapula, Muchinga, Northern, Southern, Copperbelt and Western provinces for them to appreciate the projects progress and challenges on the ground for informed policy guidance for the Agency. Below are photos for the board filed inspections;

Board members having a project brief at Km 0+000 of Mansa – Luwingu project

Board Chairperson and Vice seeking further clarity on project

5.3.4 Field Inspections Photo gallery

Paved section of the Chingola-Solwezi Lot 1- Copperbelt Province

Remedial works on Safwa-Chinsali road- Muchinga Province

Class C - Simplified Kakonde Toll Station on Mbala-Nakonde road - Northern Province

Class B Toll Station near Mutunda – North-Western Province

Joint Inspection of the NAPSA Funded Ndola-to- Solwezi road project

Class C - Simplified Kakonde Toll Station on Mbala-Nakonde road - Northern Province

Class B Toll Station near Mutunda – North-Western Province

Silted River Bed on a Bridge on the Kalomo Dundumwezi-Kalabo road

Silted River Bed on a Bridge on the Kalomo Dundumwezi-Kalabo road

Culvert construction on on a sloppy terraing in Mongu -Western Province

Drainage works on Sinda urban roads Eastern Province

Core drilling on Kawambwa-Mushota –Luapula Province

Core retrieved on Kawambwa-Mushota – Luapula Province

5.4 EVALUATION

5.4.1 Technical Audit

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

5.4.2 In House Technical Audits

The department conducted a joint in-house technical audit with RDA on the construction of 73km Pedicle road project in Copperbelt/Luapula province. The audit reviewed a number of issues concerning the quality, workmanships, supervision and the entire contract management. The department made recommendations and actions to the implementing Agency for the then affected sections. This lead to the road sector saving about K5.9 million which was deducted from IPC No. 25 due to the above stated reasons.

Photos bellows shows the field work for the Pedicle road audit

Repaired section on section under defect liability period.

Measuring rutting depth.

Drilling of asphalt core to determine thickness and further tests on the failed section

Trial pit to determine thickness of crushed stone base and base.

5.4.3 Outsourced Technical Audit

An external consultant Scott Wilson Zambia was engaged to conduct a Technical Audit for 2017/2018. The main objective of the assignment was to verify whether the public funds had 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. The Technical Audit was a Lump Sum contract payable on deliverables and took eight (8) months to complete.

The consultant submitted the Draft Final Report in September, 2018. The report was distributed to stakeholders for comments and feedback was given to the consultant and stakeholder's dissemination workshop was held on the Technical Audit findings followed by the Final Report which was submitted in December 2018 and circulated to all key stakeholders.

The findings of the technical audit by the consultants were submitted to implementing agencies for actions and NRFA through M&E department will follow up in 2019 to see that actions are taken for the sustenance of our roads.

Below are some photographs taken during technical audit field inspections;.

Technical Aidit on Ndola urban roads - Copperbelt Province

Core retrieved on Mongu-Tapo road – Western Province

Technical Audit checking strength of column for the bridge using Schmidt Hammer on Chingola-Solwezi road Lot 3

Concrete strength testing on railway crossing using Schmidt Hammer on Kitwe dual carriageway – Copperbelt Province

5.4.4 HIV/AIDS Activities Assessment

Cross cutting issues such as HIV/AIDS activities are mainstreamed in road contracts to cater for Environmental impacts in the project areas. The Agency takes these issues seriously and monitors the HIV/AIDS activities in all major contracts from a funding perspective.

For the period under review, the road sector conducted HIV/AIDS activities monitoring on holding the maintenance of Kafue-Mazabuka road project being undertaken by Inyatsi Roads (Z) Limited. The contractor invited Centre for Infectious Diseases Research in Zambia (CIDRZ) to talk to the workers and educate them on HIV/AIDS awareness monthly. Activities included; Counselling and testing, prevention of Sexually Transmitted infections (STIs) and distribution of condoms. In addition, the sector removed K 342,802.23 as savings on IPCs for the projects that did not have the HIV/AIDS reports attachments to show that the component was undertaken as per guidelines by the road sector.

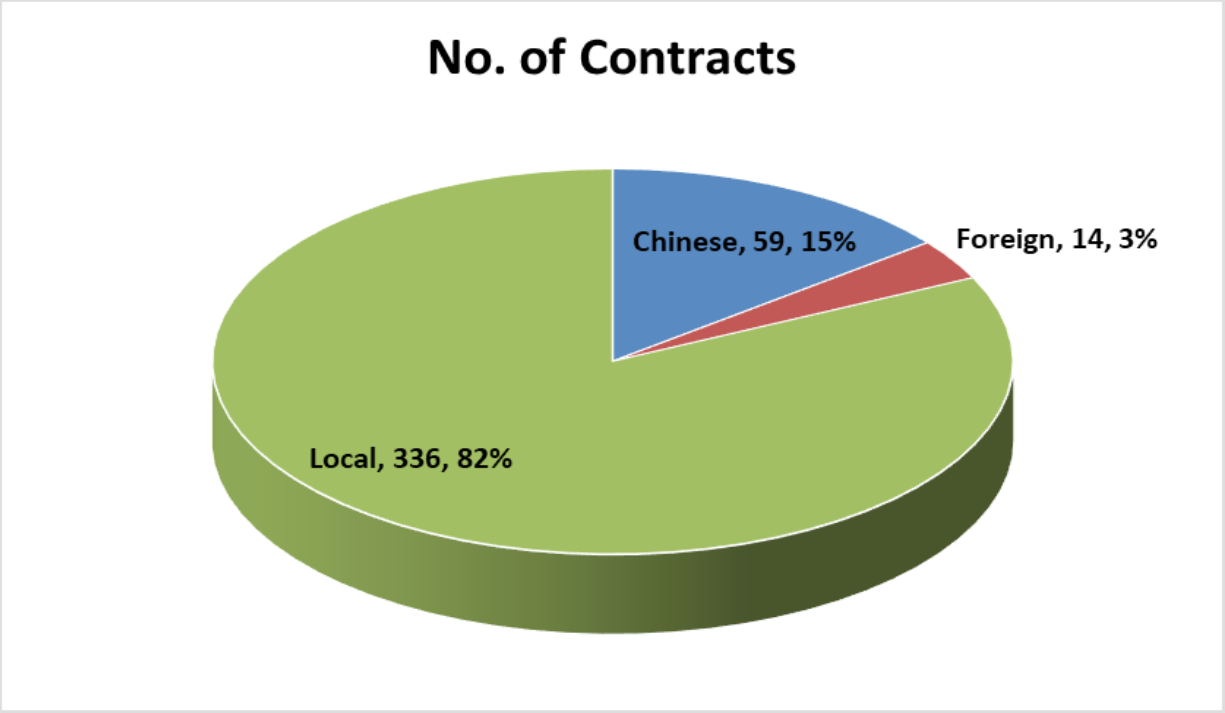
5.5 Desktop Evaluation

5.5.1 Analysis of Contract Allocation-Local and Foreign

The Department undertook an analysis of the distribution of contracts between the local and foreign contractors during the year under review. The objective of the analysis was to give an indication of how the local construction industry is being supported under the Road Sector. The analysis showed the number of contracts, the value of contracts and the various interventions undertaken by each category.

The analysis reviewed that out of the total of 409 active contracts, 336 contracts were being executed by local contractors while 59 contracts by Chinese contractors and 14 contracts by other foreign contractors representing 82% for local contractors, 15% for Chinese and 3% for other foreign contractors respectively as shown in Figure 8 below.

Figure 8: Number of Local Vs Foreign Contracts



However, in terms of the value of contracts, **K15,322** million was allocated towards the **320** contracts executed by Local Contractors, **K22,861** billion went to Chinese contractors with **59** contracts and **K7,083** million towards **4** contracts by foreign contractors representing 34% for locals, **50%** for Chinese and **16%** for foreign contractors as presented in Figure 9 below.

Figure 9: Values of Local Vs Foreign Contractors Analysis

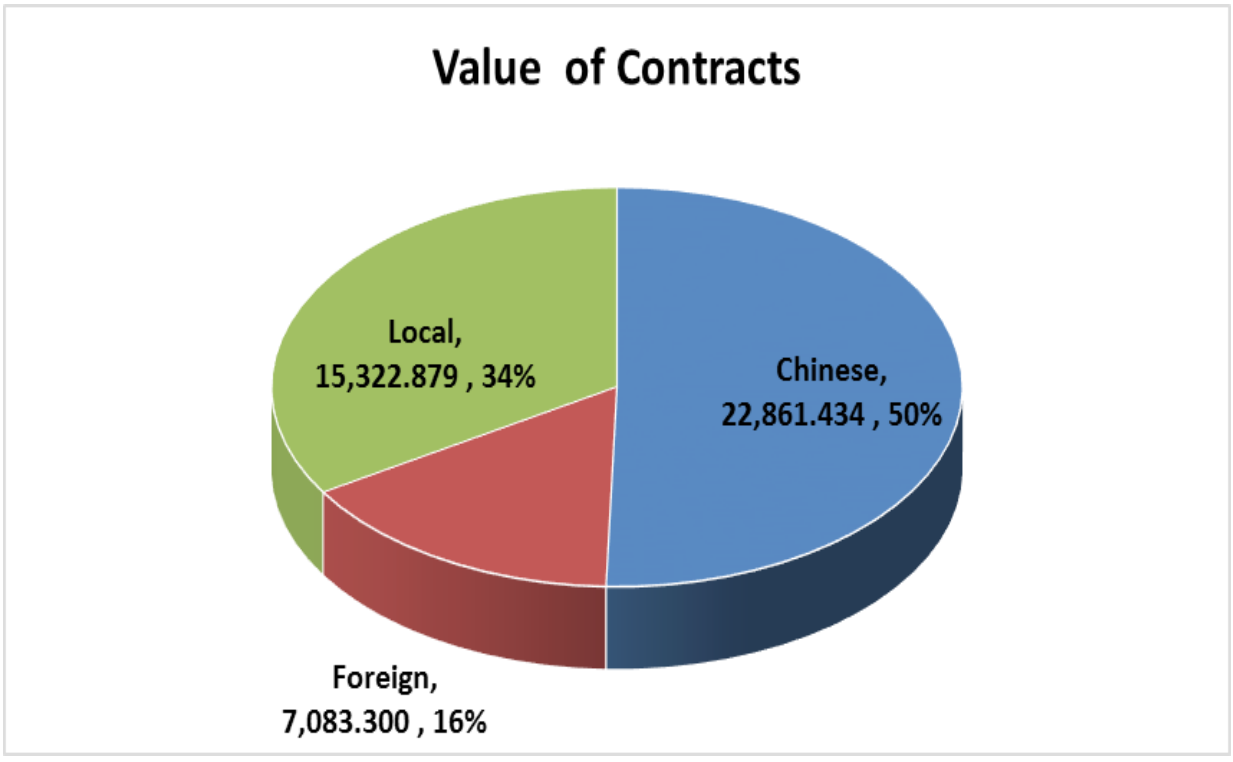


Figure 10: Value of Variation Orders

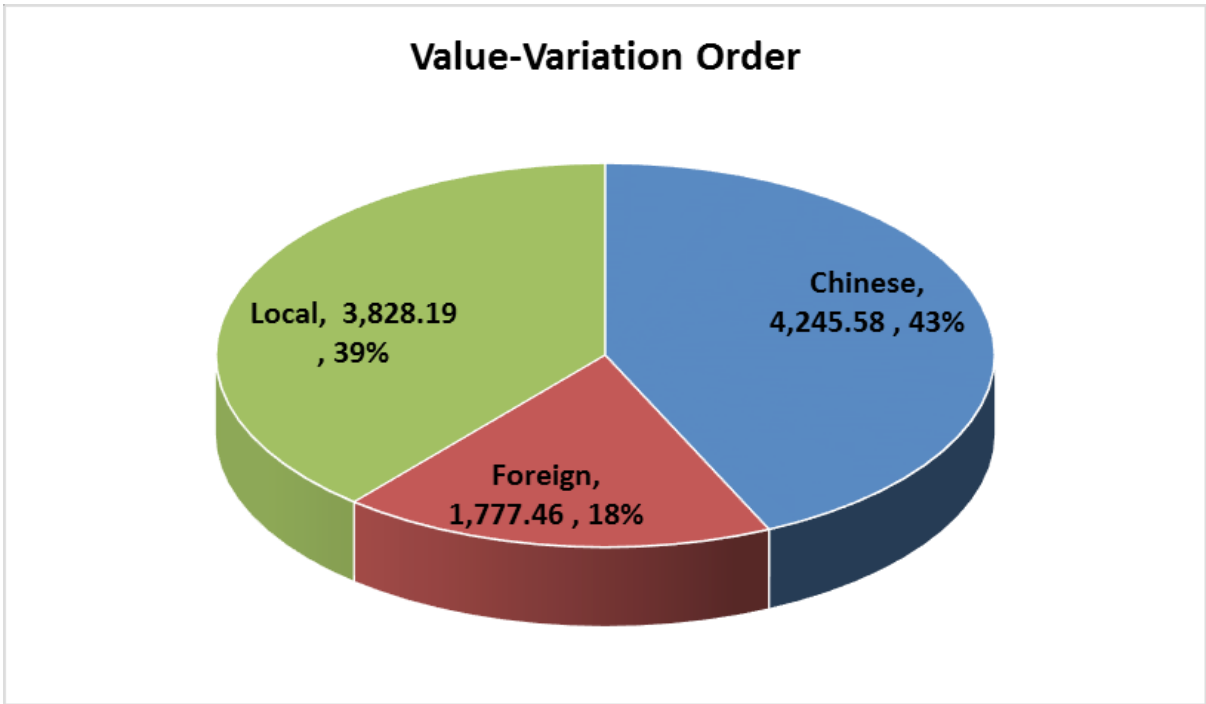


Table 13: Summary of Road Projects

2018 ROAD SECTOR CONTRACT SUMMARY TABLE							
No.	**Descsription**	**No. of Projects**	**Contract Length (Km)**	**Achieved Length (Km)**	**Contract Value (K'M)**	**Certified Amount (K'M)**	**Balance on Contract (K'M)**
1	Link Zambia 8000 Projects - RDA	46	5,225.39	754.83	59,593.33	8,133.70	51,459.63
2	Toll Plazas	4	-	-	186.47	115.45	71.02
3	C400	1	406.00	-	4,925.11	738.77	4,186.34
4	Pave Zambia 2000	5	21.95	0.60	76.21	29.04	47.17
5	Routine Maintenance-RDA	247	8,119.20	-	471.27	112.58	358.69
6	Kazungula Bridge Construction	1	-	-	1,943.54	899.13	1,044.41
	Bridges and Crossings	7	-	-	791.95	248.26	543.69
	Weighbridges	3	-	-	120.51	39.40	81.11
7	Construction Works Contracts under RDA	2	73.00	43.00	581.10	87.49	493.61
8	Periodic Maintenance Projects under RDA	14	1,454.40	489.51	3,034.14	1,772.01	1,262.13
9	Rehabilitation Projects (Paved) under RDA	12	417.78	282.78	4,235.98	2,415.52	1,820.46
10	Upgrading Projects under RDA	7	777.50	343.00	2,448.73	1,571.08	877.65
11	Consultancy Services - RDA	43	-	-	690.43	424.17	266.26
RDA	Sub-Total 1	392	16,495.22	1,913.72	79,098.77	16,586.60	62,512.17
No.	Descsription	No. of Projects	Contract Length (Km)	Achieved Length (Km)	Contract Value (K'M)	Certified Amount (K'M)	Balance on Contract (K'M)
12	Routine Maintenance - MLGH	16	861.80	-	134.18	26.41	107.77
13	Feeder Roads (Unpaved) - Spot I mprovement /Periodic Maintenance/Rehabilitatio n - MLGH	35	1,238.60	-	1,061.20	404.09	657.11
14	URBAN ROADS PROGRAMME - (Paved) - Periodic Maintenance/Rehabilitatio n/ Upgrading/New Construction - MLGH	49	858.82	321.56	6,226.51	2,897.83	3,328.68
15	Consultancy-MLGH	14	-	-	206.71	184.41	22.30
MLGH	Sub-Total 2	114	2,959.22	321.56	7,628.59	3,512.73	4,115.86
GRAND	TOTAL	506	19,454.44	2,235.28	86,727.36	20,099.33	66,628.03

5.5.2 Maintenance Vs Capital Projects

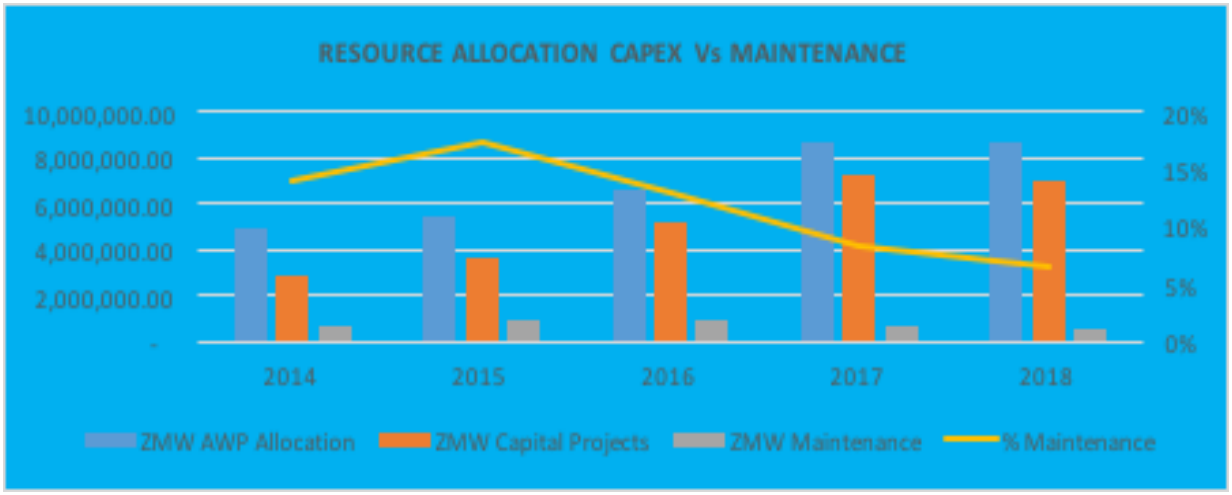
The maintenance Vs Capital projects budget allocation analysis showed that for the past five (05) years there has been steady drop in the budget allocation for Maintenance compared to Capital projects works. The sector needs to review the current planning system which is so biased towards Capital projects as shown in figure 11 below. From the analysis made the sector should dedicate at least to 30% of the Road User Charges towards road maintenance especially with the introduction of the Tolling programme.

Capital Projects: Rehabilitation/Upgrading/New Construction works

Table 14 Maintenance: Routine & Periodic maintenance works

Year	ZMW AWP Allocation	ZMW CAPEX	ZMW Maintenance	% Maintenance
2018	8,660,314.68	6,937,118.58	558,400.00	6%
2017	8,623,995.10	7,229,808.89	716,000.00	8%
2016	6,629,938.78	5,247,423.78	862,750.00	13%
2015	5,435,825.39	3,661,464.39	941,823.00	17%
2014	4,943,195.03	2,856,131.87	695,281.56	14%

Figure 11: Maintenance Vs Capital Projects allocation trend



5.5.3 EFFECTIVENESS OF 20% SUBCONTRACTING STUDY

The Department facilitated the research on the effectiveness of the 20% Road Sub-sector Policy on road contracts since its introduction in 2012. The study was conducted by National Council for Construction (NCC) in joint collaboration with the Copperbelt University and financed by NRFA. The research targeted 54 road contracts with contracts amounts above K30million in eight (08) provinces.

The study had brought to light a number of issues regarding the effectiveness of the 20% sub-contracting policy:

1. The growth of sub-contractors from 2012 to now has been very limited. Only 33% of the sub-contractors from the sample moved at least a grade higher.
2. Sub-contractors failure with compliance to quality, technical specifications, time management, cost management and project communication.
3. Subcontractors have capacity challenges in technical staff, plant and machinery, roadworks experience as well as challenges in estimating and pricing skills.
4. Subcontractors have poor access to funding.
5. 60% of projects under survey complied with the subcontracting policy while 40% did not.
6. 53.7% of the compliance contracts were just issued with smaller drainage works.

7. Collusion by sub-contractors
8. No Legislation backing for the policy.

The study made the following recommendations

1. There is need to have a law in place that will guide the implementation of the 20% subcontracting policy to ensure compliance by contractors.
2. Growth of contractors especially those engaged in the 20% subcontracting policy statement needs to be monitored and encouraged.
3. It must be mandatory for key personnel of contractors/subcontractors (such as directors and managers) engaging in engineering and/or construction to have relevant minimum academic qualifications such as engineering and construction to ensure quality interaction with relevant authorities in technical, managerial and corporate affairs matters.
4. There is a great need to set up a bank, fund or financing scheme for infrastructure projects.

All in all, there is a general need for stakeholders in the road sector to ensure that local contractors are empowered and their capacity enhanced as it will contribute to the development of the Country as a whole.

INTERNAL AUDIT

Live Feed on Toll Operations leaves an Audit Trail

6 INTERNAL AUDIT

6.1 Roles and Mandate

The Internal Audit department derives its mandate from the Board approved Internal Audit Charter. The charter establishes the departments' position within NRFA; authorizes access to records, personnel and all other assets relevant to perform audit engagements; and defines the scope of work.

Further, Section 17 of the Public Finance

Management Act of 2018 states the objectives

of Internal Auditors as including ascertaining that risk management and internal control systems are in place and continually being improved and optimized.

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. This is also in tandem with the Agency's 2017 – 2021 Strategic Plan which envisions 'A Sustainable Road Fund'.

6.2 The Internal Audit Process

The internal audit process begins with the risk based annual audit plan, which is revised annually and approved by 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 the Board and/or 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.

6.3 Activities Undertaken During the Year

6.3.1 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 Management Act No. 1 of 2018 and the Public Procurement Act No. 12 of 2008.

The enactment of the Public Finance management Act introduced some new provisions which were incorporated into our audit programmes to ensure compliance.

All the scheduled audits were completed and Internal Audit Reports were issued and approved by the Board.

In addition a quarterly Action Taken Report of External and Internal Audit observations and recommendations were prepared. This report kept track of the resolution of audit queries.

6.3.2 Force Account Works (Applications and Retirements)

Eworks is made in the AWP which are meant to cater for, among others, works of an emergency nature and Simplified Toll Stations. These funds were disbursed by NRFA (on an imprest basis) after applications for specific works were received from the RDA and Ministry of Local Government (MLG).

As part of its fiduciary duty, NRFA obtained financial and technical Progress Reports for all such works which the Audit Department reviewed to ensure accountability and

Value for Money. During the year, imprest payments of K100.2m were made while retirements of K55.9m with the balance representing ongoing works. These retirements were subjected to the NRFA internal audit process for clearance.

6.3.3 Procurement Audit

A procurement audit was carried out to ensure that NRFA was in full compliance with the Public Procurement Act No. 12 of 2008 and all circulars issued by the Zambia Public Procurement Authority (ZPPA). This audit also covered some of the major contracts like the ETC payment software and Contract Management System (CMS).

6.3.4 Pre Audit Review of Payments

To ensure that the Agency only paid for budgeted activities and that all payments had appropriate supporting documentation, pre-audits were conducted on all payments. The ultimate aim was to curtail any possible loss before actual payment.

6.3.5 Audit of Tolling Operations

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 tolling operations such as the Tolls Act No. 14 of 2011 and the Tolls Regulations No. 85 of 2016. Twenty four audits were done and these covered operational procedures, internal controls, review of systems and substantive tests on revenue collections.

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

6.3.6 Special Audits

The department undertook one special tolling operations audits during the year as requested by Management. Major areas covered included; inconsistencies in toll charges, fraud and corruption.

6.3.7 Audit Software

The department acquired an audit and risk management software which has resulted in more efficient audits in line with Strategic Objective of “improving business systems and processes”.

6.3.8 Audit of Sun VI Accounting Software

During the year, the Department conducted an audit of the Sun VI Accounting system with some deficiencies identified. An action plan was formulated to address the identified deficiencies with the process ongoing as at year end 2018.

6.3.9 Review of Risk Management system

As part of the continuous improvement system, the Risk Management process underwent a detailed review. This resulted in the formulation of a comprehensive implementation plan for a remodeled system to incorporate the changed dynamics in the road sector

PUBLIC RELATIONS

NRFA participated at the Lusaka Agricultural and Commercial Show

7 PUBLIC RELATIONS

7.1 Roles and Mandate

The Public Relations Unit is the interface between the Agency and the various stakeholders. The Unit develops and implements the communication strategy, to enhance the Agency's corporate image.

7.2 Key Activities Undertaken in 2018 Public

7.2.1 Copperbelt Mining, Industrial and Agricultural Trade Expo

For the first time, the Agency participated at the Copperbelt Mining, Industrial and Agricultural Trade Expo under the theme repositioning for Environmentally Sustainable Economic Growth', and scooped second best award in Road Infrastructure Development.

During the period under review, Public Relations activities were anchored on the Agency's Strategic Plan 2017-2021.

Some of the key activities undertaken by the Public Relations Unit included the following:

7.2.2 Zambia International Trade Fair

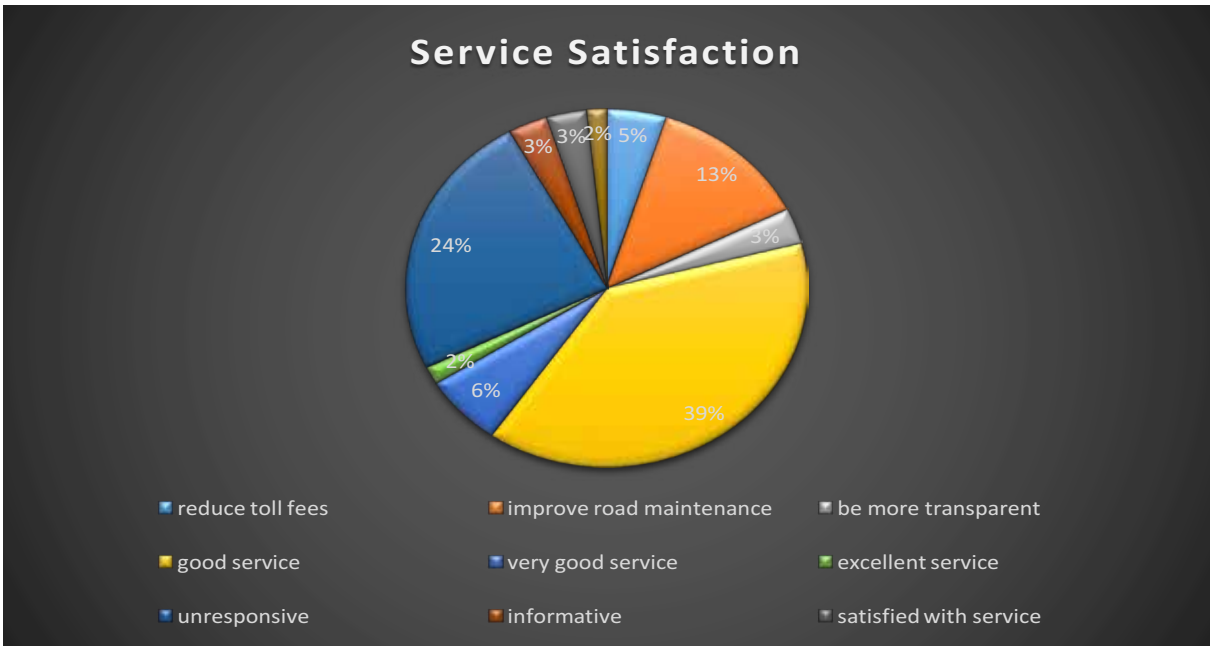
The Agency participated at the 54th Zambia International Trade Fair, held from 27th June to 3rd July 2018 under the theme, Private Sector - Key to Industrialisation. During this period the Agency had 49 stand visitors who signed and left comments in the visitor's book, which information was used in determining public' satisfaction in the Agency's service delivery among other things.

Feedback analysis indicated 36 percent of stand visitors at the Zambia International Trade Fair showed that service delivery was very good with respect to prompt response to queries and service provision at Toll Stations, 12 percent of the visitors found

the stand impressive, while only 2% indicated their dissatisfaction with the Agency's service delivery.

7.2.3 Lusaka Agricultural and Commercial Show

The Agency showcased its activities at the Lusaka Agricultural and Commercial Show which was held from the 1st - 6th of August 2018 under the theme, Sustainable Economic Empowerment. As the Pie Chart below shows, 36% of those that visited the stand were impressed with the Agency's service delivery, 13% suggested that priority be given to the maintenance of tolled roads, while 3 percent urged the Agency to be more transparent.



NRFA Director/CEO (right) briefs President Lungu on the Agencies Activities

7.2.4 Provincial Expos

The Agency participated in the first ever 2018 Central Province Investment Forum and Expo, held under the theme, Accelerating Investment for Inclusive and Sustainable Development from the 8th October to the 13th of October 2018. Visitors to the Agency's exhibition booth provided invaluable feedback which was used to determine the public's satisfaction in the Agency's service delivery among other things.

Further, the Agency joined the rest of the corporate world in participating at the commemoration of the end of the First World War and the first ever Northern Province Expo and Investment Forum held in Kasama from the 20th to the 25th of November, 2018.

The Forum was being held under the theme: Unlocking Investment Potential of Northern Province 100 years after the end of the First World War. Republican President, His Excellency Mr. Edgar Chagwa Lungu was among the many visitors who appreciated the Agency's vital information display at its exhibition stand.

7.2.5 Sponsorship of News clock on ZNBC TV

During the period under review, the Agency's Road Tolling messages were featured every day before the 19:00 hours main news.

This enhanced our corporate profile and increased our visibility for positive corporate image.

7.2.6 Public Campaign ahead of Road Tolling Commencements

A robust public sensitisation programme was undertaken ahead of commencement of road tolling at the Michael Chilufya Sata Toll Station between Ndola and Kitwe, and the Humphrey Mulemba Toll Station between Solwezi and Mutanda Junction, respectively. This included Radio and TV commercials on Local and Frequent User Discounts, and mobile public announcements to sensitise road users on the road tolling programme.

7.2.7 'My Road' Television Programmes

The above was a 13 series studio based TV programme produced in conjunction with the RDA to highlight achievements and challenges in road financing, rehabilitation, construction and maintenance. The programme was aired on ZNBC TV every Thursday at 20:30 hours during the period under review for the information of all stakeholders.

7.2.8 Media Institute of Southern Africa Golden Key Award

The Agency scooped the 2018 Media Institute of Southern Africa (MISA) Zambia Golden Key Award as the most open and accessible Public Institution in Zambia among the eight Government Ministries and Public Institutions that were randomly sampled.

PROCUREMENT

A fun bus was procured for public awareness campaigns

8 PROCUREMENT

8.1 Roles and Mandate

The procurement Unit of the Agency' draws its mandate and guided by the provisions of the Public Procurement Act No. 12 of 2008, circulars issued by the Zambia Public Procurement Authority (ZPPA) and the Regulations of 2011. In addition, when prescribed, the Agency through the Procurement Unit also complies with procurement guidelines of Cooperating Partners such as the World Bank (WB) and the Africa Development Bank (AfDB).

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

- Support Operational Requirements
- Manage the Procurement Process and Supply Base efficiently and effectively
- Develop strong Relationships with other Functional Groups
- Develop integrated Purchasing Strategies that support organizational strategies, goals and objectives.

During the period under review, procurements that were undertaken contributed to the overall objectives of the Agency such as the opening of Toll Stations as a major program. The procurement Unit issued Purchase Orders totaling ZMW15 million. This covered goods and services. The key amongst this included the following;

8.1.2 Engagement of a Legal Consultant to undertake a Review of the National Road Fund Act No. 13 of 2002- the overall objective of the assignment was to address the challenges facsed due to conflicts in the provision of various Acts and therefore need to harmonize the conflicts so as to effectively manage the Road Sector Funds and also to recognize the added responsibilities of the NRFA.

8.1.3 Tender for the Consultancy services for Technical Audit for the Chinsali to Nakonde Road Project- this was a procurement for Technical Audit services for the rehabilitation of the Great North Road (T2), from Chinsali to Nakonde in order to ascertain Value for Money.

8.4.1.3 Consultancy Services for the Development, Testing, Commissioning and Maintenance of an Audit Risk Management Software- The Software was procured for Internal Audit Purposes to ensure effective and efficient Audit services in line with the Agency's strategic objective of Fiduciary Management of Public Resources.

8.1.4 Purchase of eToll Cards - the eToll cards are prepaid cards which are connected to an integrated electronic payment platform and are used by customers to pay toll fees.

8.1.5 Tender for the supply, delivery and installation of Toll Booth Equipment - the Procurement Unit management this process of tendering for the Toll Booth Equipment and was required to ensure smooth operations of the Toll Collection activity.

8.1.6 Tender for the supply, delivery and installation of solar street lights - this procurement activity was undertaken during the period under review to ensure effective lighting surrounding the Toll Stations for mostly night time operations.

8.1.7 Provision of Access Control Systems - The Procurement Unit managed the process of acquiring the Access Control Systems which is a vital operational system that provides restriction to key control sections at the head office of the Agency and also at the Toll Stations.

8.1.8 Supply and Delivery of Cross Arrow Indicators - the Procurement Unit management the procurement of the Cross Arrow Indicators, which are a vital instrument at Toll Stations, providing swift indications for motorists accessing the Toll Stations.

8.1.9 Provision of Power Backup Solutions - the Procurement Unit managed the procurement of Power Backup solutions required to prevent any power outages in line with ensuring effective service delivery.

8.1.10 Supply and Delivery of two Tractors - the Agency in collaboration with the Road Development Agency (RDA) as part of promoting the usage of simplified equipment for implementation of the feeder roads in the rural areas thereby allowing for local participation included the usage of tractors. The procurement Unit on behalf of the Agency through the ORPC Project that is a dedicated project that is embarking on the rehabilitation and maintenance of feeder roads procured tractors to be used by small scale contractors.

CORPORATE SERVICES DEPARTMENT

staff awards were held in 2018

9 CORPORATE SERVICES

9.1 Roles and Mandate

The Corporate Services Department exists to render comprehensive Human Resource and Administration functions in order to enhance service delivery and the welfare of all NRFA employees. Additional functions include; Information Communication Technology (ICT) and Legal Affairs. The department also coordinates Board Affairs, Integrity Committee and African Road Maintenance Funds Association (ARMFA) programs.

In executing its duties, the Department is guided by various policy documents and Legal Frameworks. In 2018 the department contributed towards the realization of the 2017 – 2021 Strategic Plan by undertaking the following activities during the period under review:-

9.1 HUMAN RESOURCES MANAGEMENT

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

9.1.1 Employee Compliment

During the period under review, the Agency approved a revised Organizational Structure with effect from 1st October, 2018. Following this, the approved staff establishment increased from Two Hundred and Sixty Three (263) in 2017 to Seven Hundred and Thirty Nine (739) in 2018 representing over Two Hundred percent (200%) growth on the Organisational Structure. The exponential growth in the approved organisational structure was as a result of the establishment of the National Road Tolling as a Department.

As at the end of 2018, the staff compliment stood at Three Hundred and Forty Four (344) giving a variance of 395 owing to the Toll stations yet to be opened.

Table 15 Staff Analysis based on Gender Distribution

S/N	Gender	Number	%
1	Male	215	62.5
2	Female	129	37.5
TOTAL		**344**	**100**

Honourable Margaret Mwanakatwe MP. Minister of Finance addressing a delegation from Lesotho Road Fund

Table 16: Staff Distribution by Department

STATION/DEPARTMENT	ACTUAL NUMBER OF EMPLOYEES			Approved Org. Structure	
	Female	Male	Total	No. Positions	Variance
Chief Executive	**5**	**3**	**7**	**9**	**2**
Corporate Services	**4**	**32**	**36**	**118**	**82**
Fund Management	**10**	**8**	**18**	**37**	**19**
Internal Audit	**0**	**3**	**3**	**7**	**4**
Monitoring And Evaluation	**2**	**5**	**8**	**11**	**3**
Tolling	**109**	**164**	**273**	**525**	**252**
Head Office	22	5	6	0	0
Shimabala	12	19	31	0	0
Mumbwa	4	9	13	0	0
Chongwe	7	14	21	0	0
Katuba	20	17	37	0	0
Manyumbi	6	15	21	0	0
Kapiri Mposhi	3	8	11	0	0
Kafulafuta	13	8	21	0	0
Chembe	3	2	5	0	0
Kalense	1	8	9	0	0
Kateshi	1	7	8	0	0
Kakonde	2	7	9	0	0
Mpika Weighbridge	0	6	6	0	0
Livingstone Weighbridge	3	4	7	0	0
Kazungula Weighbridge	0	6	6	0	0
Humprey Mulemba Toll Station	8	13	21	0	0
Micheal Chilufya Sata Toll Station	24	16	40	0	0
Actual total	**129**	**215**	**344**		
Percentage Ratio	**37.5**	**62.5%**	**100**	**739**	**395**

Figure 12: Staffing Levels as per Approved Staff Establishment

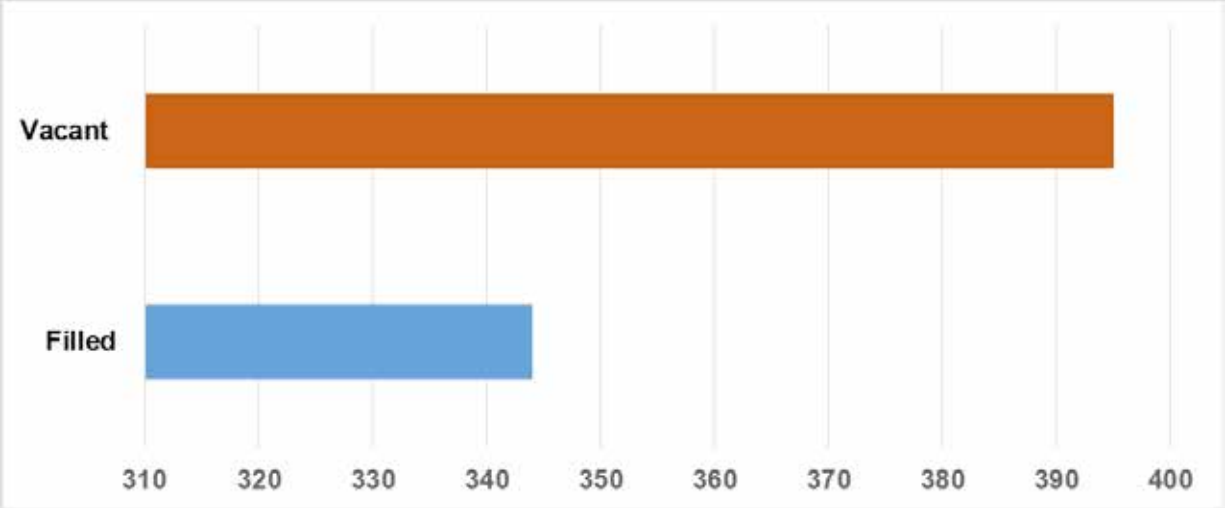
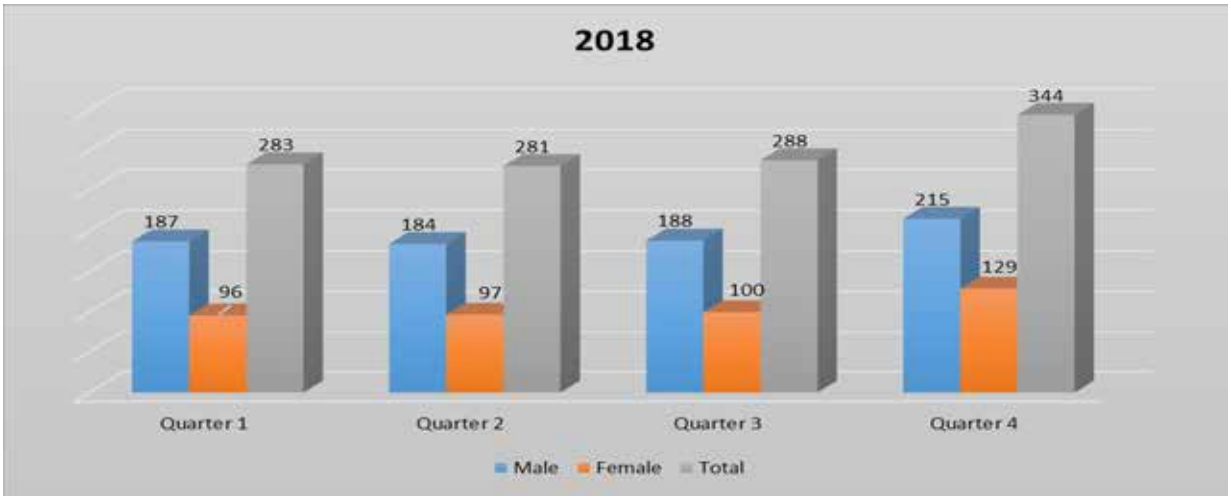


Figure 13: Staff Compliment: Male and Female



This showed a marginal increment of 4.7 % in the number of females compared to the year 2017 when the females were 32.8 %.

9.1.2 Implementation of the Sub-Policy on Recruitement

In line with the Sub-Policy on Recruitment and Selection and Procedures for Tolling Staff, the department continued to source prospective employees from within areas where Toll Stations are located.

9.1.3 Staff Turnover by Positions

During the period under review, a total of ten (10) disciplinary cases were handled.

Table 17: Staff Turnover by Positions

No.	Job title	Mode of Separation	No. of employees
1.	Senior Manager – Road Tolling	Resignation	1
2.	Assistant Accountant	Resignation	1
3.	Assistant Registry Clerk	Resignation	1
4.	Toll Collectors	Resignation	2
5.	Toll Collectors	Dismissal	5
		Total	**10**

There were ten (10) staff separations during the year 2018 as indicated on the table below:-The recorded separations represented an overall turnover of 2.9 % in the year 2018, and in 2017, there were 7 separations representing 2.8% staff turnover.

9.1.4 Disciplinary Cases

The Agency realizes that a disciplined staff is key in carrying out its mandate as it strives to fulfill its mission and positively contribute to the enhancement of good Corporate Governance principles and practices. Accordingly, all employees are expected to display the highest standards of discipline and abide by the espoused values of the Agency.

9.1.5 Employee Satisfaction Survey

The department developed and administered a questionnaire in order to conduct and assess employee levels of satisfaction with regards to various operational processes of the Agency. This was done in line with the 2017 - 2021 Strategic Plan and the results for the survey will be finalized by end of 2019.

9.1.6 Staff Training and Development

During the year 2018, the department facilitated for the continuous development programmes that included training, symposiums and AGMs for the employee's respective professional bodies.

Notable among the key trainings were;

I. Project Management for Donor Funded Projects
II. Audit Command Language (ACL) Charter Data Analytics training
III. Balanced Score Card
IV. Risk Management Training Programme
V. International Road Federation Programme: Road Safety by Design
VI. Fiduciary Clinic for African Development Bank (ADB) portfolio

VII. The International Bridge Tunnel and Turnpike Association (IBTTA) Global Tolling Summit

VIII. Senior Toll Collectors and Shift Supervisors were trained in Data Analysis in order to enhance their analytical skills of the Tolling Information System.

9.1.7 Launch of Kaizen Programme

In an effort to develop a positive work culture among employees and as per

2017 – 2021 Strategic Plan, the Kaizen Institute of Zambia was engaged to assist the Agency in developing and implementing a Work Culture Re-modelling Programme.

9.1.8 Policy review and formulation

During the year under review, the policies listed below were approved by the Board:-

i. Information and Communication Technology Policy and Procedures Manual
ii. Disaster Recovery Policy iii. Amended Code of Ethics
iv. Amended Awards and Commendation policy
v. Amended Terms and Conditions of Service
vi. Amended Assets Disposal Policy

In addition, the department continued to review the existing policies and procedures to ensure conformity to Laws and Regulations as well as keep the policies in line with industry standards.

9.1.9 Participation in National Events

The Agency participated in National Events as follows:

i. International Women's Day
ii. International Youth Day
iii. International Labour Day Celebrations
iv. International World AIDS Day
v. International Anti-Corruption Day

9.1.10 Workplace Social Support Activity

The NRFA values the wellbeing of its employees and seeks to promote a healthy life style. As part of Agency's Wellness program, various sporting activities were organized.

9.1.11 Awards and Commendation

Awards and Commendation were given to deserving employees under various categories.

9.1.12 Enforcement of Compliance levels on the payment of Toll fees

The Agency in collaboration with RTSA and ZP conducted inspections and enforcement on the compliance levels with respect to payment of Toll fees on Six Toll Stations in Ndola, Livingstone, Sesheke, Kazungula, Chipata (Mwami Border), and Chanida border. This exercise revealed some operational challenges which have since been resolved based on the recommendations made by the joint inspectorate team.

9.1.13 Review of the Road Fund Agency No. 13 of 2002

The department coordinated the Regional consultative meetings for the review of the National Road Fund Act No. 13 of 2002. All comments were consolidated and Legislative drafter was engaged to formulate a draft bill for review.

9.2 Information Communication Technology Unit (ICT)

9.2.1 Roles and Mandate

The ICT Unit is responsible for supporting business objectives of the Agency through the use of information and communication technology. ICT prescribes various appropriate technologies that make information and communication services available to a wide range of users.

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

- Formulate and implement ICT strategies that support the Agency's business objectives in an effective and efficient manner.
- Manage and support ICT tools used for collection, storage, processing, management, security and distribution of date.
- Protect the ICT infrastructure and corporate data against attacks from viruses, cybercriminals and other threats.
- Formulation and implementation of ICT policies to ensure correct use of ICT in the Agency
  - Provide various user support services for the productive usage of the ICT resources
- Provide and support the ICT network to ensure effective communication and collaboration with the end users.

The ICT Unit's main activities during the period under review were linked to the Agency's 2017-2021 Strategic Plan as it endeavored to its achieve strategic objectives of "Enhancing Business Systems and Processes and Enhancing Support to the Agency's ICT Infrastructure"

The following are some of the activities that the ICT Unit undertook during the period under review:

9.2.2 Establish the Partnership with the Zambia National Data Center - the ICT Unit acquired a number of services at the Zambia National Data Center with the view to improve its service delivery. This partnership resulted in the Agency's improved systems availability in line with the expansion programs such as the National Tolling Program.

9.2.3 Network Expansion - during the period under review, the ICT Unit was able to effectively expand the Agency's Wide Area Network (WAN) to accommodate all the remote Toll Stations as they were being operationalized. This resulted in the improved accessibility of the Toll Stations and also in the effective communication to the remote sites by the Road Tolling Department and the Agency Headquarters in general.

9.2.4 Formal Establishment of the Control Room - during the period under review the ICT Unit formaly operationalized the Control Center to monitor activities at the Toll Stations and also at the remote stations, real time. This activity provided for enhanced visibility for security purposes, customer service and also for verification of live activities at the stations. The Control Center contributed to the overall Agency's improved customer service delivery with respect to the Road Tolling Program.

9.2.5 Establishment of Backup Links - Backup Links were established to enable operations at the Agency continue without major disruptions especially in relation to outages at the Toll Stations and the Head Office.

9.3 BOARD AFFAIRS

The NRFA Board had thirteen (13) part-time Board members appointed by the Minister of finance as provided for under the National Road Fund Act No. 13 of 2002.

The Board continued to provide leadership and direction to the Agency's management and it is collectively responsible and accountable to the stakeholders for the long term success of the Agency and ensures that it is appropriately managed.

The NRFA Board is constituted into three (3) specialized Committees as follows:

i. Finance and Technical Committee

ii. Audit and Risk Management Committee iii. Administration Committee

In order to enhance capacity of the Board in the execution of their duties, five (5) members from various professional bodies were co-opted onto the Committees of the Board. The co-opted members were as follows:-

Table 18: Co-opted National Road Fund Agency Board Members

No.	Name	Sector	Committee
1.	Mr. Ian Musweu	Zambia Institute of Chartered Accountants	Audit and Risk Management
2.	Mr. David Kalaba	Institute of Directors	Audit and Risk Management
3.	Mr. Alick Kabwe	Zambia Institute of Human Resources Management	Administration Committee
4.	Ms. Claire Limbwambwa	Institute of Directors	Administration Committee
5.	Mr. Mwenya Mukupa	Law Association of Zambia	Audit and Risk Management

9.3.1 Committee and Board meetings

The National Road Fund Act No. 13 of 2002 requires that the Board meets at least once every three (3) months to conduct NRFA Business. However, the Board Chairperson may call for special Board meetings when need arises.

9.3.1.1 Number of Meetings held

During the year 2018, the Board and its three (3) Committees met as follows:-

Table 19: Number of Board and Committee meetings held

No.	Board / Committee	No. of scheduled meetings	Extra-Ordinary meetings	Total
1.	Board	4	5	9
2.	Administration	4	3	7
3.	Finance and Technical	4	2	6
4.	Audit and Risk Management	4	2	6
Total		**16**	**12**	**28**

9.3.2 Board of Directors' Field Visits

In the discharge of its functions, the Board conducted familiarization field visits to various projects being funded by National Road Fund Agency. This was done in order to ensure that Board members familiarized themselves with the projects that were being undertaken and thereby provide informed policy guidance.

During the year, the Board inspected Road projects in Muchinga, Luapula, Southern, Northern and Western Provinces.

9.3.3 Capacity Building for Board Members

In an effort to ensure continuous improvements and share new developments in the Industry, the department facilitated a two days capacity building training in Siavonga District for the Board members in Corporate Governance.

9.4 INTEGRITY COMMITTEE PROGRAMS

The Agency continued making efforts to fight corruption among staff by raising awareness on the dangers and effects of the vice.

In the year under review, the Committee carried out the following notable activities:-

9.4.1 Annual Corruption Prevention Action Plan

An Annual Corruption Prevention Action Plan for the year 2018 was prepared and submitted to the Anti-Corruption Commission.

9.4.2 Staff Sensitization meetings

The Integrity Committee invited Drug Enforcement Commission to a Staff sensitization meeting at

Head Office at which a presentation on “Drug Abuse and Fraud” was made. Further, the Integrity

Staff Awards were held in 2018

Committee held sensitization meetings for Tolling Staff at Livingstone, Kazungula, Mpika, Kateshi, Kakonde, Chembe, Kafulafuta, Mumbwa, Manyumbi and Kapiri Mposhi Toll Stations. The meetings included presentations on “Corruption Prevention” by the Anti-Corruption Commission, “Mainstreaming the Value of Integrity in National Road Fund Agency” by the National Road Fund Agency Integrity Committee and “Drug Abuse and Fraud” by the Drug Enforcement Commission.

9.4.3 Appointment of Focal Point Persons (FPPs)

In its effort to continue fighting Corruption and its related activities at Toll Stations, fifteen

(15) Focal Point Persons to be based at different Toll Stations were appointed to the positions and attended an Induction Training conducted by Anti-Corruption Commission.

9.4.4 NRFA Integrity Committee collaboration with other stakeholders

The National Road Fund Agency Integrity Committee held collaborative meetings with other integrity committees in the Public Sector which included ZESCO, ZP, RTSA and RDA.

9.5 AFRICAN ROAD MAINTENANCE FUNDS ASSOCIATION (ARMFA)

The National Road Fund Agency continued being a member of ARMFA, a pan African Road Fund Grouping which brings together thirty four (34) Road Funds in Africa with the aim of learning from member states and exchanging ideas on the best ways of managing Road Funds in Africa.

The African Road Maintenance Fund Association is broken into four (4) Focal Groups as follows:

i. Central Africa Focal Group;
ii. East Africa Focal Group;
iii. West Africa Focal Group; and
iv. Southern Africa Focal Group.

Zambia is a member of the Southern Focal Group.

In the year 2018, National Road Fund Agency was elected as Chair of the Southern Africa Focal Group and was admitted as a member of the ARMFA Executive Council.

During the period under review, NRFA participated in the following activities among others:-

NRFA commemorated in Anti Corruption Day

9.5.1 ARMFA Southern Africa Focal Group (ASAFG) Workshop

The African Road Maintenance Funds Association (ARMFA) Southern Africa Focal Group successfully held a Focal Group workshop in Lusaka from 19th to 22nd June, 2018 under the theme **"Innovative Financing for Road Infrastructure"**. The Workshop was attended by representatives from five (5) member states namely Malawi, Madagascar, Namibia, Lesotho and Zambia. The other three (3) members namely Mozambique, Zimbabwe and Comoros sent apologies.

9.5.2 ARMFA Southern Africa Focal Group meeting

The second ASAFG meeting was held in Maseru, Lesotho from 26th to 31st August, 2018 under the theme "Effects of different climatic conditions on road construction and maintenance".

The meeting was programmed into three (3) parts:-

i. Technical workshops whereby experts from various institutions in Lesotho made presentations based on the theme;

ii. Main meeting reviewed the 16th ARMFA Annual Assembly report, discussed the hosting of 17th ARMFA Annual General Assembly and conducted elections where Zambia (NRFA) was elected as Chair of ASAFG while Mozambique was elected as Vice Chair; and

iii. Site Visits of projects being funded by Lesotho Road Fund.

9.5.3 ARMFA Executive Committee meetings

i. NRFA attended the 2nd Executive Committee Meeting held in September in Mombasa, Kenya following the appointment as chair of the ASAFG. The main agenda items included the review of the 2018 budget, the proposed 2019 budget, the Strategic Plan, and preparations for hosting of the 17th ARMFA General Assembly among others.

ii. Further, NRFA attended an Executive Committee Meeting held in Maputo, Mozambique where the hosting of ARMFA Annual General Assembly by Namibia in March, 2019 was discussed. The Executive Committee also witnessed the inauguration of the Maputo –Katembe Road Bridge, Toll Station and a road linking Maputo to the Republic of South Africa.

9.5.4 Kenya Roads Board Exchange visit

A seven (7) member delegation from the Kenya Roads Board and other institutions visited the Agency from 23rd to 29th September, 2018 on a benchmarking exchange visit to familiarize themselves with the operations of the Agency.

9.6 INFORMATION COMMUNICATION TECHNOLOGY (ICT)

The department through the ICT Unit continued to resolve all ICT related matters both at Head Office and Toll Stations in order to maintain continuous and uninterrupted systems under the Agency.

The following are some of the main activities that the ICT unit undertook in 2018:-

- Backing up of data from NRFA to Zambia National Data Centre.
- Installation of Closed Circuit Television (CCTV) and Local Area Network
- System availability
- Setup Toll Stations
- Upgrade the Tolling System database
- Maintenance of computers at Head Office and Toll Stations
- Extension of Local Area Network at Toll Stations
- Restoration of tolling system at Manyumbi and Kafulafuta after two accidents
- Installation of email filtering system
- Access to Tolling reports at Head Office
- Setup Control room at the Copperbelt Agricultural and Mining Expo & Zambia International Trade Fair
- Access to corporate emails at Toll Stations
- Setup of alternative connections (Access Point Name) to Toll Stations

OUTLOOK FOR 2019

NRFA Stall participated at the Engineering Institution of Zambia Annual General Meeting

10 OUTLOOK FOR 2019

During 2019, the Agency will continue to operate within its mandate of Resource Mobilisation, Fiduciary Management of the Resources and ensure Value for Money within the ten Strategic Objectives drawn from the 2017-2021 Strategic Plan. Special focus will be on the following activities:

i. Implement the revised new Organisational Structure and ensure full implementation of the Tolling Department

ii. Complete the Review of the NRFA and Tolls Acts

iii. Implementation of Business Plans for 2019 as informed by the Strategic Plan

iv. Operationalize additional Toll Stations to increase revenue base. Significant progress expected in the development of the Contract Management System following the signing of the contract

v. Resource Mobilization by way of strategic engagements with stakeholders including the Ministry of Finance and selected financial institutions

vi. Enhancing Monitoring and Evaluation, inspections and testing.

vii. Engagement of the implementing Agencies and Institutions through collaborative Technical Meetings

viii. Strengthening Internal Systems and Controls

The Agency shall focus on its people in a way that productivity is enhanced, talent is identified, innovative ideas are accommodated and strategic training is embarked on.

NRFA was elected ASAFG chair

NATIONAL ROAD FUND AGENCY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2018

NATIONAL ROAD FUND AGENCY
STATEMENT OF DIRECTORS' RESPONSIBILITIES
NATIONAL ROAD FUND
Financial Statements
For the year ended 31 December 2018

The National Road Fund Act number 13 of 2002, Section 20 requires the Directors to prepare National 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, 2019

MARK DANIELS
CHARTERED ACCOUNTANTS

Audit · Advisory · Tax

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 2018, 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 National Road Fund as at 31 December 2018 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 has suffered negative cash flows from operations 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.

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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 National Road Fund'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 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 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 Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the 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 2018 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

28th March, **2019**

WKKKasongo

Winston Kasongo AUD/F003127
Partner signing on behalf of the firm

Statement of Financial Performance

		Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
Income	4	**2,278,908,825**	2,615,167,710
Expenditure			
Ministry of Housing and Infrastructure Development	5	**2,536,952**	2,159,644
Ministry of Local Government	6	**2,553,598**	12,779,330
Ministry of Transport and Communication	7	**2,579,747**	2,540,565
Ministry of Works and Supply	8	**96,205**	-
National Council for Construction	9	**1,972,819**	-
National Road Fund Agency	10	**150,293,812**	78,886,477
Road Development Agency	11	**219,770,670**	350,907,126
Road Transport and Safety Agency	12	**72,300,878**	272,740,609
Total		**452,104,681**	720,013,751
Operating Surplus		**1,826,804,144**	1,895,153,959
Finance Costs	13	**513,521,225**	211,381,445
Surplus for the Year		**1,313,282,919**	1,683,772,514

The notes on pages 10 to 23 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2018

Statement of Financial Position

	Notes	Year Ended 31 December 2018 ZMW	Year Ended 31 December 2017 ZMW
Current Assets			
Advances to Road Sector Institutions	14	**324,116,769**	139,258,491
Other Receivables	15	**409,886,563**	65,395,008
Cash and Bank	16	**315,939,518**	442,290,391
		1,049,942,849	646,943,890
Non-Current Assets			
CWIP - Road Works Construction Costs	17	**39,698,247,894**	33,002,761,745
CWIP - Road Structures Construction Costs	18	**1,627,510,281**	1,232,482,463
Advances to Contractors and Consultants	19	**4,060,120,878**	4,498,686,118
Property, Plant &Equipment	20	**15,550,566**	
Other Road Project Costs	21	**44,335,479**	53,243,227
Loan Guarantee	22	**2,055,561,550**	1,851,617,916
		47,501,326,649	40,638,791,469
Total Assets		**48,551,269,498**	41,285,735,359
Current Liabilities			
Road Works and Services Liabilities	23	**6,705,639,267**	5,562,033,880
Other Creditors and Accruals	24	**90,104,021**	90,440,124
NAPSA Loan Payable-Arrears		**23,402,007**	-
NAPSA Loan Payable-within 1 year		**76,265,255**	40,642,565
		6,895,410,550	5,693,116,569
Non-Current Liabilities			
Long Term Loans payable 2 to 9 years	25	**4,025,412,212**	3,244,804,721
Retention Costs Payable to Contractors	26	**1,932,522,340**	1,511,524,090
Other Reserves	27	**168,796,766**	139,909,018
		6,126,731,318	4,896,237,829
Total Liabilities		**13,022,141,868**	10,589,354,398
Net Assets			
Accumulated Fund		**2,981,363,252**	1,683,772,514
Capital Grants		**32,547,764,378**	29,012,608,447
		35,529,127,630	30,696,380,961
Total Liabilities and Net Assets		**48,551,269,498**	**41,285,735,359**

The financial statements on pages 10 to 23 were approved for issue by the Board members On 28th March, 2019 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 23 form part of these financial statements.

Statement of Changes in Net Assets

	Capital Grant	Accumulated Fund	Total
	ZMW	ZMW	ZMW
Balance At 1st January 2018	**29,012,608,447**	**1,683,772,514**	**30,696,380,961**
Adjustment	-	(15,692,181))	(15,692,181)
Adjusted balances	**29,012,608,447**	**1,668,080,333**	**30,680,688,780**
Surplus for the Year		**1,313,282,919**	**1,313,282,919**
Additions	**3,535,155,931**	-	**3,535,155,931**
Balance At 31 December 2018	**32,547,764,378**	**2,981,363,252**	**35,529,127,630**

	Capital Grant	Accumulated Fund	Total
	ZMW	ZMW	ZMW
Balance At 1st 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 23 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2018

Statement of Cash Flows

		Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
Cash flows from operating activities			
Surplus For The Year		**1,313,282,919**	1,683,772,514
Adjusted for:			
Depreciation		**1,804,723**	-
Amortisation of capital grants		**(15,268,034)**	-
Adjusted Surplus For the Year		**1,299,819,608**	1,683,772,514
(Increase) in Advances to Road Sector Institutions		**(184,858,278)**	(139,258,491)
(Increase) in Other Receivables		**(344,491,555)**	(65,395,008)
Increase in Road Works and Services Liabilities		**1,143,605,387**	5,562,033,880
(Decrease)/ increase in Creditors and Accruals		**(336,103)**	90,440,124
Increase in NAPSA Loan Payable		**59,024,697**	-
Net cash inflow from operating activities		**626,914,870**	7,131,593,019
Investing activities			
Acquisitions of Non-Current Assets		**(6,846,984,613)**	(40,638,791,469)
Purchase of property, plant and equipment		**(15,550,566)**	-
Net cash used in Investing Activities		**(6,862,535,179)**	(40,638,791,469)
Financing activities			
Long Term Loans		**780,607,491**	3,285,447,286
Capital Grants		**3,535,155,931**	29,012,608,447
Retention Costs Payable to Contractors		**420,998,250**	1,511,524,090
Other Reserves		**28,887,748**	139,909,018
Changes in Net Equity		**(2,228,870)**	-
Net cash (used) in financing activities		**4,763,420,550**	33,949,488,841
Net increase in cash and cash equivalents		**(126,350,873)**	442,290,391
Cash and cash equivalents at beginning of the Year		**442,290,391**	-
Cash and cash equivalents at end of the Year	16	**315,939,518**	442,290,391

The notes on pages 10 to 23 form part of these Financial Statements.

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.

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 K5,845,467,701, but 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);
i. Toll Fees collected at Border Entries by the Road Transport and Safety Agency (RTSA);
ii. Toll Fees collected from Inland Toll and Weighbridge Stations by the NRFA;
iii. Road Tax, Vehicle and Driver Licence Fees collected by the Road Transport and Safety Agency (RTSA); and
iv. 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 an 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 an 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 2018 ZMW	Year ended 31 December 2017 ZMW
Fuel Levy	**709,795,993**	770,149,220
Tolling - NRFA	**342,459,431**	240,804,899
Tolling - RTSA	**572,862,662**	433,110,805
Road Tax, Motor and Drivers Licenses	**461,354,077**	450,703,329
Weighbridge Fines and Fees	**20,737,145**	14,762,853
Interest income	**657,407**	376,690
Exchange Gains	**16,682**	600,044
Recovery of RUCs from Prior Years	**-**	579,859,015
Government Grant Income – DBSA	**155,431,806**	124,800,855
AfDB Grant Income	**323,223**	-
Capital Grant Amortization	**15,268,034**	-
Bank charges	**2,365**	-
Total	**2,278,908,825**	2,615,167,710

Notes (continued)

	Year ended 31 December 2018 ZMW	Year Ended 31 December 2017 ZMW
5. Ministry of Housing and Infrastructure Development		
Advertising	**36,466**	-
Building Repairs	**366,633**	-
Depreciation Motor Vehicles	**223,099**	-
Depreciation Fixtures and Fittings	**35,146**	-
Depreciation Office Equipment	**24,671**	-
Functions and Meetings	**503,879**	50,400
Monitoring and Evaluation	**112,817**	337,963
Motor Vehicles	**39,339**	1,424,761
Operational Expenditure	**97,939**	-
Workshops, Seminars and Training	**1,096,963**	346,519
Total	**2,536,952**	2,159,644
6. Ministry of Local Government		
Depreciation Motor Vehicles	**265,781**	-
Depreciation Office Equipment	**148,313**	-
Design and Build	**-**	777,956
Functions and Meetings	**474,448**	-
Monitoring and Evaluation	**19,825**	-
Office Equipment and Furniture	**-**	318,886
Periodic Maintenance	**-**	1,581,841
Routine Maintenance	**800,891**	9,643,234
Workshops, Seminars and Training	**844,340**	457,413
Total	**2,553,598**	12,779,330
7. Ministry of Transport and Communication		
Advertising	**39,568**	-
Depreciation Furniture Fixtures and Fittings	**10,053**	-
Functions and Meetings	**431,518**	630,841
Monitoring and Evaluation	**-**	5,396
Motor Vehicles	**-**	166,104
Office Equipment and Furniture	**-**	23,188
Operational Expenditure	**-**	48,140
System Development	**1,462,782**	-
Workshops, Seminars and Training	**635,826**	1,666,896
Total	**2,579,747**	2,540,565

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2018

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
8. Ministry of Works and Supply		
Office Equipment and Furniture	47,805	-
Workshops, Seminars and Training	48,400	-
Total	96,205	-
9. National Council for Construction		
Workshops, Seminars and Training	1,645,555	-
Functions and Meetings	41,097	-
Building Repairs	64,339	-
Depreciation Motor Vehicles	142,517	-
Depreciation Office Equipment	23,820	-
Plant and Equipment	55,491	-
Total	1,972,819	-
10. National Road Fund Agency		
Advertising	3,117,857	1,429,973
Audit Fees - Financial & Technical	2,438,682	460,778
Bank Charges	205,532	154,690
Functions and Meetings	2,186,745	1,288,810
Monitoring and Evaluations	682,218	571,378
Motor vehicles	46,029,278	1,466,930
Office Equipment and Furniture	4,114,994	1,753,426
Operational Expenditure	59,488,497	29,365,724
Professional and Legal Fees	778,002	517,654
Systems Development	5,196,006	4,712,100
Testing Equipment and Protective Clothing	779,746	143,541
Tolling Equipment and Infrastructure	3,346,577	3,485,052
Tolling Operations	19,966,181	30,282,536
Workshops, Seminars and Training	1,963,497	3,253,885
Total	150,293,812	78,886,477

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
11. Road Development Agency		
Advertising	**246,321**	345,623
Audit-Financial and Technical	**-**	771,334
Axle Load	**-**	63,072
Bridges Construction	**-**	2,373,094
Depreciation-Furniture, Fixtures and Fittings	**48,075**	-
Depreciation-Land and Buildings	**101,897**	-
Depreciation Motor Vehicles	**742,445**	-
Depreciation office equipment	**38,906**	-
Emergences	**18,814,068**	5,697,182
Functions and Meetings	**797,939**	728,947
Integrity Committee Costs		289,762
Land and Buildings	**72,000**	257,400
Monitoring and Evaluations	**527,812**	115,068
Motor Vehicles	**-**	4,038,471
Office Equipment and Furniture	**-**	1,865,510
Periodic Maintenance	**-**	45,369,931
Professional and Legal Fees	**3,762,601**	50,000
Operational Expenditure	**17,877,573**	11,747,899
Rehabilitation	**-**	3,757,166
Resettlement and Compensations	**-**	3,445,707
Routine Maintenance and Vegetation Control	**132,349,141**	234,976,682
Supervision and Consultants	**19,982,566**	-
Studies – Designs,	**22,703,820**	28,629,768
Systems Development	**616,917**	2,736,300
Upgrading and New Construction	**-**	3,057,350
Workshops and Seminars	**1,088,589**	590,860
Total	**219,770,670**	350,907,126
12. Road Transport and Safety Agency		
Functions and Meetings	**750,342**	-
Land and Buildings	**1,434,823**	22,512,225
Motor Vehicles	**2,900,768**	19,984,439
Office Equipment and Furniture	**-**	2,551,593
Operational Expenditure	**29,081,637**	90,673,535
Road Safety	**35,941,370**	47,106,604
Systems Development	**967,182**	89,889,337
Translation costs	**268,741**	-
Workshops and Seminars	**956,015**	22,876
Total	**72,300,878**	272,740,609

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2018

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW

13. Finance Costs

DBSA Loan Interest Costs	**155,431,806**	124,800,855
NAPSA Loan Interest Costs	**358,089,419**	86,580,590
	513,521,225	211,381,445

The National Road Fund Agency signed a loan agreement with Development Bank of Southern Africa Limited (DBSA) on 22ndDecember 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 2018 the whole K2.13 billion 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 incurred during the year 2018.

14. Advances to Road Sector Institutions

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
Ministry of Finance	**1,101,800**	451,800
Ministry of Housing and Infrastructure Development MHID)	**953,023**	1,060,888
Ministry of Local Government (MLG)	**8,903,938**	2,050,000
Ministry of Transport and Communication (MTC)	**2,527,806**	781,566
Ministry of Works and Supply (MWS)	**448,409**	41,185
National Council For Construction (NCC)	**5,661,412**	3,372,412
National Road Fund Agency (NRFA)	**4,141,826**	2,407,792
Road Development Agency (RDA) - Head Office	**189,383,595**	83,254,098
Road Development Agency (RDA) - Regional Offices	**30,875,384**	35,396,590
Road Transport and Safety Agency (RTSA)	**76,919,575**	8,442,160
Zambia National Service (ZNS)	**3,200,000**	2,000,000
Total	**324,116,769**	139,258,491

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
15. Other Receivables		
Capital Grant	**23,402,007**	-
NAPSA receivable from Road Fund	**6,965,000**	-
Loan Guarantee Receivable	**41,094,680**	34,283,280
Grant Income Receivable from MoF	**39,626,775**	31,111,728
Grant Income Receivable from AfDB	**323,223**	-
Road User Charges receivable from MoF	**298,301,038**	-
Funds from closed DBSA Accounts with MoF	**173,840**	-
Total	**409,886,563**	65,395,008
16. Cash and Bank		
Bank of Zambia – DBSA - ZMW	**78,622,462**	67,799,796
Bank of Zambia – DBSA - US $	**81,682,937**	67,869,158
ZANACO – DBSA – US $	**8,236,649**	4,773,750
Bank of Zambia – Road Fund - ZMW	**190,854**	3,792,892
ZANACO – Road Fund - ZMW	**37,960,085**	50,850,786
ZANACO – Road Fund - US $	**40,295**	3,980,462
Citbank – NAPSA - ZMW	**76,532**	124,485,858
Citibank-NAPSA –ZMW Loan Repayment	**10**	-
ZANACO – AfDB Nacala IV - ZMW	**410**	407
ZANACO –AfDB Nacala IV - US $	**5,075**	5,075
Bank of Zambia –AfDB Nacala IV – US $	**6,100**	6,100
Investrust Bank – KfW - Euro	**133,720**	132,410
Investrust Bank – KfW - ZMW	**294,061**	1,466,450
ZANACO - DFID – US $	**1,632,737**	2,766,823
Indo Zambia Bank – IRCP - US $	**68,800,598**	18,530,195
Indo Zambia Bank – IRCP - ZMW	**1,283,076**	416,484
Indo Zambia Bank – IRCP - US $	**24,334,573**	3,939,466
Finance Bank – EIB - Euro	**12,639,344**	91,474,279
Total	**315,939,518**	442,290,391
17. CWIP - Road Works Construction Costs		
CWIP - Routine Maintenance	**106,317,430**	37,571,576
CWIP - Periodic Maintenance	**3,736,704,548**	3,271,563,769
CWIP - PM Interest on Delayed Payments	**90,674,197**	55,185,075
CWIP - Rehabilitation	**13,665,580,101**	11,265,362,642
CWIP - Rehab Interest on Delayed Payments	**24,640,822**	16,331,960
CWIP - Upgrading	**17,354,428,397**	15,497,511,143
CWIP - Upgrading Interest on Delayed Payments	**349,411,683**	167,567,006
CWIP - New Construction	**4,311,281,454**	2,678,491,705
CWIP - New Construction Interest on Delayed payments	**59,209,262**	13,176,869
Total	**39,698,247,894**	33,002,761,745

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2018

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
18. CWIP - - Road Structures Construction Costs		
CWIP - Toll Stations	**309,799,166**	210,292,472
CWIP - Toll Stations Interest on Delayed Payments	**98,158**	98,158
CWIP - Bridges	**1,266,065,296**	999,852,138
CWIP - Bridges Interest on Delayed Payments	**32,265,656**	9,879,705
CWIP - Weighbridges	**19,282,004**	12,359,990
Total	**1,627,510,281**	1,232,482,463
19. CWIP - Advances to Contractors and Consultants		
Advances - CWIP - Routine Maintenance	**935,372**	935,372
Advances - CWIP - Periodic Maintenance	**475,256,318**	465,223,733
Advances - CWIP - Rehabilitation	**1,348,163,107**	1,519,082,742
Advances - CWIP – Upgrading	**2,109,049,983**	2,407,389,077
Advances - CWIP - New Construction	**21,553,894**	2,236,526
Advances - CWIP - Toll Stations	**6,009,680**	9,953,287
Advances - CWIP - Bridges	**99,152,523**	93,362,222
Advances - CWIP - Weighbridges	**-**	503,159
Total	**4,060,120,878**	4,498,686,118

20. Property, Plant & Equipment -

	Land & Buildings ZMW	Plant & Equipment ZMW	Motor Vehicles ZMW	Office Equipment ZMW	Furniture & fittings ZMW	Total ZMW
Cost						
At 1 January 2018	-	-	1,144,117	590,379	227,083	1,961,579
Prior Year Adjustment	-	-	483	483	-32,255	-31,289
Restated Opening balance	**-**	**-**	1,144,600	590,862	194,828	1,930,290
Additions	679,311	1,020,232	12,906,144	425,512	393,800	15,424,999
At 31 December 2018	**679,311**	**1,020,232**	**14,050,744**	**1,016,374**	**588,628**	**17,355,289**
Depreciation						
At 1 January 2018	-	-	-	-	-	-
Depreciation Charge	**101,897**	**23,820**	**1,373,843**	**211,890**	**93,273**	**1,804,722**
At 31 December 2018	**101,897**	**23,820**	**1,373,843**	**211,890**	**93,273**	**1,804,722**
Net Book value						
At 31 December 2018	**577,414**	**996,412**	**12,676,901**	**804,001**	**495,355**	**15,550,567**
At 31 December 2017	**-**	**-**	**1,141,117**	**590,379**	**277,083**	**1,961,579**

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
21. Other Road Project Costs		
Audit Financial & Technical	-	362,084
Bank Charges	**40,404**	105,073
Capacity Building	-	3,203,743
Complimentary Component Activities	-	9,764,310
Exchange Losses	**351,254**	10,528,537
Feasibility Studies, Engineering and Designs	-	27,317,902
Motor Vehicles	-	1,144,117
Office Equipment	-	590,378
Office Furniture	-	227,083
Resettlement Costs	**35,953,400**	-
Technical Assistance	**7,990,421**	-
Total	**44,335,479**	53,243,227
22. Loan Guarantee		
GRZ Loan Guarantee on DBSA	**2,055,561,550**	851,617,916
23 Road Works and Services Liabilities		
(a) By Contractor Nationality		
Foreign Contractors and Consultants - Chinese	**3,717,981,171**	3,103,084,274
Foreign Contractors and Consultants - Other	**545,553,597**	519,284,222
Total Foreign	**4,263,534,768**	3,622,368,496
Local Contractors and Consultants	**2,442,104,499**	1,939,665,384
Total	**6,705,639,267**	5,562,033,880
(b) By Road Sector Institution		
Ministry of Housing and Infrastructure Development MHID)	**676,797**	2,115,217
Ministry of Local Government (MLG)	**1,206,526,640**	999,021,931
Ministry of Transport and Communication (MTC)	**234,152**	101,670
Ministry of Works and Supply (MWS)	**55,276**	48,600
National Council for Construction	**1,127,089**	
National Road Fund Agency (NRFA)	**57,032,340**	19,722,511
Road Development Agency (RDA)	**5,315,515,518**	4,422,079,842
Road Transport and Safety Agency (RTSA)	**124,471,454**	118,944,110
Total	**6,705,639,267**	5,562,033,880

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2018

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW

23 (a) Road Works and Services Liabilities (continued)

(c) By Project(s) – 31 December 2018	Foreign Chinese ZMW	Foreign Other ZMW	Local ZMW	Total ZMW
AfDB - Chinsali Nakonde	38,576,742	1,300,233	-	39,876,975
AfDB - Kazungula B/Grant			445,500	445,500
AfDB - Kazungula B/Loan				
AfDB - Nacala II		26,000,917	18,606	26,019,523
AfDB - Nacala IV		230,197		230,197
BADEA - Copperbelt Towns			892,806	892,806
China Development Bank	70,802,567		3,905,741	74,708,308
DFID	53,521,541		252,357	53,773,898
European Investment Bank		30,332,570		30,332,570
EXIM Bank of China	705,963,884			705,963,884
JICA		4,936,001		4,936,001
Kalabo Sikongo Angola		197,661,633		197,661,633
KfW – RTRP				
NAPSA	178,429,036		46,053,901	224,482,937
Road Fund	2,670,687,401	285,092,046	2,385,652,860	5,341,432,307
World Bank			4,882,728	4,882,728
Total	3,717,981,171	545,553,597	2,442,104,499	6,705,639,267

(d) By Ageing Analysis

Description	Days	Years	Year Ended 31 December 2018 ZMW	Year Ended 31 December 2017 ZMW
1 Year Old	0 - 360	2018	1,047,814,874	-
2 Years Old	361 - 720	2017	1,229,822,083	1,193,955,462
3 Years Old	721 – 1,080	2016	2,548,812,282	2,627,772,630
4 Years Old	1,081 – 1,440	2015	1,407,907,752	1,259,803,300
5 Years Old	1,441- 1,800	2014	452,480,747	456,019,226
6 Years Old	1,801 – 2,160	2013	17,227,375	22,909,108
7 years Old	2,161-2,420	2012	1,574,154	1,574,154
Total			6,705,639,267	5,562,033,880

Notes (continued)

	Year ended 31 December 2018 ZMW	Year ended 31 December 2017 ZMW
24. Other Creditors and Accruals		
Loan Capital Payable	**41,094,680**	34,283,280
Loan Interest Payable	**39,626,776**	31,111,728
Audit Fees – Financial - Payable	**774,079**	422,471
Bank Interest	**-**	303,643
Exchange Gains	**-**	24,319,002
Other Creditors	**2,008,486**	-
Payable to NAPSA project Account	**6,600,000**	-
Total	**90,104,021**	90,440,124
25. Long Term Loans		
DBSA Loan Facility – 20 Year Loan	**2,055,561,550**	1,851,617,915
NAPSA Loan – 10 Year Loan	**1,969,850,662**	1,393,186,806
Total	**4,025,412,212**	3,244,804,721
26. Retention Costs Payable to Contractors		
Retention - CWIP Periodic Maintenance	**255,987,816**	196,954,845
Retention - CWIP Rehabilitation	**752,193,314**	471,366,945
Retention - CWIP Upgrading	**836,828,481**	773,693,141
Retention - CWIP New Construction	**12,749,239**	390,738
Retention - CWIP Toll Stations	**8,008,521**	3,656,152
Retention - CWIP Bridges	**61,413,256**	59,149,439
Retention-CWIP-Weighbridges	**5,341,713**	6,253,594
Retention-CWIP-Complimentary Components	**-**	59,236
Total	**1,932,522,340**	1,511,524,090
27. Reserve Funds		
DBSA Loan Facility	**168,796,766**	**139,909,019**

28. 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.

29. Commitments

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

Notes (continued)

30. Taxation

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

31. 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.

32. Contingent Liabilities

There were contingent liabilities pertaining to delayed interest penalties on the delayed payment of the Road Works and Services Liabilities in **Note 23** above, which can only be reasonably estimated when they materialise in later years.

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