



National Road Fund Agency



ANNUAL REPORT 2019

"A Sustainable Road Fund"



Staff at Lui Toll Gate in Western Province received the Director's Award



National Road Fund Agency

ANNUAL REPORT 2019



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ABBREVIATIONS AND ACRONYMS

ACC	Anti-Corruption Commission
AfDB	African Development Bank
AGA	Annual General Assembly
AGM	Annual General Meeting
ANRP	Accelerated National Road Construction Programme
APL	Adaptable Programme Lending
ARMFA	African Road Maintenance Funds Association
AWP	Annual Work Plan
BADEA	Arab Bank for Economic Development in Africa
BEA	Budget and Economic Affairs
CAIP	Community Access Improvement Programme
CFI	Construction Finance Initiative
CMS	Contract Management System
COMESA	Common Market for Eastern and Southern Africa
CPs	Cooperating Partners
CR	Credit
CILT	Chartered Institute of Logistics & Transport
CTI	Community Transport Initiative
DANIDA	Danish International Development Agency
DBSA	Development Bank of Southern Africa
DRC	Democratic Republic of Congo
DfID	Department for International Development
DKK	Danish Kroner
EBRP	Essential Bridge Rehabilitation Project
EDRP	Emergency Drought Recovery Project
EIB	European Investment Bank
EIZ	Engineering Institution of Zambia
EMF	Economic Management and Finance
EMU	Environmental Management Unit
EU	European Union
GPA	Group Personal Accidents
GLA	Group Life Assurance
GRZ	Government of the Republic of Zambia
HGV	Heavy Goods Vehicles
ICT	Information Communication Technology
IDA	International Development Agency

IFG	International Focus Group
IPCs	Interim Payment Certificates
JSC	Joint Steering Committee
JTC	Joint Technical Team
K'b	Kwacha billion
KfW	German Development Bank
K'm	Kwacha million
L400	Lusaka 400
CB400	Copperbelt 400
LCC	Lusaka City Council
MTC	Ministry of Transport and Communications
LRAs	Local Road Authorities
M&E	Monitoring & Evaluation
MWS	Ministry of Works and Supply
MLG	Ministry of Local Government
MOF	Ministry of Finance
MOJ	Ministry of Justice
MTENR	Ministry of Tourism, Environment and Natural Resources
NAC	National Aids Council
NCC	National Council for Construction
NDF	Nordic Development Fund
NORAD	Norwegian Development Agency
NPPID	National Policy and Programme Implementation Department
NRFA	National Road Fund Agency
NRTP	National Road Tolling Programme
ORUCs	Other Road User Charges
PM&E	Programming, Monitoring & Evaluation
PMT	Project Management Team
PRE	Provincial Road Engineer
PS	Permanent Secretary
PSU	Procurement and Supplies Unit
RAMP	Rural Accessibility and Mobility Project
RDA	Road Development Agency
RMI	Road Management Initiative
ROADSIP	Road Sector Investment Programme
RRMP	Road Rehabilitation and Maintenance Programme
RTPR	Rural Transport for Poverty Reduction Programme
RSAs	Road Sectors Agencies

RSPS	Road Sector Programme Support
RTC	Road Traffic Commission
RTSA	Road Transport and Safety Agency
RUC	Road User Charges
SADC	Southern African Development Community
SI	Statutory Instrument
SSATP	Sub-Saharan Africa Transport Policy Programme
SNDP	Sixth National Development Plan
TA	Technical Assistance
TMSA	Trade Mark Southern Africa
TOR	Terms of Reference
URRP	Urban Roads Rehabilitation Programme
WORC	Working on Roads Countrywide
ZIPs	Zambia Institute of Purchasing and Supply
ZMW	Zambian Kwacha
ZNBC	Zambia National Broadcasting Corporation
ZNFU	Zambia National Farmers Union
ZNTB	Zambia National Tender Board
ZPPA	Zambia Public Procurement Authority



Delegates from seven African countries on a study tour of Zambia's Road Tolling Programm

CHAIRPERSON'S FOREWORD



It is my pleasure to present the National Road Fund Agency (NRFA) Annual Report and audited Financial Statements for the year ended 31st December 2019.

During 2019, the Agency remained committed to Resource Mobilization, Fiduciary Management of Resources and ensuring Value for Money. It operated in line with Government Policy on Road Infrastructure Development, Maintenance and Financing, in line with the key monetary and fiscal measures that the Government through the Ministry of Finance had introduced.

Agency operations were guided by the Public Finance Management Act no. 1 of 2018 as it relates to the management and control of public finances and we are proud yet again to present to you unqualified audited accounts for 13 years in row, since NRFA's inception in 2006.

Specifically, the Board gave strategic direction to the Agency as it enhanced its pivotal role in providing fiduciary oversight on all road sector finances within the framework of the NRFA's Strategic Plan 2017 – 2021, which was aligned to the 7th National Development Plan 2017 – 2021, and other Government policy directives.

Our Strategic Plan, which was reviewed mid-term, presented a critical avenue for shared service provision by the Board, Management and Staff of the Agency and with improved internal business processes, positive work culture and quality service delivery we bolstered and communicate a positive corporate image and gained road user confidence and support necessary to effectively execute our mandate.

In order to strengthen the Agency's mandate, the review process of the Road Fund Act No 13 of 2002 was escalated to key stakeholders who were able to present their views on NRFA's modus operandi given its expanded roles and responsibilities.

We continued to interface and enhanced our working relationships with implementing Agencies and institutions through the Committee of Chairpersons of Road Sector Agencies and institutions through the committee of Chairpersons of Road Sector Agencies with a strong focus on shared challenges and opportunities, and realigning our strategic direction, in the wake of austerity measures as announced by Government, which entailed undertaking more projects with less resources.

I wish to extend sincere appreciation to the various Committees of the Board and the Board of Directors for rising to the occasion, individually and severally, and abiding by sound corporate governance principles in providing policy guidance to Management with strict adherence to innovation, and enhancing internal systems and controls. I remain grateful to the Agency Management and staff for responding positively to the challenge.

I pay tribute to the Ministry of Finance – our parent Ministry for the unwavering

cooperation, guidance and support, without which we could not have implemented road infrastructure financing activities, in the manner that we did.

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

Christabel Michel-Banda

Board Chairperson



Finance Minister Hon. Bwalya Ng'andu MP, welcomes Ms. Christabel Michel-Banda, NRFA Chairperson when she paid a courtesy call on him

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 2019, drawing its legal mandate from the National Road Fund (NRF) Act No 13 of 2002, with three key functional pillars of Resource Mobilization, Fiduciary Management of Resources and ensuring Value for Money.

During the period under review, the Agency adopted an implementation strategy that entailed maximising the implementation of key activities with less resources in line with austerity measures as introduced by Government while maintaining strategic objectives with a clear vision of attaining a Sustainable Road Fund.

The Road Sector received a total of **ZMW8.035 billion** against an annual Road Sector Budget of **ZMW7.751 billion** representing **7%** over and above budget.

A total of **ZMW 3,681.92** million was from Local Funding and the balance of **ZMW4, 603.84** million was from External Funding. The over performance in the receipts in 2019 was as a result of the NAPSA and NATSAVE loan facilities which were

approved by the Board and supported by the Treasury.

With respect to Interim Payment Certificates (IPCs), we processed a total of 5,958 IPCs or invoices from various road contractors and consultants valued at K2.7 billion which was the local component of the mobilised resources and provided checks and balances within the road sector through various monitoring and evaluation activities to ensure Value for Money.

We continued with the implementation of the National Road Tolling Program in conformity with the Agency's mandate of resource mobilisation and in keeping with the Agency's mission: *"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."*

A total of K1.212 billion was collected from both inland Toll Gates and Ports of Entry against projected collections of K1.046 billion giving an overall collections performance of 116%. An increase of 31% was recorded over 2018 road tolling

revenue collections of K926.6 million and the collected tolls revenue in 2019 presented 60% contribution of the 2019 budgeted road sector local resources component.

We implemented Government directives with respect to austerity measures and committed ourselves to the domestic arrears dismantling strategy particularly with regards to Small and Medium Scale Contractors and 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.

The year 2019 was progressive and the Agency excelled on many fronts and enhanced its positive corporate image despite the inherent challenges faced.

This achievement can be attributed to the support, firm guidance and the positive direction given by the Board of

Directors. The dedication, innovation and commitment to duty by Agency staff made it possible for Management to perform and achieve to the expectation of the Board and other stakeholders without much difficult.

The Agency also counted on the critical and invaluable cooperation and support from implementing Agencies and institutions, and its parent Ministry of Finance.

Looking ahead, the Agency will continue to operate within its mandate of Resource Mobilisation, Fiduciary Management of the Resources, ensuring and promoting Value for Money in line with the Strategic Plan 2017-2021 complimented by a balanced approach of achieving **"More with less"**.

Wallece Mumba

Director/ Chief Executive Officer



NRFA Director/CEO Eng. Wallece Mumba (Right) converses with BoZ Governor Dr. Denny Kalyalya after BoZ's tour of Shimabala Toll Gate

NRFA BOARD MEMBERS



Ms. Christabel Michel-Banda
Board Chairperson



Mr. Caitano Chungu
Vice Board Chairperson



Ms. Mwenya Kapasa



Mr. Joe Simachela



Mr. Mukuli Chikuba



Mr. Jones Chomba



Mr. Nicholas Chikwenya



Ms. Mumeka Walumweya



Ms. Suya Chidumayo
Member till 30/6/19



Mr. Eugene Chungu
Member till 30/6/19



Mr. Gladwell Banda
Ex-officio



Eng. Elias Mwape
Ex-officio



Eng. Wallece Mumba,
Secretary

NRFA'S SENIOR MANAGEMENT STAFF



Eng. Wallece Mumba
Director/Chief Executive Officer



Mr. Constantine Hara
Director Corporate Services



Mr. Daniel Mtonga
Director Road Tolling



Mr. Vincent Nyambe
Director Fund Management



Mr. Richard Shikoki
Director Internal Audit



Dr. Yohane Tembo
Director Monitoring & Evaluation



Daniel Mtonga - Director Road Tolling (left) takes ZACCI on a conducted tour of Shimabala Toll Gate

1.0 INTRODUCTION

This Annual Report covers the period from 1st January to 31st December 2019 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 Number 13 of 2002 are anchored on the three thematic areas of Resource Mobilization, Fiduciary Management of Resources and Value for Money. Key in the Agency's Resource function is the Agency's role as Lead Tolls Agent in the implementation of Phase II of the National Road Tolling Programme (NRTTP).

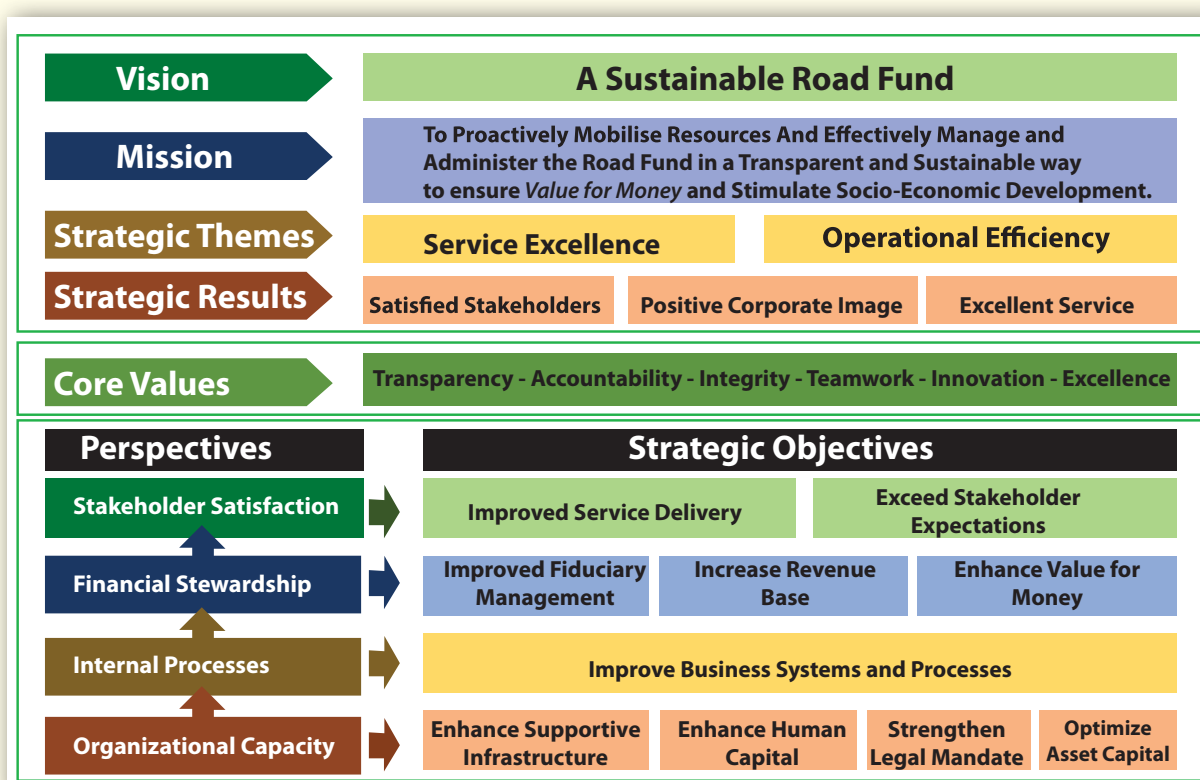
The NRFA's Modus Operandi is informed by the Strategic Plan as a building block for a Sustainable Road Fund. The Agency developed the 2017-2021 Strategic Plan as a blue print on which all activities are based.

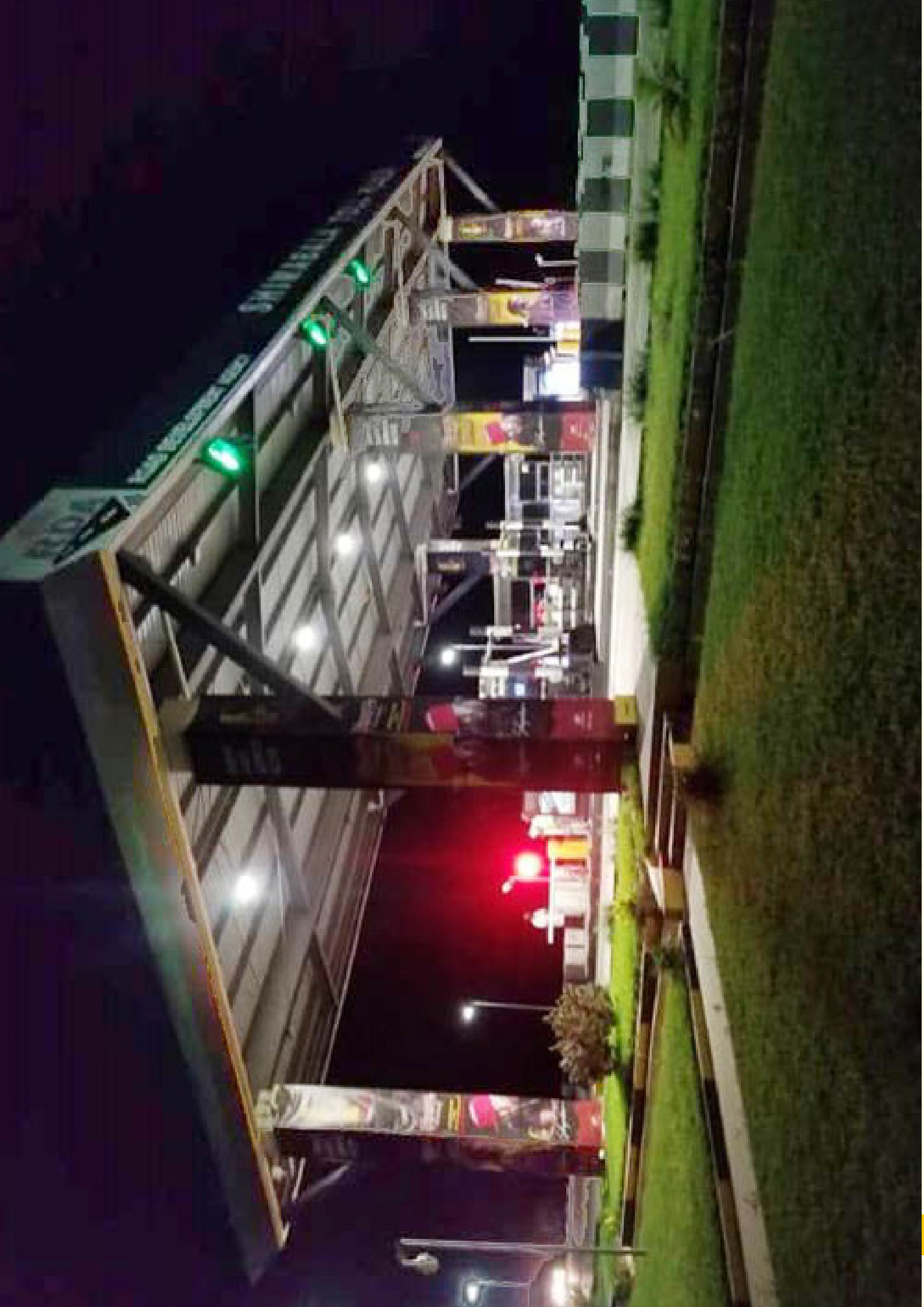
2.0 STRATEGIC PLAN 2017-2021

In order to ensure effective implementation of the 2017-2021 Strategic Plan, the Agency formulated a consolidated Business Plan 2019 that comprised activities under each department and Unit with clear targets aimed at attaining strategic objectives.

The 2017-2021 NRFA Strategic Plan mid-term review commenced in Quarter 2 of 2019 and completed in Quarter 4 of 2019. The review process took into account achievements and challenges faced in the implementation of the strategic plan during the two and half years of the Strategic Plan. Going forward, the Agency adopted an implementation strategy that entailed maximizing the implementation of key activities with less resources. This strategy is aimed at ensuring cost effectiveness in line with the austerity measures as directed by Cabinet Office during 2019 while focusing on debt management during the remaining period of Strategic Plan.

Figure 21: NRFA Strategic Direction 2017-2021





3.0 FUND MANAGEMENT

3.1 ROLES AND MANDATE

The Fund Management Department is responsible for administering the Road Fund. This involves tracking of funds collected from the 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 streams namely, Local and External Resources. The Local Resources consist of Road User Charges (Tolling Revenue, Fuel Levy, Road Taxes, License Fees, Weighbridge Fees and Fines), GRZ budget allocations and local loans obtained from local financial institutions. The External Resources include Loans and Grants signed by the Ministry of Finance with Bilateral and Multilateral Partners.

Highlighted below are the Department's activities aimed at meeting the Agency's strategic objectives which include increased revenue base, improved fiduciary management of resources and improved service delivery.

3.2 KEY ACTIVITIES/ACHIEVEMENTS

3.2.1 Resource Mobilization

The Road Sector received a total of **ZMW8.286 billion** against an annual Road Sector Budget of **ZMW7.751 billion** (Inclusive of NAPSA and NATSAVE), representing **7%** over and above budget. A total of **ZMW 3,681.92** million was from Local Funding and the balance of **ZMW4, 603.84** million was from External Funding. The over performance in the receipts in 2019 was as a result of the NAPSA and NATSAVE loan facilities which were approved by the Board and supported by the Treasury. The Treasury also supported the Agency with **ZMW 500 million** in Quarter 3 of 2019 to settle tax obligations. There was also improved performance under the Contractor Facilitated Financed Projects namely Copper belt 400, Climate Resilient Project, Lusaka 400 and the Lusaka Decongestion Projects, leading to 322% receipts over the Budget. Table 31 below presents the status as at 31st December 2019.



Lusaka Decongestion Project

Table 31: 2019 Road Sector Budgets vs Receipts

No.	Fund Sources	2019 Budget K' Million	2019 Receipts K' Million	Over/(Under) Budget K' Million	%
1	Fuel Levy & GRZ Project Funds	2,005.57	2,704.29	698.72	35%
2	NAPSA	1,000.00	727.63	(272.37)	-27%
3	NATSAVE Bank	300.00	250.00	(50.00)	-17%
4	Local Funding	3,305.57	3,681.92	376.35	11%
5	External Funding		320.94	(2,589.61)	-89%
6	Public Private Partnerships (PPP)	521.50	-	(521.50)	-100%
7	Contractor Facilitated Financing	1,014.00	4,282.90	3,268.90	322%
8	Total External Funding	4,446.05	4,603.84	157.79	4%
9	Grand Total	7,751.62	8,285.76	534.14	7%
10	2019 Road Sector Budget	7,751.62	8,285.76	534.14	7%

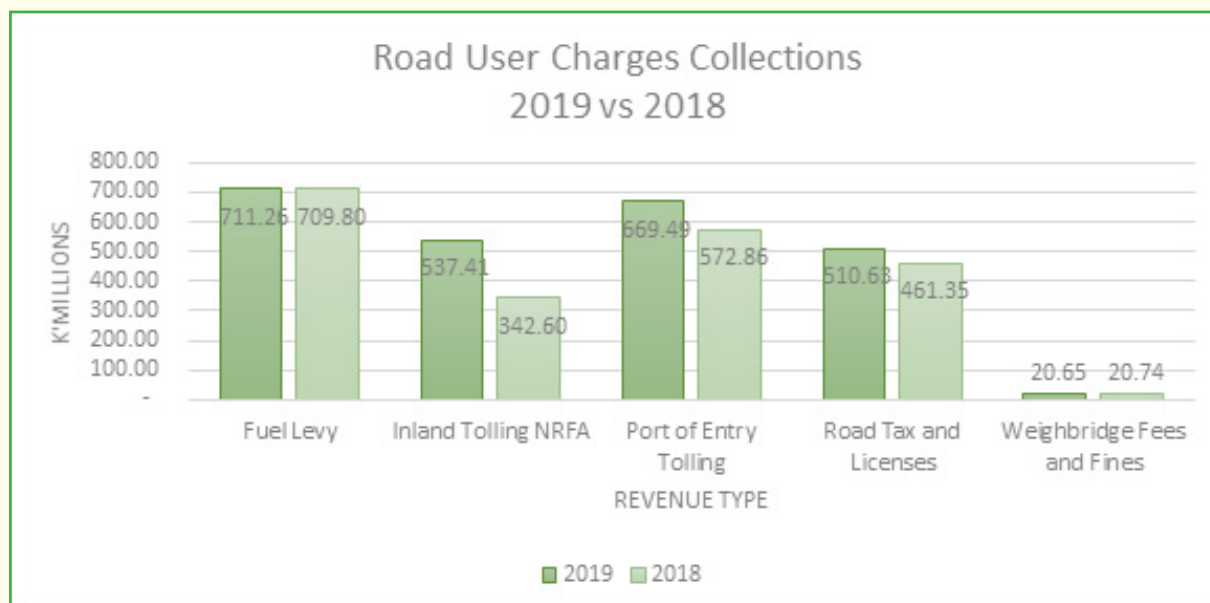


Weighbridges are part of Road User Charge Collection points

3.2.2 ROAD USER CHARGES COLLECTIONS

In 2019, the RUCs collected amounted to ZMW2.449 billion compared to ZMW2.107 billion in 2018 representing a 16% increase. Inland Tolling increased by 57% to ZMW537.41 million in 2019 compared to ZMW342.46 million in 2018. This is attributed to the increase in inland toll stations from 16 (12 conventional and 04 weighbridges) in 2018 to 24 in 2019 (20 conventional and 04 weighbridges). Port of Entry Fees increased by 17% to ZMW669.49 million in 2019 from ZMW572.86 in 2018. This is mainly attributable to the depreciation of the Kwacha as Port of Entry Fees are collected in US Dollars and deposited into the Road Fund by Ministry of Finance in Zambian Kwacha. This is illustrated in the Figure 31 below:

Figure 31: 2019 Road User Charges Collections 2019 compared to 2018



The average collection of Road User Charges in 2019 reached ZMW 204.12 million per month compared to an average of ZMW175.61 million per month collected in 2018. In 2019, Fuel levy averaged ZMW59.27 million per month and the Ports of Entry Collections averaged ZMW55.79 million per month.



Ports of Entry Collections averaged ZMW55.79 million per month

It is noted that Inland Tolls recorded an increase in collections of a monthly average of ZMW44.78 million. The increase is attributed to the increase in the number of new Inland Toll Stations that were operationalized in 2019. Table 32 below presents the monthly collections of RUCs in 2019.

Table 32: 2019 Monthly Road User Charges Collections (K'Million)

CATEGORY	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	AVE/ MONTH
Fuel Levy	45.90	72.70	48.18	49.82	55.76	60.87	64.27	55.21	61.99	63.10	54.44	79.02	711.26	59.27
Tolling- Inland	37.63	33.72	38.46	38.94	41.74	43.61	47.32	50.15	49.61	49.67	51.43	55.12	537.41	44.78
Tolling- Ports of Entry	50.74	51.17	54.55	51.24	57.90	54.79	55.72	57.33	54.59	58.41	62.11	60.93	669.49	55.79
Road Tax	73.64	24.86	37.21	43.56	25.62	40.78	42.51	25.68	36.94	46.72	28.91	84.20	510.63	42.55
Weighbridges	1.16	1.16	1.70	1.42	3.72	1.14	1.50	1.97	1.08	1.42	1.68	2.70	20.65	1.72
Total	209.07	183.61	180.10	184.99	184.73	201.19	211.32	190.34	204.21	219.34	198.58	281.97	2,449.45	204.12

3.2.3 NOTABLE ACHIEVEMENTS

The following were some of the notable achievements attained by the Department during the period under review;

3.2.3.1 Preparation of Unqualified 2019 Financial Statements

The Agency successfully prepared unqualified audited quarterly (04) and annual (21) financial statements for both external and local funding for the year ended 31st December 2019.

3.2.3.2 Preparation of Management Accounts

All Management Accounts for all quarters ended 31st December 2019 were prepared and presented to the Board for approval.

3.2.3.3 Formulate the Road Sector Debt Management Strategy

The Agency commenced in the process of implementing the debt management strategy through activities that included the re-scoping of the financial plan of most Road Sector projects and subsequent implementation using the NAPSA Phase II Loan facility.

3.2.3.4 Resource Mobilization Initiatives

The Agency obtained a medium-term loan facility from NATSAVE amounting to ZMW 500 million out of which ZMW 300 million was drawn down to pay outstanding obligations to mostly routine maintenance contractors that total to approximately 450 contractors.

3.2.3.5 Automation of Payment Systems to Commercial Banks

During 2019, all payments have continued to be channeled through the automated commercial banks systems to ensure real time processing of payments by the Agency.

3.2.3.6 Implementation of the Revenue Assurance Strategy on the Toll Revenue System

As a result of the implementation of this strategy by the Agency, Inland Toll revenues had increased by 49% as at December 2019.

3.2.4 CHALLENGES

Notwithstanding the successes scored during the period under review, some challenges were faced as follows;

3.2.4.1 Delayed Payments

Delayed payments despite sufficient funding from the Ministry of Finance due to debt arrears from prior years. This is also coupled with increased commitments against the approved budget allocation thus resulting in the Road Fund being unable to effectively address the issue regarding debt to contractors.

3.2.4.2 Lack of a Fully Integrated System between FMS and the Contract Management System.

The Financial Management System still remains a standalone system for the Agency that has to be fully integrated to the Contract Management System.



The Agency obtained a medium-term loan facility from NATSAVE



New Manyumbi Toll Gate

4.0 ROAD TOLLING DEPARTMENT

4.1 ROLES AND MANDATE

The National Road Fund Agency (NRFA), through the Road Tolling Department (RTD), is implementing the National Road Tolling Program (N RTP) as a Lead Tolls Agent (LTA) in collaboration with other Sector Agencies namely, the Road Development Agency (RDA) and the Road Transport Safety Agency (RTSA). The key responsibilities of the RTD include planning and coordination of all activities under N RTP, formulation of technical policies and guidelines, implementation of strategies on tolling operations, tolling infrastructure and systems development as well as management. Furthermore, the RTD facilitates regular reviews of the Tolling Legal Framework.

The RTD is also responsible for the collection of Road Toll Revenues and ensuring that the tolling operations are well benchmarked against best Industry Standard Practice including delivery of an efficient and effective service to Road Users.

4.2 TOLL REVENUE COLLECTIONS AND TOLLING OPERATIONS

The implementation of the N RTP has continued to make positive progress as can be seen from the increased number of toll stations in operation and improved performance in collected toll revenues.

In 2019, a total of **K1.2 Billion** was collected against budgeted collection of **K1.1 Billion** from both Inland and Port of Entry Toll Collection points, representing an overall collection efficiency performance of **116%**. These revenues were collected from twenty-four (24) Inland Toll Station and nine (09) Ports of Entry collections points.

The collected amount represents **32%** year on year growth from 2018 where 0.9 Billion was collected. Inland toll collections grew by **54%** from **K350 Million** in 2018 to **K540 Million** in 2019.

Figure 41 below gives a summary of toll revenue collection performance for the period 2014 to 2015 whilst Figure 42 shows the percentage revenue collection contribution per toll station for the twelve (12) month period ending Dec 2019 respectively.

Figure 41: Toll Revenues - Projected vs Actual 2014 to 2019

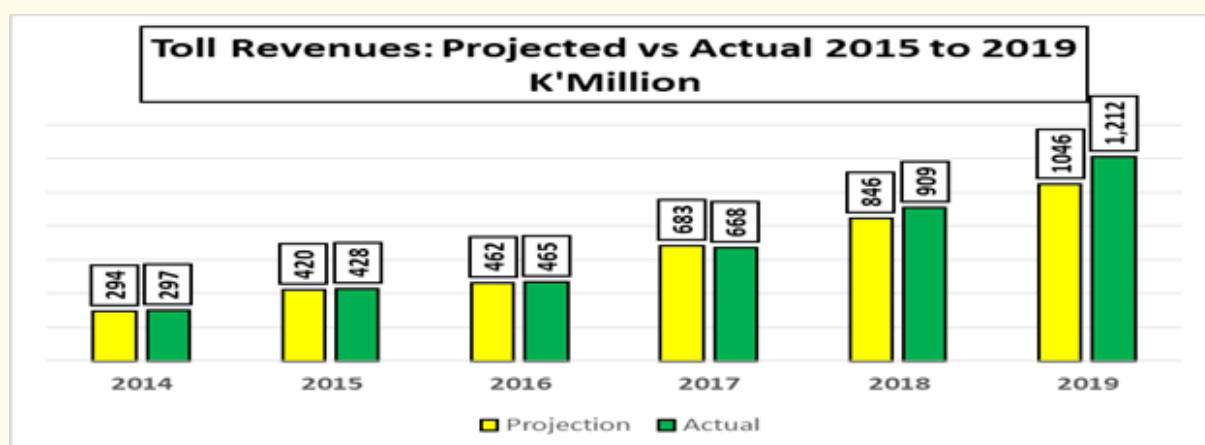
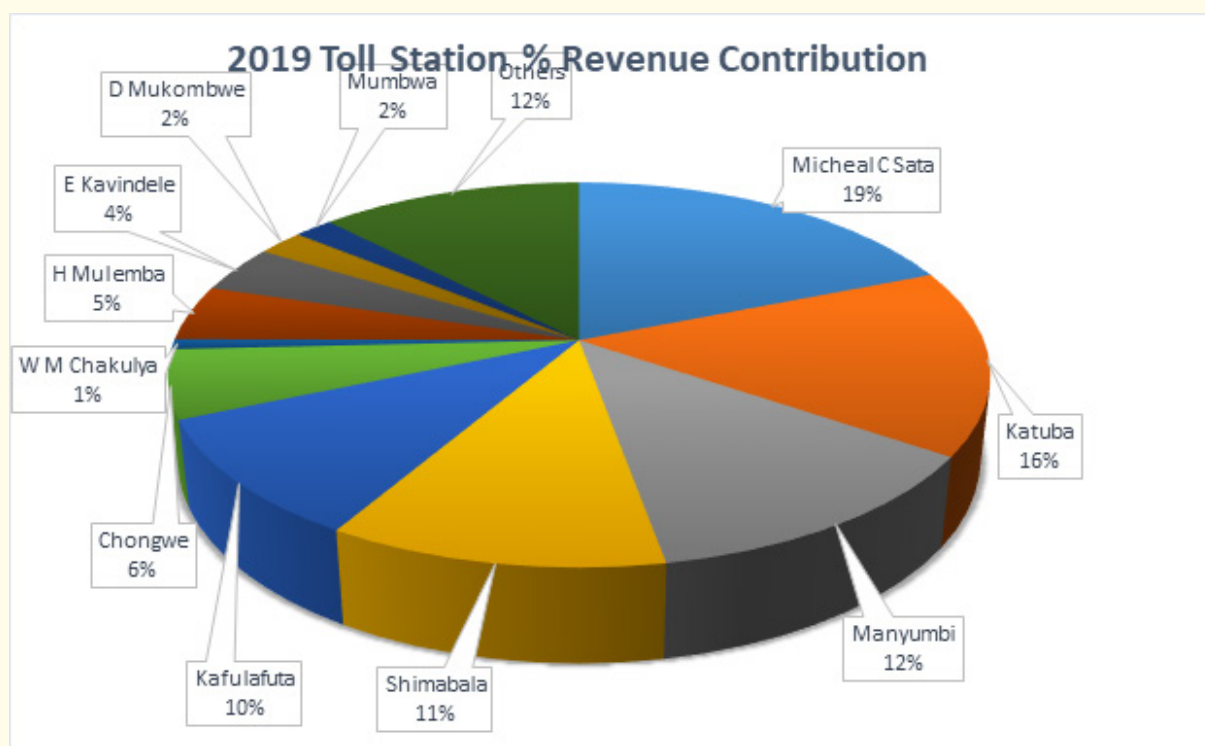


Figure 42: Toll Station Toll Revenue Collection Contribution for period Jan to Dec 2019

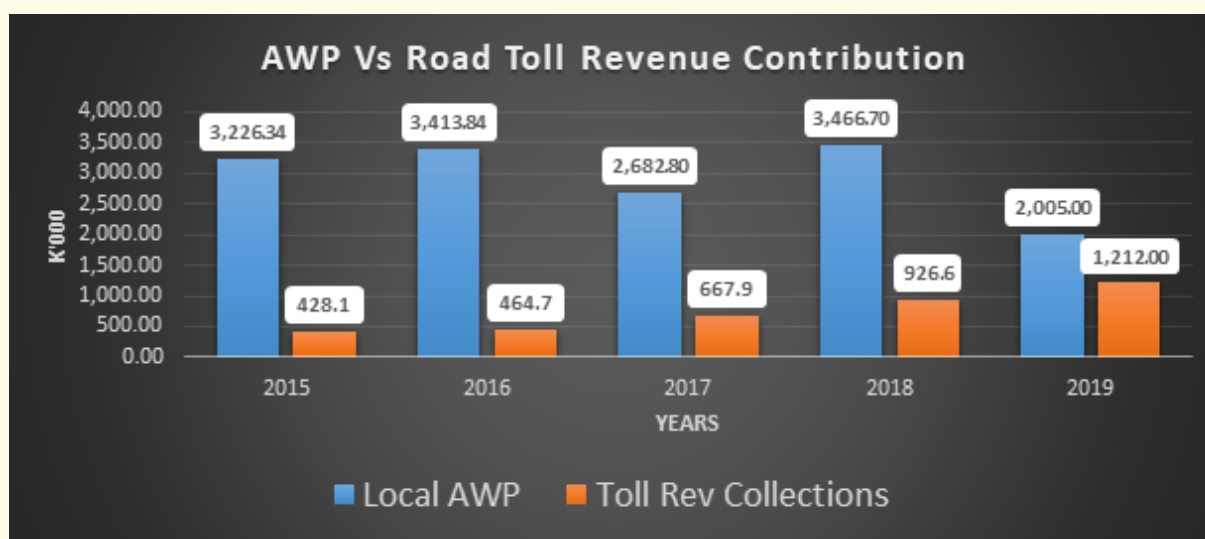


4.3 Road Toll Collections Contribution to 2019 Annual Work Plan

Over the past five years, the contribution of road tolls to the local resource component of the Road Sector Annual Budget has continued to grow, from approximately **13% in 2015** to just about **60% in 2019**, with remaining 40% coming from other Road User Charges.

This growth underlies the significance of the role of Road Tolling Programme in contributing to the delivery of road infrastructure development to the country. Figure 43 below shows the progressive contribution of Road Tolling revenues to the Road Sector local resource component over a 5-year period.

Figure 43: Toll Contribution to AWP Budget (Local) 2015 to 2019



4.3.1 Cashless Toll Collection System

In order to ensure convenience of toll payments for customers, mitigate risks associated with cash handling and improve efficiency in cash management processes, the Agency continued to drive the cashless solution through the Electronic Cashless Toll Collection (ETC) system. A total 1,039,627 transactions worth ZMW116 Million were processed using this platform in 2019. This represented 22% of the Inland toll transaction value.



The cashless platform was rolled out to all twenty-four (24) Inland toll stations, compared to eight (08) out of sixteen (16) in 2018. The number of corporate accounts grew from 28 as at December, 2018 to 84 as at December 2019. The number of cards in circulation increased from 2,500 in 2018 to 10,370 by December, 2019.

The Agency aims to grow the value of cashless transactions from 22% to at least 60% and has since initiated activities aimed at achieving this, including procurement of adequate stocks of affordable E-Toll Cards and close collaboration with Smart Zambia Institute to ensure that the cashless solution met the expectations of Government, road users, fleet operators and the general public.

Further, the development of the bank integration module platform has been finalised is expected to increase uptake and usage of the solution. This will be achieved through partnerships with banks and other digital platforms including mobile money.

4.3.2 Traffic Information

During 2019, a total of **14,125,277** vehicle passages were processed at the 24 inland toll stations, compared to **8, 502, 797** in 2018, representing an increase of **66%**. Out of the above figure, **2,431,542** vehicle passages were processed at discounted rates under the Frequent Road User and Local Road User discount facilities, with 2,032,171 being Frequent User discounts (FUD) whilst Local User Discount (LUD) passages stood at 399,371. The Road User Discounts accounted for 17% of the Total Traffic processed, compared to 16% in 2018.

4.3.3 Control Centre Operations

The central monitoring of operations continued to be carried from the Control Centre at Head Office. This provided assurance of tolling operations and revenue monitoring. Additional

staff members were recruited to strengthen the daily real-time monitoring, resolution of queries, complaints and incidents. The Centre offers both inbound and outbound customer support services. A number of clients under the cashless toll payment platform accessed support services from the centre. Figure 44 below is the control centre in operation.



Figure 44: Control centre in operation

4.4 TOLLING INFRASTRUCTURE DEVELOPMENT AND FACILITY MANAGEMENT

In 2019, an additional 09 Toll Stations were commissioned bringing the number of operational toll stations to 24 from 16 in 2018. The Agency also migrated tolling operations from the temporary facilities at Manyumbi and Kafulafuta to the state of the art and permanent facilities.

The RTD continued monitoring the progress of Toll Plaza construction projects and ensuring that planned toll stations are operational on time so as to enable the NRTP achieve yearly revenue targets. Further, a Maintenance Unit was fully established which ensured seamless toll operations at all toll stations as evidenced during the period of the severe power load management experience in 2019. In addition, the Unit has continued to provide various improvements to tolling infrastructure and the surroundings.

Figure 45 below is a map showing operational toll stations and those under construction as at the end of 2019

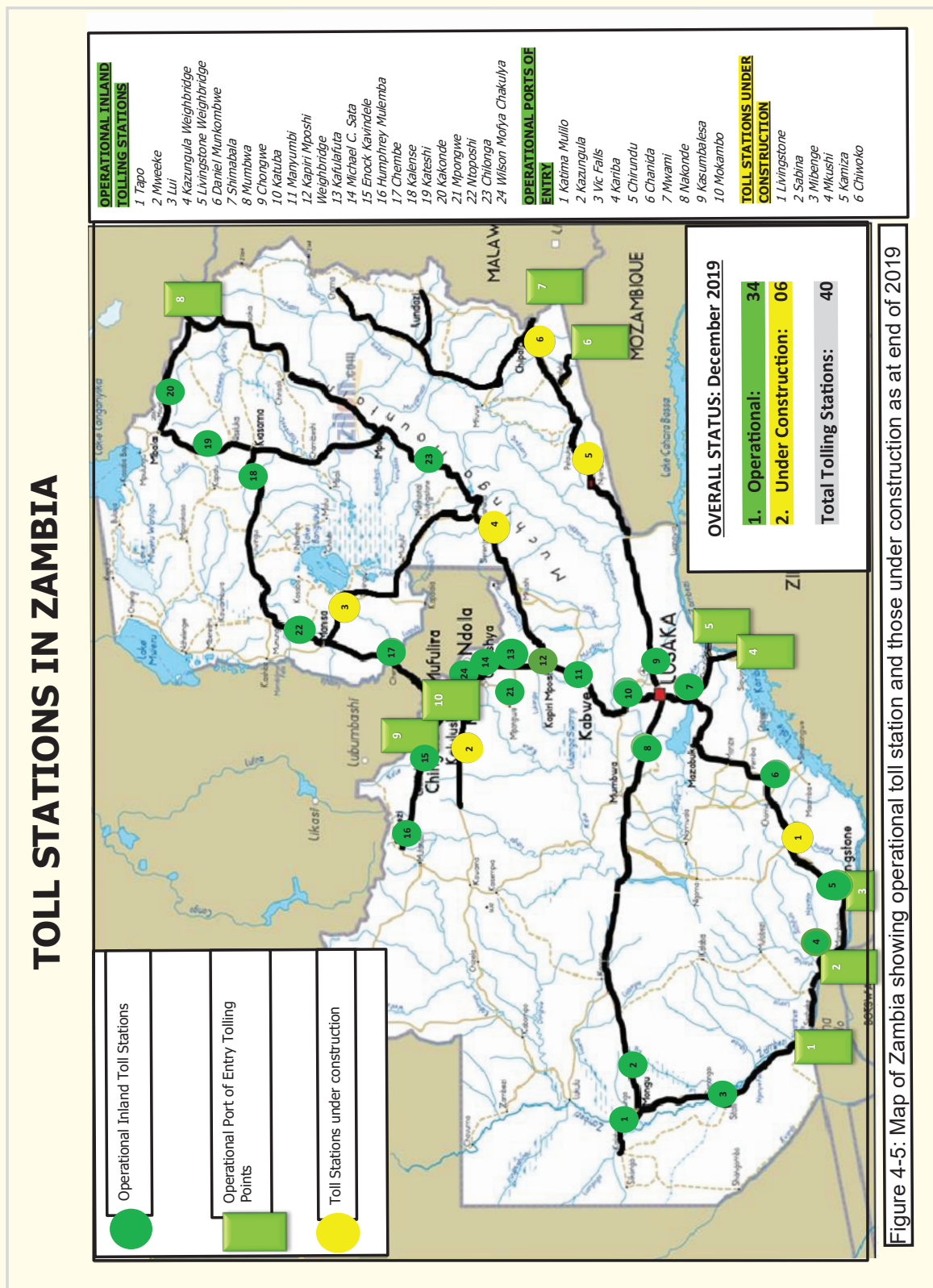


Figure 4-5: Map of Zambia showing operational toll station and those under construction as at end of 2019

4.5 Progress on Construction of Toll Stations

As at 31st December 2019, Six (06) toll stations were at various stages of construction. Table 41 below gives status and expected completion dates of toll stations under construction.

Table 41: Toll Plazas under construction

S/N	Category	Name	Status	Expected Date of Commissioning
1	Class B	Mkushi	Under Construction	Q2, 2020
2		Kamiza	Under Construction	Q3, 2020
3		Chiwoko	Under Construction	Q3, 2020
4		Livingstone	Under Construction	Q2, 2020
5		Sabina	Under Construction	Q2, 2020
6	Class C	Mibenge	Under Construction	Q2, 2020





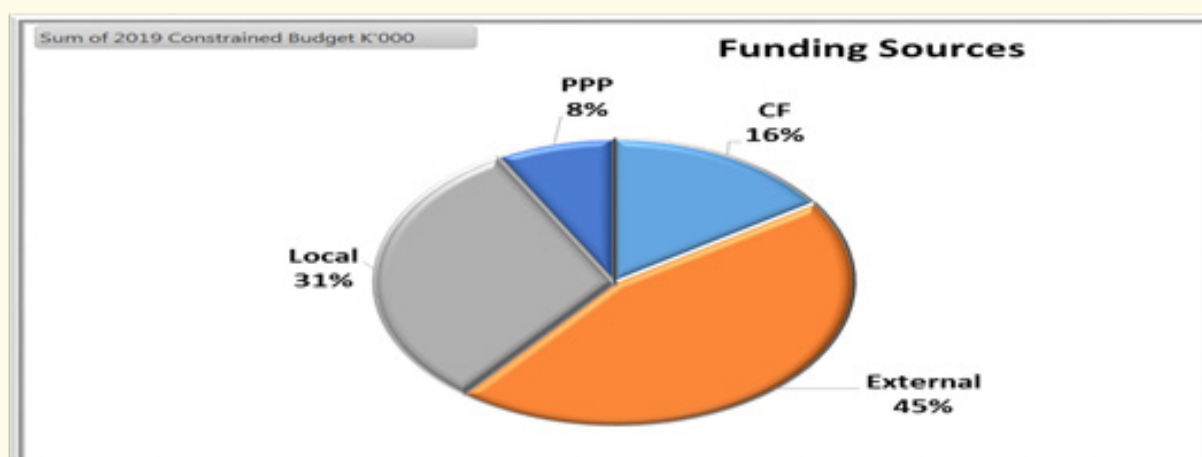
5.0 MONITORING AND EVALUATION (M&E)

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

5.1 Road Sector ANNUAL WORK PLAN

The 2019 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 2019 RSAWP had a total value of **K6.45 billion** comprising 45% external financing (Loans and Grants), 31% from local resources in the form of direct GRZ funding from the Treasury and the Road Fund, 16% Contractor Facilitated Initiative (CFI) and 8% Public Private Partnership (PPP). Figure 51 below shows the funding sources summary for the 2019 RSAWP.

Figure 51: 2019 RSAWP Funding Sources

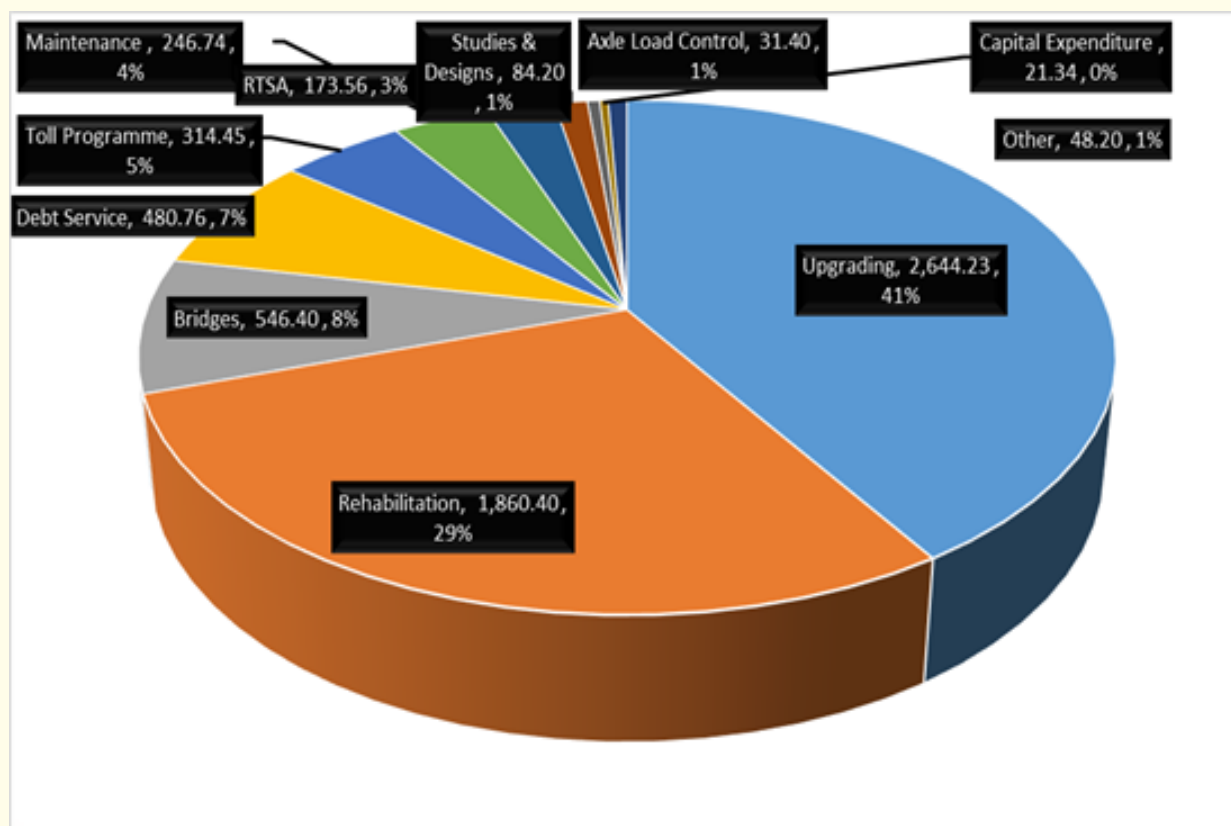


5.1.1 Planning

The 2019 Road Sector Annual Work Plan was driven by the need to provide road maintenance, rehabilitation and upgrading works on the Core Road Network (CRN) in order to preserve, improve and expand the road asset. The 2019 RSAWP also aimed to address other aspects within the road sector such as the Axle Load Control Programme, Road Safety and Transport Services as well as Capacity Building through the various initiatives and skills development programmes.

The implementation of the 2019 RSAWP was expected to translate into increased benefits for the Road Users such as improved road safety, reduced travel time and reduced Vehicle Operating Costs (VOCs) culminating into considerably reduced Road User Costs (RUCs). For implementation agencies reduced Road Agency Costs (RACs) due to a well-maintained road network asset. Furthermore, the implementation would also contribute to other socio-economic benefits such as job creation for many Zambians. The approved budget for 2019 Road Sector Annual Work Plan, was **ZMW6.45 billion** (without NAPSA and NATSAVE facilities) and it covers various interventions as shown in Figure 52 below.

Figure 52: 2019 RSAWP Funding by Intervention



5.1.2 Locally Funded Projects

Table 51 below presents the summary contracts that are financed from the locally generated revenues such as toll fees, fuel levy and road tax. The projects funded include Link Zambia 8000, Pave Zambia 2000, Kazungula Bridge Project and Major economic road projects and bridges.

Table 51: 2020 Road Sector Contracts Summary Table

2020 ROAD SECTOR CONTRACT SUMMARY TABLE								
No.	Description	No. of Projects	Contract Length (Km)	Achieved Length (Km)	Contract Value (K'M)	2019 Variation Orders (K'M) incurred	Certified Amount (K'M)	Balance on Contract (K'M)
1	Link Zambia 8000 Projects - RDA	46	5,225.39	830.00	57,440.44	19,538.92	8,999.01	48,441.43
2	Toll Plazas	3	-	-	195.51	33.30	121.24	74.28
3	Culverts and Crossings	5	-	-	93.53	42.51	48.80	44.73
4	Pave Zambia 2000	8	59.70	0.60	101.86	4.85	45.50	56.36
5	Routine Maintenance-RDA	496	15,845.84	-	992.86	-	360.00	632.86
6	Kazungula Bridge Construction	1	-	-	1,741.85	122.23	1,140.96	600.89
7	Bridges	5	-	-	456.42	46.50	162.49	293.93
8	Weighbridges	3	-	-	120.51	95.55	48.63	71.88
9	Construction Works Contracts under RDA	4	263.00	8.00	520.81	1,174.58	108.31	412.50
10	Periodic Maintenance Projects under RDA	14	1,377.90	554.79	3,873.29	1,174.58	3,010.04	863.25
11	Rehabilitation Projects (Paved) under RDA	10	795.58	373.78	5,785.56	2,429.45	4,225.39	1,560.17
12	Upgrading Projects under RDA	7	547.25	343.00	2,286.06	1,226.19	1,436.14	849.92
13	Consultancy Services - RDA	55	-	-	1,258.76	587.06	923.39	335.38
RDA Sub-Total 1		657	24,114.66	2,110.17	74,867.46	26,475.72	20,629.89	54,237.57
No.	Description	No. of Projects	Contract Length (Km)	Achieved Length (Km)	Contract Value (K'M)	2019 Variation Orders (K'M) incurred	Certified Amount (K'M)	Balance on Contract (K'M)
14	Routine Maintenance - MLGH	16	861.80	-	134.18	-	26.41	107.77
15	Feeder Roads (Unpaved) - Spot Improvement /Periodic Maintenance/Rehabilitation - MLGH	45	2,267.50	-	3,050.49	-	1,110.10	1,940.39
16	URBAN ROADS PROGRAMME - (Paved) - Periodic Maintenance/Rehabilitation/Upgrading/New Construction - MLGH	33	541.23	-	4,466.24	249.00	643.94	3,822.30
17	Consultancy-MLGH	14	-	-	190.09	77.49	70.07	120.03
MLGH Sub-Total 2		108	3,671	-	7,841	326	1,851	5,990
GRAND TOTAL		765	27,785.19	2,110.17	82,708.47	26,802.21	22,480.40	60,228.07

5.1.3 Externally Funded Projects

These are projects that are financed by Cooperating partners, such as the Package 3 Kazungula Bridge Project, Turnpike-Mazabuka funded by ADB, Chinsali-Nakonde Lot 1&2 also funded by ADB and the Improved Rural Connectivity Project (IRCP) projects funded by the World Bank, Lusaka 400 Phase II and Phase III, Zambia Township roads on the Copperbelt, Chinsali-Nakonde road Lot 1&2 and Lusaka Decongestion by Afcons under Ministry of Local Government. Table 52 below presents the summary of the Foreign ongoing contracts.



Kazungula Bridge Project

Table 52: Externally Funded Contracts converted to Kwacha

Intervention	No. Projects	Contract Length (Km)	Achieved Length (Km)	Initial Contract Sum (K'000)	Revised Contract Sum (K'000)	Variation Orders (K'000)	Amount Certified (K'000)
Consultancy	9	366	-	40.69	302.80	262.11	241.97
Kazungula Bridge	1	-	-	263.67	263.67	-	132.22
L400P2	1	146	172	-	241.18	241.18	482.36
L400P3	1	116	35	-	241.11	241.11	482.21
OSBP	1	-	-	112.38	106.64	(5.74)	43.05
Rehabilitation	10	572	269	3,275.57	10,744.47	7,468.90	589.87
Upgrading	2	443	441	3,107.96	3,342.79	234.83	2,520.85
Zambia Township Roads	1	152	87	232.23	232.23	-	232.23
Lusaka Decongestion	1	95	20	4,047.48	4,243.42	195.94	2,702.00
Ndola Urban Roads	1	43	43	770.00	889.09	119.09	756.00
Total	26	1,795	1,003.71	7,032.49	15,474.89	8,442.39	4,724.77

5.2 Monitoring

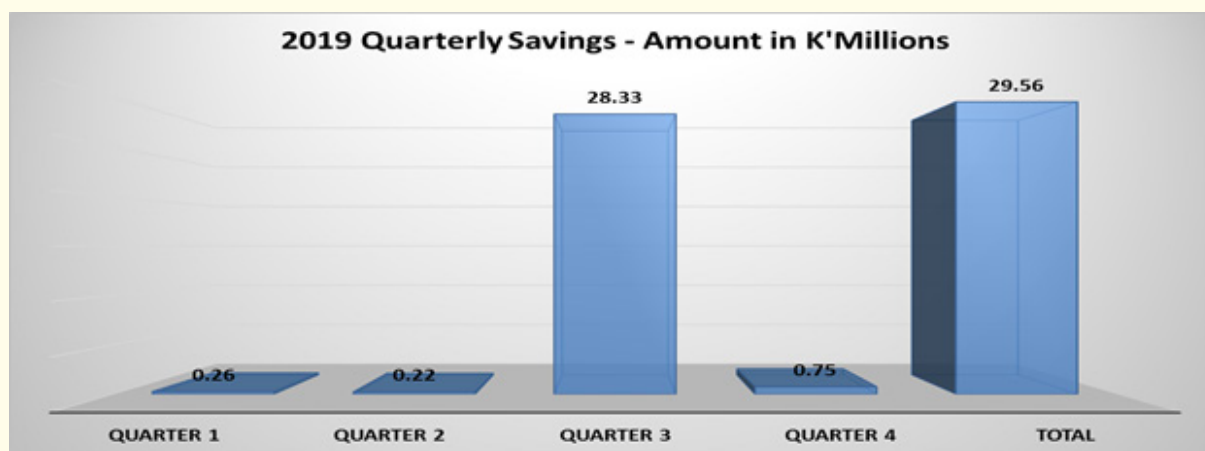
5.2.1 IPC Processing

As part of the process of checks and balances, various IPCs were adjusted during the routine IPC processing resulting into savings due to various reasons such as; mathematical errors, unsubstantiated and overstated quantities, withheld payments due to observations made during inspections and failure to provide required documents as claimed for in the Bills of Quantity.

A total number of **2,134** Interim Payment Certificates (IPCs) were processed in Q4 2019

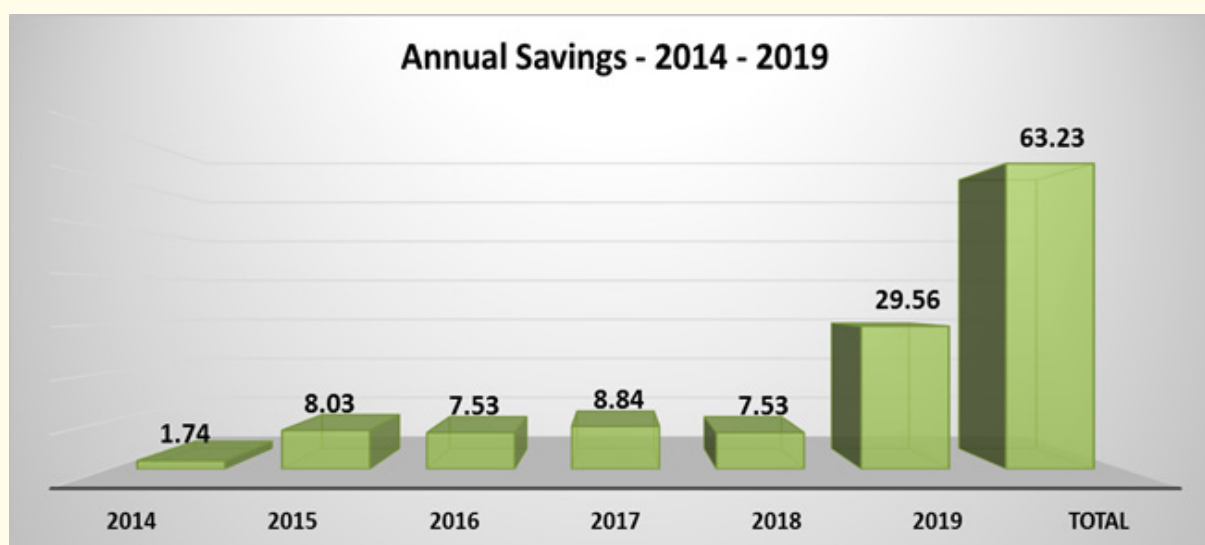
valued at **ZMW1, 398.51 million** compared to **1,389 IPCs** processed in Q3 valued at **ZMW840.28 million**. For the period under review, the Agency recorded a total savings of **ZMW29.56 million** as presented in Figure 53 below.

Figure 53: 2019 Quarterly Savings



It should be noted that from 2014 to 2019, NRFA recorded cumulative savings of approximately **ZMW63.23 million** through the IPC Certification process as tabulated in Figure 54 below.

Figure 54: Summary Savings from 2014-2019



5.2.2 Field Inspections

This activity involves scheduled and random physical checks to monitor and verify quantities, quality, safety and general progress on the selected programmes, projects and related activities. This was done jointly with the implementing agencies or/and other related stakeholders. During inspections mainly visual observations, measurements and in some cases basic tests were conducted. Inspections also allow NRFA to pick-out projects that may need further investigations through detailed technical audits. During the period under review, a total of One Hundred and Twenty-Seven (91) projects were inspected across the country.

5.3 Evaluation

5.3.1 Technical Audits

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

5.3.2 In House Technical Audits

The Department undertook two technical audits in 2019 and these included Pedicle Road – Copperfield Mining Services in Luapula Province and 10Km Chingola-Solwezi Lot 3 – Swift Cargo (China Geo) in North-Western Province. The Audits revealed a number of issues concerning the quality, workmanships, supervision and the overall contract management. Funding recommendations were made to the implementing Agency for further review and action in relation to the affected sections of those roads. This led to the Road Sector making savings of **ZMW5.9 million**.

5.3.3 Outsourced Technical Audits

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 programme took eight (8) months to complete which was a Lump Sum contract payable on deliverables.

The Final Report was submitted in December 2018 and the stakeholder's workshop on findings of the Technical Audit by the consultant was held in quarter one (1) 2019. NRFA had been following up in 2019 to ensure that the consultants' recommendations were being considered by Implementing Agencies.

5.3.4 HIV/AIDS Activities Assessment

Cross cutting issues such HIV/AIDS activities are mainstreamed in road contracts to cater Environmental issues in the project areas. The Agency takes these issues seriously monitors the activities in all major contracts. For the period under review, NRFA carried out HIV/AIDS activities monitoring on the Turnpike to Chikankata road project which has an HIV/AIDS component of a contract sum of **ZMW647, 633.70**. The contractor engaged the District Aids Task Force (DATF) under the Chikankata District Council to execute the activity. The department in liaison with Implementing Agencies continues to monitor the HIV/AIDS component in the IPCs ensuring that the HIV/AIDS activities monitoring reports are attached to show that the action on component was undertaken.

5.3.5 Desktop Evaluation

The analysis taken in 2019 report comparing the initial contract sums against the revised contract sums on Road Sector projects showed that the contract sums were increasing tremendously due to lack of funding and thus allowed the Extension of Time for the projects. Another reason to the increase in the contract sum was due to change of project scope which favored mostly additional works.

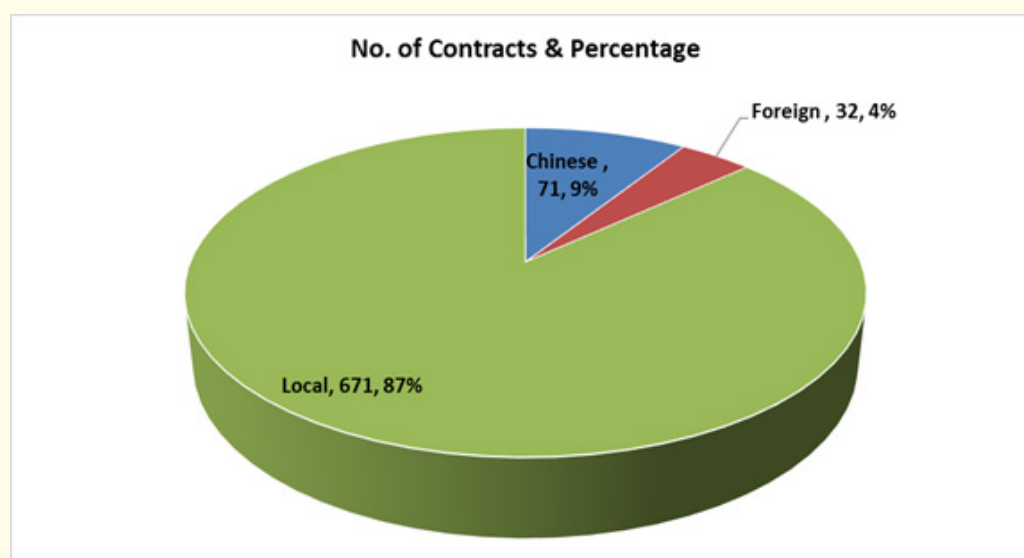
A good example for this scenario is the Link Zambia 8000 project which had seen an increase

in the contract sums for **41** ongoing projects. The initial contract sum was **ZMW24.48 billion** but had increased to **ZMW43.55 billion** with a variation of **ZMW19.13 billion**. Other Annual Work Plan projects had the contracts sums increase from the initial **ZMW18.67 billion** to **ZMW22.19 billion** having a variation increase of **ZMW3.62 billion**.

5.3.6 Analysis of Contract Allocation Local and Foreign

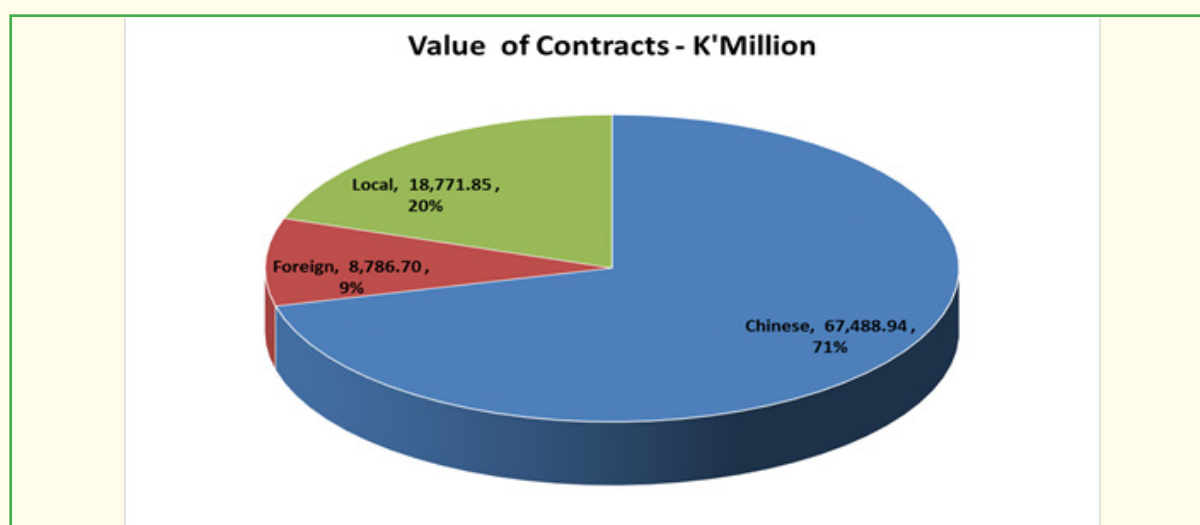
For the period under review an analysis for contract allocation for local and foreign contractors was undertaken. At the time of the analysis, it was observed that a total of **774** contracts were on-going. For these contracts, **671** were being executed by local contractors while **71** contracts by Chinese contractors and **32** contracts by other foreign contractors representing **87%** for local, **9%** for Chinese and **4%** for foreign contractors respectively as shown in Figure 55 below.

Figure 55: Number of Contracts & Percentages



However, in terms of the value of contracts, **ZMW18.77 billion** was allocated towards the **671** contracts executed by Local Contractors, **ZMW67.49 billion** went to Chinese contractors with **71** contracts and **ZMW8.79 billion** towards **32** contracts by foreign contractors representing **20%** for locals, **71%** for Chinese and **9%** for foreign contractors as presented in Figure 56 below.

Figure 56: Value of Contracts



5.3.7 Value for Money (VfM)

Ascertaining *value for money* on all projects being funded by Government through the National Road Fund Agency continues to be a primary focus in the road sector. In the year under review, much as has been the practice in previous years, several projects were subjected to a detailed evaluation in order to establish the extent to which the Government is obtaining **value for money**. Preliminary Negotiation with Contractors for Re-scoping of Road Works 26 contractors turned up for the meeting. The initiative was to re-scope the stalled projects due to lack of funds from bituminous standard to all weather graveled roads (OPRC type of contracts). 80% were agreeable to the re-scoping initiative. During the period under review, a report had been prepared for management and Committee of Chairpersons for review and consideration.

6.0 INTERNAL AUDIT

6.1 Roles and Mandate

The Internal Audit department derives its mandate from the Board approved Internal Audit Charter. The Charter is a formal written document that defines the purpose, authority and responsibility of the department. 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. The 2017 – 2021 Strategic Plan envisions 'A Sustainable Road Fund', this entails, having effective internal control and risk management systems in place for the achievement of set targets, goals and/or objectives.

6.1.1 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.

6.2 Activities Undertaken During the Year

The main activities undertaken during the year included:

6.2.1 Quarterly Internal Audit Reviews

The main objective of these audits was to ensure that the Agency was in compliance with both internal procedures and various pieces of Government pronouncements and legislation that affect its operations such as the Public Finance Management Act of 2018, the Tolls Act

No. 14 of 2011 and the Public Procurement Act No. 12 of 2008 and all underlying Statutory Instruments. All the scheduled audits were completed and Internal Audit Reports were issued and approved by the Board. In addition, a quarterly Action Taken Report (Control log) of Auditor General, External and Internal Audit observations and recommendations were prepared and updated ensuring that all management commitments and resolutions of audit queries were constantly tracked.

6.2.2 RDA Force Account Works (Applications and Retirements)

Each year, a provision for Force Account works is made in the AWP which are meant to cater for emergency repair works. These funds were disbursed by NRFA (on an imprest basis) after applications for specific works are received from the RDA. 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 K49.1m were made while acquittals of K25.3m were received with the balance to be retired once works are done. These acquittals were subjected to the NRFA internal audit process for clearance while ensuring that the funds being retired were actually applied on the works initially applied for.

6.2.3 Procurement Audit

Quarterly procurement audits to ensure that NRFA is in full compliance with the Public Procurement Act No. 12 of 2008 and all circulars issued by the Zambia Public Procurement Authority were carried out. The audits covered all major procurements and Audit noted significant improvements in the timely submission of the 2020 Annual Procurement Plan and the 2019 Quarterly Progress Reports.

6.2.4 Pre Audit Review of Payments

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

6.2.5 Audit of Tolling Operations



Tolling operations were audited

The main objective of these audits was to ensure that the Agency was in compliance with both internal procedures, the ministerial statements 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. Thirty-nine audits were done against a target of 32 and these covered operational procedures, internal controls, review of systems and substantive tests on revenue collections. In the first quarter of 2019, Internal Audit started using ACL software (essentially for data analytics and audit documentation) which resulted in higher efficiency levels as the time taken to audit stations were on average reduced by about 15 hours. Recommendations on improvements to the system and operations were made and adopted for implementation by Management.

6.2.6 Special Audits

The department undertook ten special tolling operations audits during the year as requested by Management. Major areas covered included tolling operations.

6.2.7 Audit Software

As part of the audits undertaken on the various operations of the Agency, the system controls formed part of the scope to ensure major control weaknesses were identified. The systems audited included the Sun IV and the tolling operations systems. The Recruitment of an ICT Manager resulted in the resolution of a number of audit issues and greater automation of some basic operations/processes.

6.2.8 Audit of Sun VI Accounting Software

As part of its mandate, the department undertook quarterly risk management reviews to ensure that management has put in place adequate procedures for identifying and mitigating the effects of all identified risks. These were included in the departmental quarterly report to the Board.



ASAFG members during an exchange programme

7.0 PUBLIC RELATIONS

7.1 Roles and Mandates

The Public Relations Unit is the interface between the Agency and its various stakeholders. The Unit develops and implements a communication strategy to enhance the Agency's corporate image. During the period under review, Public Relations activities were informed by the Fourth Perspective in the Strategic Plan of Stakeholder Satisfaction and the First Objective of Exceeding Stakeholder Expectations by bolstering and communicating a healthy and positive brand outlook to win public confidence and support.

7.2 Key Activities Undertaken in 2019

7.2.1 Toll Visitations by various interest groups

During the period under review, Road Tolling facilities across the country were opened up to various interest groups to undertake conducted tours of selected Toll Gates and appreciate how tolls were collected, banked and disbursed as well as the available internal systems and controls. These tours were widely publicized for the information and appreciation of various stakeholders. Among the interest groups that undertook conducted tours of Toll facilities included the following:

- a. Media tour of Shimabala Toll Gate
- b. Bank of Zambia Governor tour of Shimabala Toll Gate,
- c. Parliamentary Public Accounts Committee (PAC) tour of Katuba Toll Gate.
- d. Smart Zambia Institute tour of Katuba Toll Gate
- e. Engineering Institution of Zambia and the Economic Association of Zambia tour
- f. Zambia Chamber of Commerce and Industry (ZACCI)

All the various interest groups above appreciated the systems and controls installed at the road tolling operations with Smart Zambia Institute National Coordinator Dr. Martine Mtonga assuring the general public that the NRFA was working hand in hand with the Smart Zambia to integrate all electronic tolling systems for enhance operations and efficiencies at all Toll Gates across the country.



*NRFA Director/CEO
Eng. Wallece Mumba
(Right) converses
with BoZ Governor
Dr. Denny Kalyalya
after BoZ's tour of
Shimabala Toll Gate*



A ZACCI delegation poses for a photograph after touring Shimabala Toll Gate



Hon. Howard Kunda, MP, PAC Chairperson speaks to the media after his committee conducted a tour of Katuba Toll Gate



NRFA Director/CEO Eng. Wallece Mumba (Right) with Eng Sydney Matamwandi EIZ President (c) and Dr. Lubinda Haabazoka EAZ President (l) during a conducted tour of Shimabala Toll Gate

7.2.2 Joint Road Safety Publicity activities with RTSA

Joint road safety publicity activities were undertaken with the Road Transport and Safety Agency (RTSA) in the wake of the many road carnages on the major highways. Toll Gates were also used as a platform for road safety sensitization and check points. This activity was publicised in the mainstream media.

7.2.3 Corporate Social Responsibility

Publicity activities were undertaken on Corporate Social Responsibility activities undertaken by staff at various Toll Gates and the Head Office in Lusaka out of their personal initiatives and financial contributions as follows:

- i. Enock Kavindele Toll Gate: staff initiated a programme dubbed 'Feed a Child Programme' where 200 children from a Government school George Mwelwa Primary School situated less than a kilometer away from the Toll Plaza benefitting from donations of various food stuffs. Another programme, 'Sponsor a Child Initiative' was undertaken where 21 vulnerable children were picked for sponsorship by members of staff. The initiative was to ensure that the chosen children were sponsored financially by paying their School fees.
- ii. Michael Chilufya Sata Toll Gate: staff at the Toll Gate donated food stuffs and other items to Mitanda Home for the Aged in Ndola, and took time to clean the premises.
- iii. Lui Toll Gate: Staff composed an NRFA song on the benefits of road tolling, the available discounts as well as discouraging corruption and fraud.
- iv. Staff from the Agency Head Office donated various items worth K20, 000 to the Disaster Management and Mitigation Unit for flood victims across the country.



*NRFA staff clean up
Mitanda Home of the
Aged in Ndola*

7.2.4 Exchange Programme – Malawi Road Fund Administration

During the period under review, the Malawi Road Fund Administration requested that its Public Relations Officer be attached to the NRFA on an exchange programme to get on the ground knowledge and experiences on how the Agency had managed stakeholder relations before, during and after Road Tolling commenced in Zambia.

The Public Relations Officer from Malawi was attached to the Agency from 5 – 8 June 2019 during which time he was briefed on the operations of the road sector in Zambia in general and the NRFA in particular with respect to stakeholder management. He also witnessed the commencement of road tolling at the Daniel Munkombwe Toll Gate between Batoka and Choma.

7.2.5 Awareness Campaign on Commencement of Road Tolling

Public awareness campaigns were conducted ahead of road Toll commencement on at Mweke Toll Gate, between Kaoma and Mongu, Tapo Toll Gate, between Mongu and Kalabo, and Lui Toll Gate, between Senanga and Sesheke. Other new stations included Daniel Munkombwe Toll Gate between Batoka and Choma, Enoch Kavindele Toll Gate between Chingola and Solwezi on 27th June 2019, Ntoposhi, between Mansa and Chipili, Chilonga between Serenje and Mpika, and Mpongwe on the Luansobe Mpongwe Road. The respective awareness campaigns were publicized in the mainstream media and various community radio stations.

The Zambia News and Information Services (ZANIS) were engaged to conduct mobile Public Announcements on Local and Frequent User Discounts, alongside face to face sensitisations with motorists.

Further, courtesy calls were paid on the local and traditional leadership to appraise them

on the National Road Tolling Program in particular, and the benefits of the program to the local community.



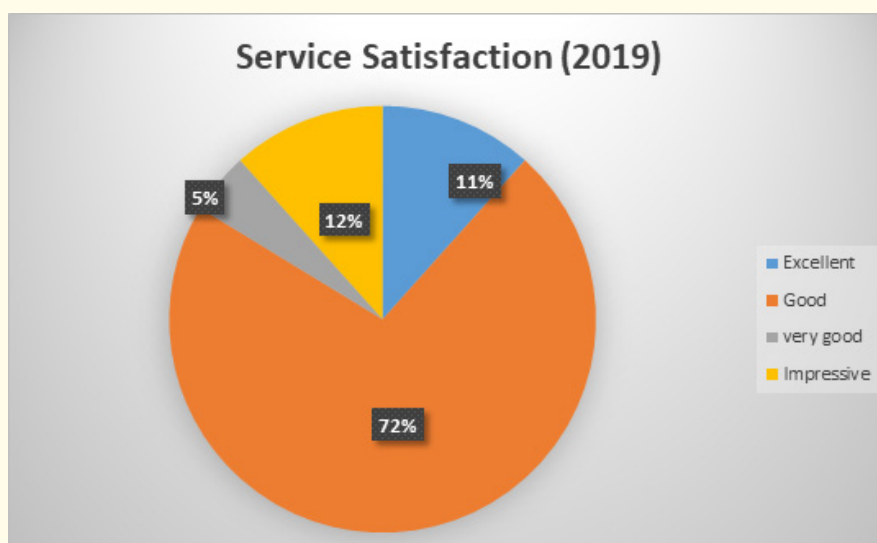
Mpongwe Simplified Toll Gate in readiness for Tolling

7.2.6 Shows and Exhibitions

7.2.6.1 Zambia International Trade Fair

The Agency participated at the 2019 Zambia International Trade Fair in Ndola, held under the theme, ***Inclusive Growth through Entrepreneurship*** from the 26th June to the 2nd of July 2019. During this period the Agency had 68 documented stand visitors who signed and left comments in the visitor's book. Their satisfaction rating of the Agency's stand is as shown in Figure 71 below:

Figure 71: 2019 Service Satisfaction



7.2.6.2 Lusaka Agricultural and Commercial Show

The Agency participated at the 2019 Lusaka Agriculture Show, held under the theme, **Embracing Industrial Development** from the 31st July to the 5th of July, 2019 and scooped the third price in the **Transport Category**.



Agency scooped third price in the Transport Category

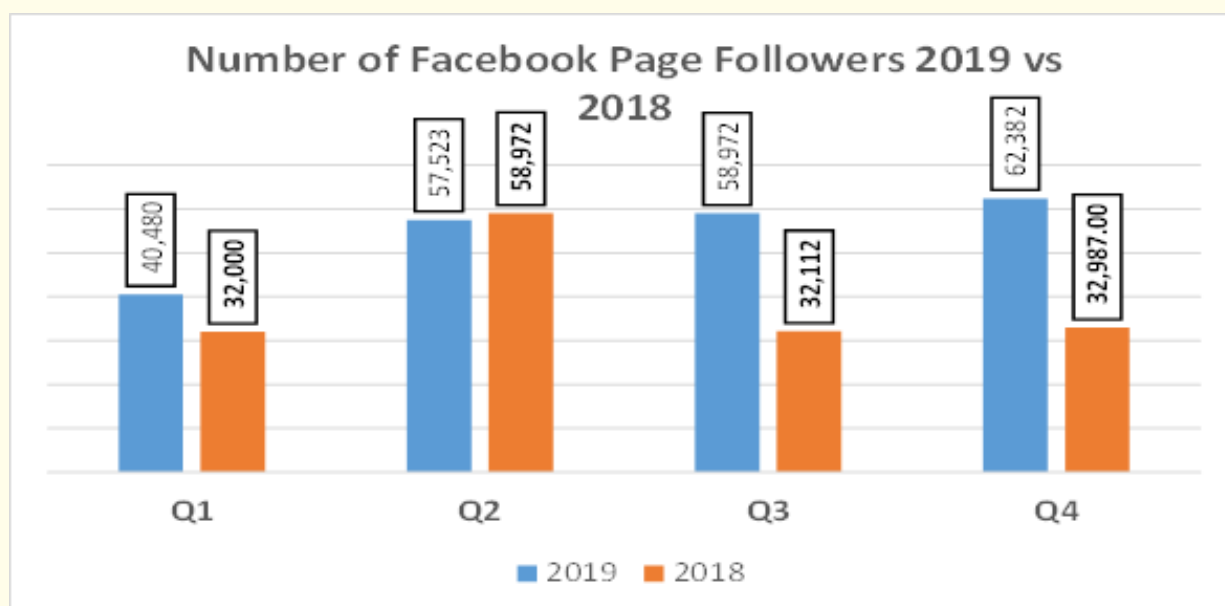
Stand visitors gave feedback on the Agency's services and this information was used to determine the public's satisfaction in service delivery. Of those who gave feedback, 71% expressed satisfaction on the roll out of the Road Tolling Programme, while 29% called on the Agency to improve in some identified areas, particularly with regards to the quality of road works.

7.2.6.3 Facebook Page, Website and Help Desk

The Agency's Facebook page accumulated a total number of 62,382-page followers (likes) during the period under review as shown in Figure 72 below. The social platform continued to work as a feedback mechanism to closely interact with the public and disseminate information. The website recorded an average daily user count of 51 and a monthly average of 1,200 page views.

A Help Desk was created to address concerns by road contractor and consultants.

Figure 72: Facebook Page Likes Followers 2019 against 2018



7.2.6.4 Media Coverage and Publications

During the period under review the Agency appeared in the media (both print and electronic) 200 times, through articles in newspapers, interviews on radio and television with no adverse media coverage.

Publications which included the Tolling News, Annual Report, Calendars and Diaries were produced and distributed to various stakeholders.

7.3 OUTLOOK FOR 2020

The Public Relations Unit, will, in 2020 upscale its activities in support of the Agency's mandate of Resource Mobilisation, Fiduciary Management of the Resources and ensuring Value for Money.

8.0 PROCUREMENT

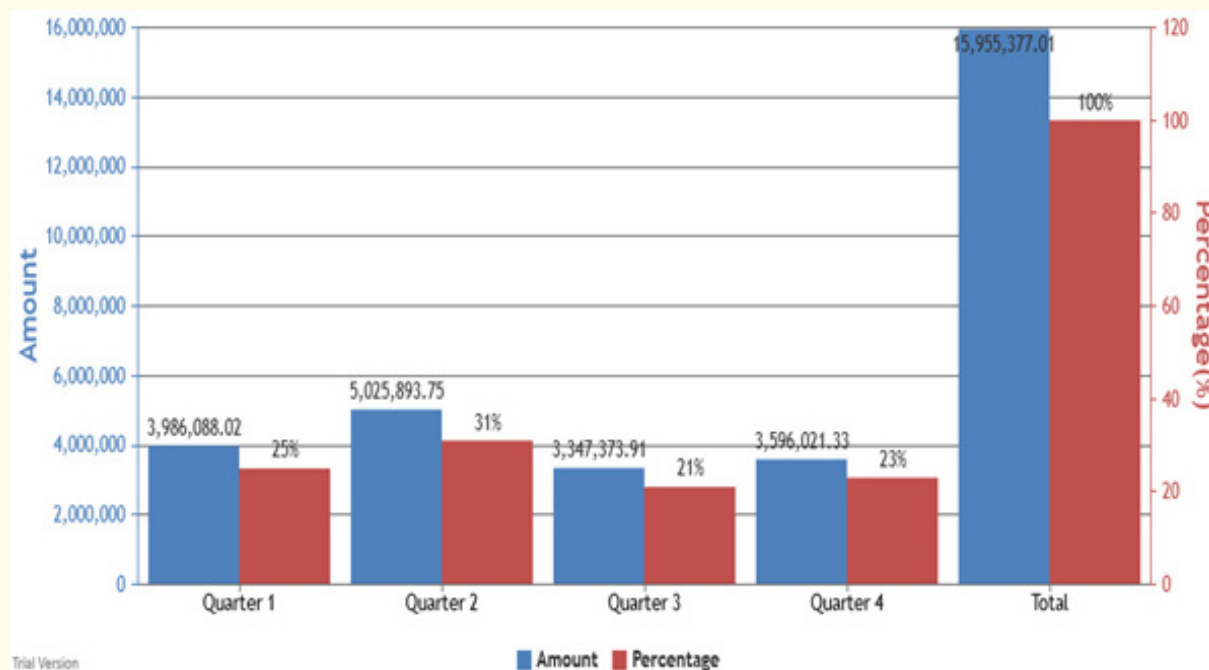
8.3.1 Roles and Mandates

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 African Development Bank (AfDB).

8.3.2 Procurements Made During the Year

The total costs of Local Purchase orders issued in 2018 amounted to **ZMW15, 171,523.99**, whilst the total costs of Local Purchase orders issued in 2019 amounted to **ZMW15, 955,377.01**. Figure 73 below indicates the percentage of Procurements carried out from Quarter 1 to Quarter 4 of 2019.

Figure 73: 2019 Procurements



8.3.3 Value for Money

A total of Two Hundred and Fifty (250) Local Purchase orders were issued in 2019 while Fifty Four (54) Local purchase orders were issued in 2018 showing an increase in the total number of purchases but a reduction in the value of purchases showing an improvement in the value for money achieved through efficient procurements.

9.0 CORPORATE SERVICES

9.1 Roles and Mandate

The Corporate Services Department exists to render comprehensive Human Resource and Administrative functions to the Agency in order to promote the welfare of all National Road Fund Agency employees and enhance service delivery. The Department ensures that the Agency captures the full value in all its operations through provision of cross functional areas of Human Resource Management, General Administration, Information, Communication and Technology (ICT), facilitating for Board Affairs, legal matters, Integrity Committee programs, and the African Road Maintenance Funds Association (ARMFA).

In executing its duties, the Department is guided by various policy documents among them being the 2017 – 2021 Strategic Plan which is anchored on Ten (10) Strategic Objectives. In 2019, the Department worked to contribute to the realization of these Strategic Objectives by undertaking the following activities during the period under review.

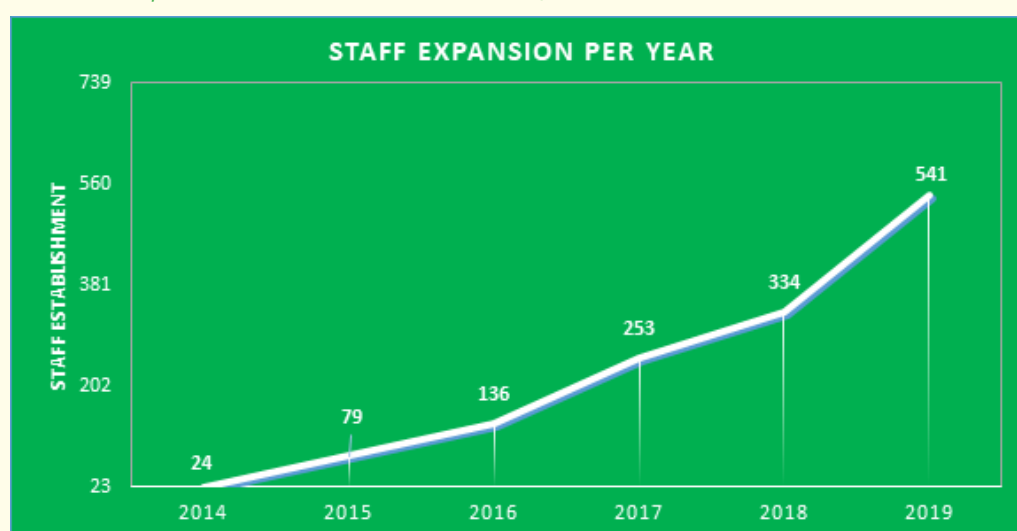
9.2 Human Resources Management

The Department facilitated for a conducive working environment hence the Agency did not record any industrial unrest during the period under review.

9.2.1 Staff Compliment

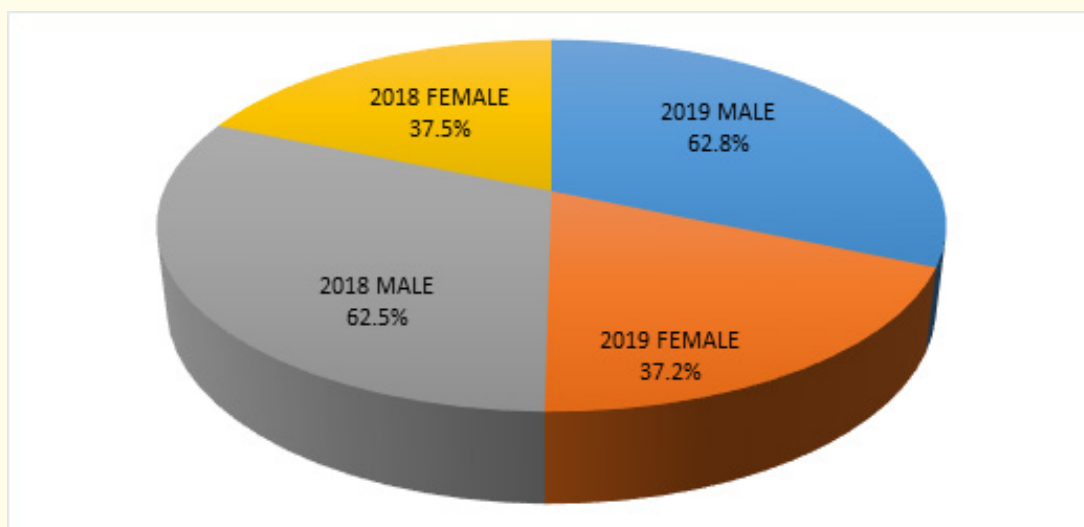
The year 2019 closed with a total staff compliment of Five Hundred and Forty-One (**541**) compared with 2018 at Three Hundred and Forty-Four (**344**) representing a 26.7% growth rate. With an approved structure of Seven Hundred and Thirty Nine (**739**), the staffing variance is One Hundred and Ninety Eight (**198**) owing to the Toll Stations that are yet to be constructed and operationalized as the majority of these positions are for Toll Collectors, a position which is being filled as and when the Toll Stations are being opened Countrywide.

Figure 81: Staff Compliment as at 31st December 2019



Of the total staffing levels, **201** are females representing **37.2%** while **340** are males at **62.8%** recording a marginal decrease of 0.3 % in the number of females compared to the year 2018 when the females were **37.5 %** while male employees were **62.5%** of the total work force. Staff Compliment by gender is presented in Figure 82 below:

Figure 82: Staff Compliment by Gender



9.2.2 Staff Recruitment

The Agency has continued contributing to the creation of job opportunities in the Country by employing a total of One Hundred and Ninety-Seven (197) new employees. The job opportunities were created following the Commencement of Tolling operations at Daniel Munkombwe, Enock Kavindele, Wilson M. Chakulya, Chilonga, Mpongwe, Lui, Tapo, Mweeke and Ntoposhi Toll Stations.

The continued implementation of the revised Organizational Structure which was approved and effected on 1st October 2018 also contributed to the creation of these job opportunities.

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

9.2.3 Staff Turnover

There were Eighteen (18) staff separations during the year 2019 as indicated in the Table 81 below.

Table 81: 2019 Staff Separations

No.	Mode of Separation	No. of employees
1.	Resignation	6
2.	Dismissal	10
3.	Death	1
4.	Non-renewal of contract	1
Total		18

The above staff separations represented an overall turnover of **3.3 %** in the year 2019, against a staff turnover of **2.9%** in 2018.

9.2.4 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 uphold the highest standards of discipline and abide by the espoused values of the Agency.

However, in the event that some members of staff are found wanting, disciplinary measures are undertaken as prescribed in the Agency's Disciplinary and Grievance Procedure. During the period under review, a total of ten (10) disciplinary cases were handled.

9.2.5 Employee Satisfaction Survey



Staff satisfaction surveys were conducted

The department developed and administered a questionnaire in order to conduct and assess employee levels of satisfaction with regards to various human resource and operational processes of the Agency. This was done in line with the implementation of the 2017 - 2021 Strategic Plan.

During the 2019 survey 79% of respondents indicated that they were satisfied with the Agency operations.

9.2.6 Staff Training

During the year 2019, the Department facilitated for the Continuous Professional Development of employees who attended various capacity building trainings, symposiums, and Annual General Meetings (AGMs) of their respective professional bodies preceded by workshops and other trainings. Table 82 below shows some of the training courses that various employee cadres attended:

Table 82: 2019 Staff Training

No.	Employee	Training/course attended
1.	Capacity building for Accounting and Procurement staff implementing the Improved Rural Connectivity Project (IRCP)	Training programme in Project Management for Donor Funded Projects
2.	Engineers - Monitoring and evaluation	Country-focused training: Bridge maintenance capacity building project phase II – JICA.
3.	Engineers - Monitoring and evaluation	Project Management Professional (PMP) Regional bootcamp
4.	Procurement Committee members	Electronic Government Procurement
5.	Accounting and Auditing	International Public Sector Accounting Standards (IPSAS)
6.	Tolling	Identification of Counterfeit Money training
7.	Board of Directors and Senior Management	Corporate Governance Conference
8.	Tolling	The International Bridge Tunnel and Turnpike Association (IBTTA) Global Tolling Summit.
9.	Toll Station Supervisors	Management and Supervisory skills
10.	Newly appointed employees	Fire-fighting management and basic First Aid skills training.
11.	Integrity committee	Anti – corruption and fraud issues
12.	Kaizen teams	Quality improvement

9.2.7 Implementation of the Kaizen Programme

During the period under review, the Kaizen Institute of Zambia was engaged to assist the Agency in developing and implementing a Work Culture Re-modelling Programme. The main focus of the programme is to establish quality control performance indicators and enhance organizational communication. To this effect, the implementation of the programme commenced in a phased approach with the appointment of focal point persons who attended orientation trainings. This was implemented at Katuba, Chongwe, and Shimabala Toll Stations.

9.2.8 Policy Review and Formulation

The Agency, in its operations, is guided by various Policy documents. Overtime, some of the policies have become outdated, while others have not been responsive to the current legal provisions. The enactment of the Employment Code Act No.3 of 2019 made it imperative for the Agency to conduct a review of its existing policy documents as well as develop new policy documents in order to comply with the law.

9.2.9 Participation at National Events

As part of its team building activities, the Agency participated in various National Events

such as:-

- a. International Youth Day;
- b. International Labour Day Celebrations;
- c. Independence day;
- d. International World AIDS Day; and
- e. International Anti-Corruption Day.

9.2.10 Implementation of the Awards and Commendation Policy



Staff at Lui Toll Gate in Western Province received the Director's Award

A colorful Awards and Commendation Ceremony was held on 20th December, 2019 under the theme ***"Recognizing Innovation and Creativity"*** at which Twenty Four (24) employees were awarded for their dedication and outstanding service to their work that goes beyond the call of duty.

At the same function, Kazungula Toll Station was recognized as the Toll Station of the Fourth (4th) Quarter for recording significant growth in its revenue collections of over 56%, while Lui Toll Station in Western Province received the Director's Award for exhibiting innovative skills and teamwork aimed at promoting the Agency's corporate image.

Administration

9.3 Acquisition of Assets

During the period under review the Agency was able to acquire assets in line with requirements and also in line with the approved operational budget for 2019.

9.3.1 Reorganization of the Registry

During the period under review, the Agency embarked on the reorganization of the Registry and Archiving of records following a recommendation by Public Service Management Division (PSMD) on the need to be in conformity with the Public Service Records Management Procedures. The reorganization has been completed and is ready for implementation.

9.3.2 Legal Matters

9.3.2.1 Review of the NRF Act No12 of 2002

During the period under review, the National Road Fund Draft Bill was submitted to the Ministry of Finance for further pre-enactment processes.

9.3.3 Board Affairs

During the period under review, the membership tenure of the Board of Directors expired on 30th June 2019 after holding office for a period for three (3) years. The Ministry of Finance has since appointed a new Board of Directors with most of the previous members being retained including the Chairperson. The reconstituted NRFA Board composed of 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 policy 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 Four (04) specialized Committees as follows:

- a. Finance Committee
- b. Audit and Risk Management Committee
- c. Administration Committee, and
- d. Technical Committee

During the period under review, the Board comprised the following members and represented the sectors as shown in Table 83 below;

Table 83: NRFA Board Members

No.	Name	Sector	Position
1.	Ms. Christabel Michel Banda	Zambia Institute of Chartered Accountants	Chairperson
2.	Mr. Kaitano Chungu	General Public	Vice Chairperson
3.	Ms. Suya B. Chidumayo	Economics Association of Zambia	Member until 30 th June, 2019
4.	Ms. Mwenya Kapasa	National Council of Constriction	Member
5.	Mr. Eugene Chungu	Zambia Chamber of Commerce and Industry	Member until 30 th June, 2019

No.	Name	Sector	Position
6.	Ms. Mumeka Walumweya	Chartered Institute of Logistics and Transport	Member
7.	Mr. Joe Simachela	Ministry of Justice	Member
8.	Mr. Chikuba Mukuli	Ministry of Finance	Member
9.	Mr. Nicholas Chikwenya	Ministry of Transport and Communication	Member
10.	Mr. Jones Chomba	Ministry of Housing and Infrastructure Development	Member
11.	Eng. Elias Mwape	Road Development Agency	Member
12.	Mr. Gladwell Banda (replaced Mr. Zindaba Soko)	Road Transport and Safety Agency	Member
13	Eng. Wallece Mumba	National Road Fund Agency	Secretary

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 84: Co-opted Committees of the Board

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

9.3.4 Number of Meetings Held

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. During the year 2019, the Board and its Four (04) Committees met as follows;

Table 85: Board Meetings

No.	Board / Committee	No. of scheduled meetings	Extra-Ordinary meetings	Total
1.	Board	4	6	10
2.	Administration	4	5	9
3.	Finance	4	2	6
4.	Audit and Risk Management	4	1	5
5.	Technical	2	Nil	2
Total		18	17	32

9.3.5 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 enhance decision making processes.

During the first quarter of 2019, the members inspected the following projects in Central Province;

- i. Mkushi Urban Roads
- ii. Serenje Urban road
- iii. Kapiri Mposhi – Mkushi construction of Toll plaza
- iv. Mumbwe- Landless corner
- v. Mumbwe- Itezhi tezhi road
- vi. Mumbwa urban roads

In the second quarter of 2019, the members visited Lusaka Province, and the following projects were also inspected;

- i. Kenneth Kaunda International airport
- ii. Great East Road at Chongwe District Hospital to Katoba Basic School
- iii. Great East Road at Luangwa Bridge to Luangwa (Feira)
- iv. Great East Road at Moono Police Check Point via Palabana to Chilyabale Basic School
- v. Katoba to Chirundu via Chiawa road
- vi. Lusaka decongestion project
- vii. Lusaka to Chirundu road Link
- viii. Lusaka urban roads (L400).
- ix. Munyumbwe to Chaanga and from Chaanga to Njami bottom Road
- x. Micheal Chilufya Sata Bridge at Chiawa across the Kafue River

In quarter 4, members inspected the following projects in Northern and Muchinga Province;

- i. Nseluka junction near Chozi

- ii. Bailey Bridge at Lunzua Crossing in Mpulungu District
- iii. Vyamba – Chinakila Road
- iv. Kateshi Toll Plaza
- v. Kakonde Toll Plaza
- vi. Chilonga Toll Plaza
- vii. Kapiri - Mkushi Toll Plaza

9.3.6 Capacity Building for Board Members

In an effort to ensure continuous improvements and share new developments in the Industry, some Board members attended training in Corporate Governance at which various technical presentations were made.

9.3.7 Withdrawal of Membership from the Board

Two Board member relinquished their membership to the Board in the year under review after serving for two (02) full terms.

9.4 INTEGRITY COMMITTEE PROGRAMMES

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

9.4.1 Annual Corruption Prevention Action Plan

An Annual Corruption Prevention Action Plan for the year 2019 was prepared and submitted to the Anti-Corruption Commission. Focal Point Persons (FPPs) from the Toll Stations attended the preparation meeting and presented reports on their operations and Corruption prevention activities.

9.4.2 Participation in the International Anti- Corruption Day

The Agency participated in the commemoration of the International Anti – Corruption Day under the theme **“United against Corruption”**.

9.4.3 Appointment of Focal Point Persons (FPPs)

During the period under review, the Integrity Committee also identified and nominated Integrity Focal Point Persons for new Toll Stations namely Tapo, Mweeke, Lui, Micheal Chilufya Sata, Wilson M. Chakulya, and Daniel Munkombwe.

9.4.4 Staff Sensitization Meetings

The Integrity Committee held sensitization meetings for Tolling Staff at Livingstone, Kazungula, Daniel Munkombwe, Wilson M. Chakulya, Tapo, Lui, Mweeke 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.



The Integrity Committee held sensitization meetings

9.4.5 Development of Policy Documents

In an effort to streamline operations, the Integrity Committee spearheaded the development of a Complaints Handling System, and a Conflict of Interest Policy. During the period under review, the policy documents were submitted and approved by the Board.

9.4.6 Membership Appointments to the Integrity Committee

The Director – Corporate Services was appointed as a member of the Committee, while the Manager – Road Fund, Local Resources was appointed as Secretary. In an effort to streamline operations, the Integrity Committee revised the Proposed Conflict of Interest Policy in readiness for submission to Management for their consideration.

9.4.7 Integrity Committee Collaboration with Other Stakeholders

The Integrity Committee hosted Local Authorities Superannuation Fund Integrity Committee on a familiarization tour aimed at sharing and exchanging experiences on how they were fighting and curbing corruption in their respective institutions. The three (3) Road Sector Integrity Committees attended an annual retreat held from 27th to 28th May, 2019 where various activities and progress on Corruption prevention in the Road Sector were discussed.

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:

The Agency took part in the 17th African Roads Maintenance Funds Association (ARMFA) Annual General Assembly, from 10th – 16th March 2019 in Swakopmund, Namibia under the theme: "Sustainable Road Infrastructure- Impact of Regional Integration and Free Trade in Africa".

The purpose of the Annual General Assembly was for the Road Funds in Africa to meet and keep abreast with developments in the funding of roads sector, and for the regional representatives to report on annual progress in the regional bodies which are affiliates of ARMFA. To ensure a well-coordinated management of ARMFA, member countries have been clustered into four regional focal groups that include the West African Focal Group; the Southern African Focal Group; the Central African Focal Group and the East African Focal Group. Zambia, through NRFA, chairs the Southern Focal group.

Prior to the 17th ARMFA AGM, the Southern Africa Focal Group met in Windhoek Namibia from 29th January 2nd February 2019 to prepare for the hosting of the annual event. The Focal Group later met in Salima, Malawi from 24th – 27th September 2019 and made country reports under the theme 'Ensuring Value for Money in Road Works'.

Following the 17th ARMFA AGM, some member countries requested for an exchange programme with NRFA to pick on the ground knowledge and experiences on the implementation of the National Road Tolling Programme. The Exchange programme, which was officially opened by Zambia's Permanent Secretary in the Ministry of Infrastructure and Housing Eng. Charles Mushota was held from 14th – 19th April 2019 and was attended by Burundi, Kenya, Sierra Leone, Malawi, Mozambique and Namibia.



ASAFG members during an exchange programme

9.6 INFORMATION, COMMUNICATION TECHNOLOGY (ICT)

9.6.1 Roles and Mandate

The Information and Communications Technology (ICT) unit falls under the office of the Director and CEO of the National Road Fund Agency. The unit is responsible for the administration of a wide range of computer systems such Fund Management, Contract Management, Toll Management and other systems required corporate activities. With Road Tolling being one of the core functions of the Agency, ICT is a critical requirement in this operation as it is the one that runs the Toll Management Systems.

9.6.2 Activities Undertaken in 2019

The following are the operations that the ICT Unit undertook and implemented during the year 2019

➤ **Deployment of Toll Management Systems at New Toll Stations**

In the year 2019, NRFA commissioned a number of Toll Stations across the country. ICT was heavily involved in the activities by deploying the Toll Management Systems at all the stations for commencement of tolling operations. The stations included Wilson Mofya Chakulya, Daniel Munkombwe, New Kafulafuta, New Manyumbi, Enoch Kavindele, Lui, Tapo and Mweke.

➤ **Enhancement of NRFA Electronic Toll Collection System**

During the year 2019, ICT enhanced the NRFA Electronic Toll Collection (ETC) System

to improve its performance. This was in order to prepare the solution for massive roll out to the public, in order to help achieve the Agency's vision to reduce cash-based transactions in its Tolling operations.

➤ **Engagement of Smart Zambia Institute on Joining the GSB**

ICT attended an invitation by Smart Zambia Institute to discuss the requirements for joining the E-Government Service Bus (GSB), an electronic platform that government has created to enable members of the public and other stakeholders to access government services through a unified platform. The process has since started for NRFA to join the GSB, which will allow members of the public to access toll services through this platform.

➤ **Increased On-Site Support**

In order to provide effective support to the Agency, ICT recruited five (05) more ICT Technicians who were strategically deployed in key locations such as Katuba, Michael Chilufya Sata, Wilson Mofya Chakulya, Enoch Kavindele, Kafulafuta and Chilonga.

➤ **Increased Wide Area Network (WAN) Coverage**

The NRFA Wide Area Network (WAN) is an important requirement to the operations of the Agency. The facility is needed to provide connectivity between the Head Office and remote stations. Live feed of CCTV footage is transmitted from remote stations to the Head Office through the Wide Area Network. During the year 2019, ICT extended the installations to the new stations that were opened for operations. Stations include Wilson Mofya Chakulya, Daniel Munkombwe, New Kafulafuta, New Manyumbi, and Enoch Kavindele Toll Plazas.

➤ **Increased CCTV Coverage**

The new stations that were commissioned for tolling in the year 2019 were all deployed with CCTV systems to increase the visibility to the stations from Head Office. The stations included Wilson Mofya Chakulya, Daniel Munkombwe, New Kafulafuta, New Manyumbi, Enoch Kavindele, Lui, Tapo and Mweke.

➤ **Testing of ICT Business Continuity Plan**

Business Continuity Plan is an important requirement for any organization. During the year 2019, ICT conducted a Business Continuity Test at Mumbwa Toll Plaza which was evaluated by the Audit team. The operation was meant to assess the effectiveness of the current Business Continuity Plan for the Agency particularly in Tolling.

➤ **Enhancement of Control Centre**

The number of toll stations viewed from the control room was increased to include Wilson Mofya Chakulya, Daniel Munkombwe, New Kafulafuta, New Manyumbi, and Enoch Kavindele Toll Plazas.

➤ **Systems Enhancement to Address Frequent User Discounts Challenges**

ICT enhanced the Toll Management Systems to address some challenges that were identified, among them the Frequent User Discounts (FUDs).

9.7 OUTLOOK FOR 2020

During the year 2020, the Agency will continue to operate within its mandate of Resource Mobilization, Fiduciary Management of the Resources, ensuring and promoting Value for Money in line with the 2017-2021 Strategic Plan from which a Business Plan is derived. The Business Plan comprises key activities to be undertaken during the year under each of the ten (10) Strategic Objectives with specific drivers and targets to help in measuring and managing performance at all levels. In order to ensure a focused approach, management has developed the 2020 Business Plan coupled with the strategy of undertaking a balanced approach of **"More with Less"**. Key focus areas for management for the year 2020 and beyond include the following:

- **Debt Management:** This is critical for sustainability in the road sector. This will comprise arresting the escalation of the current debt, reduction and ensuring non debt accumulation in future.
- **Resource Mobilization, Allocation and cost Effectiveness:** This would involve moving away from short term financing mechanisms to long term financing arrangements, pursuing non tradition financing mechanisms while leveraging on assured revenues stream such as road tolling. This also requires strategic and objective allocation of funds to ensure maximum returns and value for money. Considering that resource mobilization is not the end in itself, there will be need to ensure reduction in the cost of construction and operations in line with Government's austerity measures and considering the tight national, regional and global economic situation.
- **System Enhancements:** It is critical that the current system platform is seriously enhanced through integration, full automation and a robust infrastructure and architecture to ensure efficiency enhanced controls and increased revenue.
- **Partnerships:** In order to ensure growth, it is imperative that the agency pursue stronger partnerships with other relevant agencies both public and private sector.
- **Effective Stakeholder Management and Engagement:** The Agency shall continue to constructively and effectively engage and manage the various key stakeholders.

9.8 CONCLUSION

The year 2019 was progressive as the Agency excelled on many fronts and enhanced its positive corporate image despite the inherent challenges faced. This development can be attributed to the support, firm policy guidance and positive direction given by the Board of Directors. The dedication, innovation and commitment to duty by Agency staff made it possible for management to perform and achieve to the expectation of the Board and other stakeholders without much difficult. The Agency also counted on the critical and invaluable cooperation and support from implementing Agencies and institutions, and its parent Ministry of Finance.

Looking ahead, the Agency commits itself to putting in extra effort in 2020 and beyond with a strong focus on ensuring a balance in the road sector. Agency operations have been repositioned from a narrow road sector to a national economic viewpoint taking into account its critical position and contribution to the national economy. The Board's emphasis on **Results** therefore shall not be taken lightly by management as it will endeavor to ensure that strategies, proposals and ideas that are presented are implemented and turned into tangible results for the benefit of the Agency and the nation at large .



National Road Fund Agency

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019

National Road Fund Agency
National Road Fund
General Information
Financial Statements for the year ended 31 December 2019

I. KEY INFORMATION

(a) Background information

The National Road Fund Agency was established by the National Road Fund Act No. 13 of 2002.

According to Part II of the National Road Fund Act, the key functions of the Agency are, among others:

- a. Administer and manage the Road Fund;
- b. Prepare and publish audited annual accounts of the Road Fund
- c. Recommend to the Minister Fuel Levy and other road user charges and tariffs as required.
- d. Recommend to the Minister projects for funding;
- e. Allocate resources - For the construction, maintenance and rehabilitation of roads based on a percentage of annual work programme of the Road Development Agency; For road transport, traffic and safety management based on a percentage of the annual work programme of the Road Transport and Safety Agency. In consultation with Road Development Agency, recommend funding for development of new roads and undertake such other activities as are conducive or incidental to its functions under this Act.

Pursuant to the Tolls Act No. 14 of 2011 which mandates the Road Development Agency (RDA) to appoint any suitable person(s) as Toll Collector, the Government through the Road Development Agency appointed NRFA as lead Toll collector in August 2015.

In this regard, RDA appointed NRFA as authorized Toll Collector for inland Toll sites in line with Statutory Instrument No. 73 of 2013 (hereinafter referred to as Tolling regulation) under first schedule (Regulation 3). In addition, NRFA was mandated to collect toll fees at the port of entry in accordance with the provisions of the Toll Act.

(b) Principal Activities

The NRFA is a statutory organisation whose function is to plan, manage and co-ordinate finances for the activities in the annual work plans of the Government Agencies/Institutions in the Road sector.

(c) Agency Headquarters

P.O. Box 50695
 Plot No 33 Fairley Road,
 Ridgeway
 Lusaka
 Zambia

(d) Agency Contacts

Telephone: +260 211 253145/255660/250823
 E-mail: nrfa@zamnet.zm or roadfund@nrfa.org.zm
 Website: <http://www.nrfa.org.zm>

(e) Agency Bankers

Zambia National Commercial Bank.
Lusaka Business Centre

Bank of Zambia
Bank Square
Cairo Road

Indo Zambia Bank

(f) Independent Auditors 1

Mark Daniels Chartered Accountants
Plot 180 Luanshya Road
Off Musonda Ngosa Road
Villa Elizabertha
Lusaka
Zambia

(g) Independent Auditors 2

ABACUS 360
Nkhata House
Thabo Mbeki Road
Lusaka
Zambia

Directors

The directors who held office during the year and to the date of this report were:

Ms Christabel Michel Banda	- Chairperson
Mr Kaitano Chungu	- Vice Chairperson
Ms Suyu B.M. Chidumayo	- Director-Retired during the year
Mr Joe Kapembwa	- Director
Ms Mwenya Kapasa	- Director
Mr. Joe Simachela	- Director
Ms Mumeka Walumweya	- Director
Mr. Nicholas Chikwenya	- Director
Mr Eugene Chungu	- Director-Retired during the year
Mr Mukuli Chikuba	- Director
Mr Zindaba Soko	- Director-Retired during the year
Mr Gladwell Banda	- Director-Appointed during the year
Eng. Elias Mwape	- Director
Eng. Wallece Mumba	- CEO -Secretary

NATIONAL ROAD FUND AGENCY
 STATEMENT OF DIRECTORS' RESPONSIBILITIES
 NATIONAL ROAD FUND
 Financial Statements
 For the year ended 31 December 2019

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



Mrs Christabel Michel Banda
 Board Chairperson

30th - 31st March 2020



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 Road Fund, which comprise the statement of financial position as at 31 December 2019, and the statement of financial performance, statement of changes in net assets/equity and cash flow statement 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 2019 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

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.

Emphasis of matter

The accompanying financial statements have been prepared assuming that the National Road Fund will continue as a going concern. As discussed in note 2 to the financial statements, the National Road Fund has suffered negative cash flows from operations that raises substantial doubt about the National Road Fund'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. This does not affect the opinion on the financial statements

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. We have nothing to report in that regard.

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

Key Audit Matters

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

i) Capital grants

The project implementation is premised on grant funding. Non-compliance with grant terms and conditions has significant impact on project continuity. Accordingly, the capital grants are considered to be a key audit matter, and disclosure is included in note 27

Our procedures Included

Inspection of the grant agreements noting the salient terms and conditions. Direct confirmation of disbursements with the granting authorities. Enquiries of management and those charged with governance of the implementing Agency on the compliance with the grant terms.

ii) Capital Work in Progress

Capital Work in progress costs are the key performance indicator of the project implementation status and as such considered to be key audit matters and disclosure is included in note 17

Our procedures Included

Review of procurement procedures to determine whether sound commercial practices used reasonable prices were obtained and adequate controls were in place over related costs. End –use reviews including site visits to verify that works were performed in accordance with the terms of the agreements.

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

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

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.

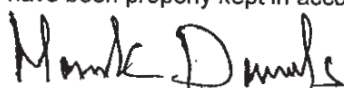
As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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 National Road Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the National Road Fund audit. We remain solely responsible for our audit opinion.

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 2019 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.



Chartered Accountants

30th - 31st March 2020



Frederick M. Banda AUD/F000169
Partner signing on behalf of the firm

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2019

Statement of Financial Performance

	Notes	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
Revenue	4	4,305,351,736	2,278,908,825
Expenses			
Ministry of Housing and Infrastructure Development	5	3,475,786	2,536,952
Ministry of Local Government	6	13,039,424	2,553,598
Ministry of Transport and Communication	7	1,584,376	2,579,747
Ministry of Works and Supply	8	-	96,205
National Council for Construction	9	1,301,188	1,972,819
National Road Fund Agency	10	135,672,251	150,293,812
Road Development Agency	11	2,016,420,823	219,770,670
Road Transport and Safety Agency	12	227,892,558	72,300,878
Total		2,399,386,406	452,104,681
Operating Surplus		1,905,965,330	1,826,804,144
Finance Costs	13	738,512,608	513,521,225
Surplus for the Year		1,167,452,722	1,313,282,919

The notes on pages 10 to 30 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2019

Statement of Financial Position

		Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
	Notes		
Current Assets			
Advances to Road Sector Institutions	14	365,398,530	324,116,769
Other Receivables	15	358,560,444	409,886,563
Cash and Bank	16	597,581,870	315,939,518
		<u>1,321,540,844</u>	<u>1,049,942,849</u>
Non-Current Assets			
CWIP - Road Works Construction Costs	17	49,617,380,431	39,698,247,894
CWIP - Road Structures Construction Costs	18	2,105,475,889	1,627,510,281
Advances to Contractors and Consultants	19	4,773,123,500	4,060,120,878
Property, Plant & Equipment	20	17,883,413	15,550,566
Other Road Project Costs	21	326,002,715	44,335,479
Loan Guarantee	22	2,223,707,227	2,055,561,550
		<u>59,063,573,175</u>	<u>47,501,326,649</u>
Total Assets		<u>60,385,114,019</u>	<u>48,551,269,498</u>
Current Liabilities			
Bank overdraft	16	495	-
Road Works and Services Liabilities	23	7,533,102,998	6,705,639,267
Other Creditors and Accruals	24	31,900,072	90,104,021
DBSA Loan Payable	25	284,397,074	-
NAPSA Loan Payable-Arrears	25	794,400,000	23,402,007
NATSAVE Loan Payable-within 1 year	25	30,603,031	76,265,255
		<u>8,674,403,670</u>	<u>6,895,410,550</u>
Non-Current Liabilities			
NATSAVE Loan payable 2 to 5 years	25	223,646,147	-
Long Term Loans payable 2 to 18 years	25	4,239,625,759	4,025,412,212
Retention Costs Payable to Contractors	26	2,128,882,791	1,932,522,340
Non-exchange transfers-Capital Grants	27	22,661,337,634	14,245,244,265
		<u>29,253,492,331</u>	<u>20,203,178,817</u>
Total Liabilities		<u>37,927,896,001</u>	<u>27,098,589,367</u>
Net assets		<u>22,457,218,018</u>	<u>21,452,680,131</u>

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2019

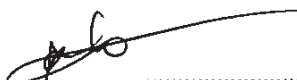
Statement of Financial Position (continued)

	Notes	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
Net Assets/equity			
Accumulated Surpluses/(deficits)		4,094,557,522	2,981,363,252
Other reserves		99,477,725	168,796,766
Contributed Capital Grants		<u>18,263,182,771</u>	<u>18,302,520,113</u>
Total Net Assets/equity		<u>22,457,218,018</u>	<u>21,452,680,131</u>

The financial statements on pages 6 to 30 were approved for issue by the Board members
On 30th 31st March 2020 and signed on its behalf by:



Eng. Wallece Mumba
Director/Chief Executive Officer



Mrs Christabel Michel Banda
Board Chairperson

The notes on pages 10 to 30 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2019

Statement of Changes in Net Assets/equity

	Contributed Capital Grant	Other Reserves	Accumulated Surpluses/ (deficits)	Total
	ZMW	ZMW	ZMW	ZMW
Balance At 1st January 2019	18,302,520,113	168,796,766	2,981,363,252	21,452,680,131
Adjustment	(39,337,342)	-	(54,258,452)	(93,595,794)
Adjusted balances	18,263,182,771	168,796,766	2,927,104,800	21,190,287,571
Surplus for the Year	-	-	1,167,452,722	1,167,452,722
Decrease in other reserves	-	(69,319,041)	-	(69,319,041)
Balance At 31 December 2019	18,263,182,771	99,477,725	4,094,557,522	22,457,218,018

	Contributed Capital Grant	Other Reserves	Accumulated Surpluses/ (deficits)	Total
	ZMW	ZMW	ZMW	ZMW
Balance At 1st January 2018	17,144,054,485	140,909,018	1,683,772,514	18,968,736,017
Adjustment	-	-	(15,692,181)	(15,692,181)
Adjusted balances	17,144,054,485	140,909,018	1,668,080,333	18,812,134,818
Surplus for the Year	-	-	1,313,282,919	1,313,282,919
Additions	1,158,4635,628	27,887,748	-	3,535,155,931
Balance At 31 December 2018	18,302,520,113	168,796,766	2,981,363,252	21,452,680,131

The Adjustment under Accumulated Fund relates to Prior Year Interim Payment Certificates which were discovered subsequent to the year end. Capital grant adjustment relates to advance payments which were recorded twice.

The notes on pages 10 to 30 form part of these financial statements.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2019

Cash Flow Statement

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
Notes		
Cash flows from operating activities		
Surplus For The Year	1,167,452,722	1,313,282,919
Adjusted for:		
Depreciation	5,454,023	1,804,723
Amortisation of capital grants	-	(15,268,034)
Adjusted Surplus For the Year	1,172,906,745	1,299,819,608
Increase in Advances to Road Sector Institutions	(41,281,761)	(184,858,278)
Decrease/(increase) in Other Receivables	51,326,119	(344,491,555)
Increase in Road Works and Services Liabilities	827,463,731	1,143,605,387
Decrease in Creditors and Accruals	(58,203,949)	(336,103)
Changes in other reserves	(69,319,041)	28,887,748
Changes in Accumulated Funds	(54,258,452)	(2,228,8700)
Retention Costs payable to contractors	196,360,451	420,998,250
Net cash inflow from operating activities	2,024,993,843	2,361,396,187
Investing activities		
Acquisitions of Non-Current Assets	(11,559,913,680)	(6,846,984,613)
Purchase of property, plant and equipment	(7,786,870)	(15,550,566)
Net cash used on Investing Activities	(11,567,700,550)	(6,862,535,179)
Financing activities		
Short term loans	1,009,732,843	59,024,697
Long Term Loans	437,859,694	780,607,491
Capital Grants	8,376,756,027	3,535,155,931
Net cash from financing activities	9,824,348,564	4,374,788,119
Net increase/ (decrease) in cash and cash equivalents	281,641,857	(126,350,873)
Cash and cash equivalents at beginning of the Year	315,939,518	442,290,391
Cash and cash equivalents at end of the Year	597,581,375	315,939,518

The notes on pages 10 to 30 form part of these Financial Statements.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2019

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 K7,352,862,826

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.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2019

Notes (Continued)

3 Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

Fees, taxes and fines

The agency recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the agency and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the agency and can be measured reliably.

ii) Revenue from non-exchange transactions – IPSAS 9

Rendering of services

The agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the agency.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information – IPSAS 24

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the agency. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or agency differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2019

Notes (Continued)

c) Property, plant and equipment – IPSAS 17

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 include 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. The following are the depreciation rates for each class of Non -Current Assets; Buildings 2% Equipment. 25% Motor vehicle. 25% Furniture and fittings 25%

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.

d) Intangible assets – IPSAS 31

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Financial instruments – IPSAS 29

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Agency determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2019

Notes (continued)

3 Summary of significant accounting policies (continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Agency has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or a agency of financial assets is impaired. A financial asset or a agency of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the agency of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

The debtors or entity of debtors are experiencing significant financial difficulty Default or delinquency in interest or principal payments

The probability that debtors will enter bankruptcy or other financial reorganization

Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Agency determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. IPSAS 29.65

NATIONAL ROAD FUND AGENCY
 NATIONAL ROAD FUND
 Financial Statements
 For the Year Ended 31 December 2019

Notes (continued)

3 Summary of significant accounting policies (continued)

f) Provisions – IPSAS 19

Provisions are recognized when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Agency expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Agency does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Agency does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Agency in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

g) Nature and purpose of reserves

The Agency creates and maintains reserves in terms of specific requirements. Agency to state the reserves maintained and appropriate policies adopted.

h) Changes in accounting policies and estimates – IPSAS 3

The Agency recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

NATIONAL ROAD FUND AGENCY
NATIONAL ROAD FUND
Financial Statements
For the Year Ended 31 December 2019

Notes (continued)

j) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

k) Related parties – IPSAS 20

The Agency regards a related party as a person or an agency with the ability to exert control individually or jointly, or to exercise significant influence over the Agency, or vice versa. Members of key management are regarded as related parties and comprise the senior managers.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Zambia and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

n) Significant judgments and sources of estimation uncertainty – IPSAS 1

The preparation of the Agency's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Agency based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Agency. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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Notes (continued)

3 Summary of significant accounting policies (continued)

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Agency
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

Provision is made for the estimated cost to be incurred on the long-term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill. The provision is based on the advice and judgment of qualified engineers.

The estimates are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money.

The increase in the rehabilitation provision due to passage of time is recognized as finance cost in the statement of financial performance.

The cost of ongoing programs to prevent and control pollution and rehabilitate the environment is recognized as an expense when incurred.

o) Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the three months ended 31 December 2019.

p) 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.

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Notes (continued)

3 Summary of significant accounting policies (continued)

(q) Financial Risk Management

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

(i) Interest Rate Risk

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

(ii) Currency Risk

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

(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.

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.

(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.

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Notes (continued)

(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.

4. Income

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
Fuel Levy	711,260,314	709,795,993
Tolling - NRFA	537,409,972	342,459,431
Tolling - RTSA	669,493,256	572,862,662
Road Tax, Motor and Drivers Licenses	510,633,796	461,354,077
Weighbridge Fines and Fees	20,652,525	20,737,145
Interest income	483,996	657,407
Exchange Gains	28,215	16,682
Sundry Income	2,864	2,365
Government Grant Income – DBSA	423,661,782	155,431,806
AfDB Grant Income	1,079,857,035	323,223
Cooperating partners Grant Income	334,312,044	-
Capital Grant Amortization	17,555,937	15,268,034
Total	4,305,351,736	2,278,908,825

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 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	108,668	503,879
Monitoring and Evaluation	179,830	112,817
Motor Vehicles	141,847	39,339
Operational Expenditure	-	97,939
Workshops, Seminars and Training	1,930,113	1,096,963
Total	3,475,786	2,536,952
6. Ministry of Local Government		
Depreciation Motor Vehicles	-	265,781
Depreciation Office Equipment	-	148,313
Emergencies	1,000,000	-
Functions and Meetings	223,944	474,448
Monitoring and Evaluation	101,377	19,825
Routine Maintenance	10,755,471	800,891
Workshops, Seminars and Training	63,844	844,340
Total	13,039,424	2,553,598
7. Ministry of Transport and Communication		
Advertising	-	39,568
Depreciation Furniture Fixtures and Fittings	-	10,053
Functions and Meetings	287,361	431,518
System Development	-	1,462,782
Workshops, Seminars and Training	1,121,936	635,826
Total	1,584,376	2,579,747
8. Ministry of Works and Supply		
Office Equipment and Furniture	-	47,805
Workshops, Seminars and Training	-	48,400
Total	-	96,205

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
9. National Council for Construction		
Workshops, Seminars and Training	1,112,270	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	1,112,270	1,972,819
10. National Road Fund Agency		
Advertising	368,380	3,117,857
Audit Fees - Financial & Technical	1,267,264	2,438,682
Bank Charges	343,153	205,532
Functions and Meetings	127,688	2,186,745
Land and Buildings	1,005,377	-
Monitoring and Evaluations	17,672	682,218
Motor vehicles	-	46,029,278
Office Equipment and Furniture	4,059,098	4,114,994
Operational Expenditure	98,933,280	59,488,497
Professional and Legal Fees	275,292	778,002
Systems Development	1,523,353	5,196,006
Testing Equipment and Protective Clothing	-	779,746
Tolling Equipment and Infrastructure	-	3,346,577
Tolling Operations	22,280,455	19,966,181
Workshops, Seminars and Training	665,106	1,963,497
Total	135,672,251	150,293,812

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
11. Road Development Agency		
Advertising	151,157	246,321
Capital Expenditure Expensed	1,652,843,832	-
Depreciation-Furniture, Fixtures and Fittings	-	48,075
Depreciation-Land and Buildings	-	101,897
Depreciation Motor Vehicles	-	742,445
Depreciation office equipment	-	38,906
Emergences	2,283,759	18,814,068
Functions and Meetings	508,615	797,939
Land and Buildings	1,685,198	72,000
Monitoring and Evaluations	-	527,812
Motor Vehicle expenses	3,370,860	-
Office Equipment and Furniture	214,000	-
Plant and Equipment	3,914,370	-
Professional and Legal Fees	3,911,208	3,762,601
Operational Expenditure	83,044,244	17,877,573
Resettlement and Compensations	678,347	-
Routine Maintenance and Vegetation Control	251,933,634	132,349,141
Supervision and Consultants	-	19,982,566
Studies – Designs,	8,132,861	22,703,820
Systems Development	1,319,362	616,917
Workshops and Seminars	1,122,550	1,088,589
Total	2,016,420,823	219,770,670
12. Road Transport and Safety Agency		
Functions and Meetings	-	750,342
Information systems	1,042,340	-
Land and Buildings	-	1,434,823
Motor Vehicles	18,917,371	2,900,768
Office Equipment and Furniture	-	-
Operational Expenditure	177,912,664	29,081,637
Road Safety	29,798,935	35,941,370
Systems Development	-	967,182
Translation costs	-	268,741
Workshops and Seminars	132,261	956,015
Total	227,892,558	72,300,878
13. Finance Costs		
DBSA Loan Interest Costs	184,977,930	155,431,806
NAPSA Loan Interest Costs	1,272,029,439	358,089,419
NATSAVE Loan Fees	2,550,000	-
	1,459,557,369	513,521,225

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Notes (continued)

13. Finance Costs

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

The Agency signed the second Loan Agreement with the National Pension Scheme Authority (NAPSA) on 24 June 2017 for a total of K2.13 billion to finance the rehabilitation and construction of the T2 from Ndola – Kitwe – Chingola to Solwezi. As at 31 December 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.

An addendum to the existing Loan Agreement was signed on 17 July 2019 to contract a further K1.8billion. The new secured loan increased to K3.9 billion.

The Loan tenure was amended from 10 years to 15 years and repriced to 15 year Government Bond yield Rate.

In December 2019 NRFA accessed a facility of K300 million from National Savings and Credit Bank (NATSAVE) to settle long outstanding debts owed to Routine Maintenance, Small and Medium Scale Local Contractors and Consultants. The Loan carries an interest rate of BoZ Policy Rate 11.5% plus 15.5% margin (effective rate 27% per annum). The facility is repayable in 5 years.

The Loan is secured against monthly cashflow receivables from the following toll stations: Wilson Mofya Chakulya, Livingstone/Zimba, Mkushi, Chiwoko, Sabina, Daniel Munkombwe, Ntoposhi, Musaila, Mweka, Tamiza and Chilonga.

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
14. Advances to Road Sector Institutions		
Ministry of Finance	1,464,547	1,101,800
Ministry of Housing and Infrastructure Development (MHID)	1,227,780	953,023
Ministry of Local Government (MLG)	10,126,142	8,903,938
Ministry of Transport and Communication (MTC)	3,104,951	2,527,806
Ministry of Works and Supply (MWS)	448,409	448,409
National Council For Construction (NCC)	6,354,720	5,661,412
National Road Fund Agency (NRFA)	4,586,237	4,141,826
Road Development Agency (RDA) - Head Office	243,929,641	189,383,595
Road Development Agency (RDA) - Regional Offices	57,471,798	30,875,384
Road Transport and Safety Agency (RTSA)	33,484,305	76,919,575
Zambia National Service (ZNS)	3,200,000	3,200,000
Total	365,398,530	324,116,769

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
15. Other Receivables		
Capital Grant	-	23,402,007
NAPSA receivable from Rad Fund	-	6,965,000
Loan Guarantee Receivable	284,400,033	41,094,680
Grant Income Receivable from MoF	-	39,626,775
Grant Income Receivable from AfDB	-	323,223
Other Receivables	30,704,944	
Road User Charges receivable from MoF	43,455,467	298,301,038
Funds from closed DBSA Accounts with MoF	-	173,840
Total	358,560,444	409,886,563
16. Cash and Bank Balances		
Cash and bank balances		
Bank of Zambia – DBSA – ZMW	1,397,666	78,622,462
Bank of Zambia – DBSA – US \$	96,045,436	81,682,937
Bank of Zambia-IRCP-US \$	81,678,944	68,800,598
ZANACO – DBSA – US \$	-	8,236,649
Bank of Zambia – Road Fund – ZMW	7,575	190,854
ZANACO – Road Fund – ZMW	131,836,018	37,960,085
ZANACO – Road Fund – US \$	1,846,156	40,295
Citibank – NAPSA – ZMW	286,075	76,532
Citibank-NAPSA –ZMW Loan Repayment	10	10
ZANACO – AfDB Nacala IV – ZMW	588	410
ZANACO –AfDB Nacala IV – US \$	7,006	5,075
Bank of Zambia –AfDB Nacala IV – US \$	8,420	6,100
Investrust Bank – KfW – Euro	-	133,720
Investrust Bank – KfW – ZMW	25	294,061
Natsave Loan Account	1,574,178	-
Indo Zambia Bank – IRCP – ZMW	5,673,840	1,283,076
Indo Zambia Bank – IRCP – US \$	35,264,795	24,334,573
Atlas Mara – EIB – Euro	241,955,138	12,639,344
Sub Total	597,581,870	315,939,518
Bank overdrafts		
Investrust Bank – KfW – Euro	(200)	-
DBSA BoZ Debt Service Reserve – ZMW	(295)	-
Sub Total	(495)	-
Total	597,581,375	315,939,518

The Bank overdrafts arose as a result of bank charges that accrued at the end of the year.

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
17. CWIP - Road Works Construction Costs		
CWIP - Routine Maintenance	193,598,585	106,317,430
CWIP - Periodic Maintenance	4,247,143,571	3,736,704,548
CWIP - PM Interest on Delayed Payments	103,972,053	90,674,197
CWIP - Rehabilitation	18,469,518,834	13,665,580,101
CWIP - Rehab Interest on Delayed Payments	110,035,506	24,640,822
CWIP - Upgrading	22,112,150,419	17,354,428,397
CWIP - Upgrading Interest on Delayed Payments	465,755,053	349,411,683
CWIP - New Construction	3,855,997,148	4,311,281,454
CWIP - New Construction Interest on Delayed payments	59,209,262	59,209,262
Total	49,617,380,431	39,698,247,894
18. CWIP- Road Structures Construction Costs		
CWIP - Toll Stations	462,212,035	309,799,166
CWIP - Toll Stations Interest on Delayed Payments	98,158	98,158
CWIP - Bridges	1,579,938,404	1,266,065,296
CWIP - Bridges Interest on Delayed Payments	35,517,281	32,265,656
CWIP - Weighbridges	27,710,011	19,282,004
Total	2,105,475,889	1,627,510,281
19. CWIP - Advances to Contractors and Consultants		
Advances - CWIP - Routine Maintenance	1,525,926	935,372
Advances - CWIP - Periodic Maintenance	471,292,223	475,256,318
Advances - CWIP - Rehabilitation	1,434,742,479	1,348,163,107
Advances - CWIP - Upgrading	2,761,487,883	2,109,049,983
Advances - CWIP - New Construction	7,932,069	21,553,894
Advances - CWIP - Toll Stations	2,315,617	6,009,680
Advances - CWIP - Bridges	93,827,303	99,152,523
Total	4,773,123,500	4,060,120,878

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Notes (continued)

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
Cost						
At 1 January 2019	679,311	1,020,232	14,050,744	1,016,374	588,628	17,355,289
Additions	-	5,213,051	2,299,742	274,078	-	7,786,870
At 31 December 2019	679,311	6,233,283	16,350,486	1,290,452	588,628	25,142,159
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
At 1 January 2019	101,897	23,820	1,373,843	211,890	93,273	1,804,722
Depreciation Charge	42,688	1,282,573	3,576,459	346,117	206,185	5,454,023
At 31 December 2019	144,585	1,306,393	4,950,302	558,007	299,458	7,258,746
Net Book value						
At 31 December 2019	534,726	4,926,889	11,400,184	732,445	289,170	17,883,413
At 31 December 2018	577,414	996,412	12,676,901	804,001	495,355	15,550,567

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
21. Other Road Project Costs		
Audit Financial & Technical		-
Bank Charges	55,858	40,404
Capacity Building	-	-
Complimentary Component Activities	-	-
Exchange Losses	47,587	351,254
Feasibility Studies, Engineering and Designs	-	-
Motor Vehicles	-	-
Office Equipment	-	-
Office Furniture	-	-
Resettlement Costs	15,107,485	35,953,400
Supervision and Consultancy	310,791,785	-
Technical Assistance	-	7,990,421
Total	326,002,715	44,335,479
22. Loan Guarantee		
GRZ Loan Guarantee on DBSA	<u>2,223,707,227</u>	<u>2,055,561,550</u>
23. Road Works and Services Liabilities		
(a) By Contractor Nationality		
Foreign Contractors and Consultants - Chinese	4,054,887,916	3,717,981,171
Foreign Contractors and Consultants - Other	946,590,197	545,553,597
Total Foreign	5,001,478,113	4,263,534,768
Local Contractors and Consultants	<u>2,531,624,885</u>	<u>2,442,104,499</u>
Total	<u>7,533,102,998</u>	<u>6,705,639,267</u>
(b) By Road Sector Institution		
Ministry of Housing and Infrastructure Development MHID)	841,758	676,797
Ministry of Finance	362,747	-
Ministry of Local Government (MLG)	1,630,487,455	1,206,526,640
Ministry of Transport and Communication (MTC)	12,390,035	234,152
Ministry of Works and Supply (MWS)	55,276	55,276
National Council for Construction	460,100	1,127,089
National Road Fund Agency (NRFA)	140,418,375	57,032,340
Road Development Agency (RDA)	5,566,146,799	5,315,515,518
Road Transport and Safety Agency (RTSA)	<u>181,940,453</u>	<u>124,471,454</u>
Total	<u>7,533,102,998</u>	<u>6,705,639,267</u>

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Notes (continued)

23. Road Works and Services Liabilities

(a) By Contractor Nationality

(c) By Project(s) – 31 December 2019

	Foreign Chinese ZMW	Foreign other ZMW	Local ZMW	Total ZMW
AfDB - Chinsali Nakonde	26,104,973			26,104,973
AfDB - Kazungula B/Grant	-	3,889,205	-	3,889,205
AfDB - Kazungula B/Loan	23,989,813		-	23,989,813
AfDB - Nacala IV	-	5,095,319	-	5,095,319
BADEA - Copperbelt Towns	-	-	892,806	892,806
China Development Bank	74,708,308	-	-	74,708,308
China Polytechnologies	240,295,925	-	-	240,295,925
European Investment Bank		39,041,588	-	39,041,588
EXIM Bank of China	421,250,621	-	-	421,250,621
JICA	-	4,730,897	-	4,730,897
Kalabo Sikongo Angola	-	269,797,995	-	269,797,995
Lusaka Decongestion	-	104,655,232	-	104,655,232
NAPSA	336,373,872		167,286,370	503,660,242
Road Fund	2,932,164,404	519,379,961	2,362,849,963	5,814,394,328
World Bank	-	-	595,746	595,746
Total	4,054,887,916	946,590,197	2,531,624,885	7,533,102,998

(d) By Ageing Analysis

Description	Days	Years	Year Ended 31 December 2019 ZMW	Year Ended 31 December 2018 ZMW
1 Year Old	0 - 360	2019	2,101,738,452	
2 Years Old	361 - 720	2018	528,307,344	1,047,814,874
3 Years Old	721 - 1,080	2017	558,335,135	1,229,822,083
4 Years Old	1,081 - 1,440	2016	2,495,582,140	2,548,812,282
5 Years Old	1,441 - 1,800	2015	1,379,067,918	1,407,907,752
6 Years Old	1,801 - 2,160	2014	451,270,480	452,480,747
7 years Old	2,161 - 2,420	2013	7,314,577	17,227,375
8 years old and above	2,421+	2012	11,486,952	1,574,154
Total			7,533,102,998	6,705,639,267

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Notes (continued)

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
24. Other Creditors and Accruals		
Loan Capital Payable	-	41,094,680
Loan Interest Payable	-	39,626,776
Audit Fees – Financial - Payable	1,289,036	774,079
Bank Interest	-	-
Exchange Gains	24,253,057	-
Other Creditors	623,950	2,008,486
Payable to NAPSA project Account	5,734,029	6,600,000
Total	31,900,072	90,104,021
25. Long Term Loans		
DBSA Loan Facility – 20 Year Loan	2,223,707,225	2,055,561,550
NAPSA Loan – 15Year Loan	2,015,918,534	1,969,850,662
NATSAVE Loan- 5 Year Loan	223,646,147	-
Total	4,463,271,906	4,025,412,212

The Long term loans are due to the following financial institutions:

	Development Bank of Southern Africa (DBSA)	National Pension Scheme Authority (NAPSA)	National Savings and Credit Bank (NATSAVE)
Balance as at 1 January 2019	2,136,283,006	2,046,115,917	-
Drawdowns during the year	-	727,632,174	255,000,000
Payments during the year	(178,398,833)	(36,570,443)	(750,822)
Interest arrears capitalised	-	94,722,915	-
Exchange Loss	550,220,128	-	-
Balance as at 31 December 2019	2,508,104,299	2,810,318,534	254,249,178
Current	284,397,074	794,400,000	30,603,031
Non-current	2,223,707,225	2,015,918,534	223,646,147
Total	2,508,104,299	2,810,318,534	254,249,178

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

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Notes (continued)**25. Long Term Loans (continued)**

The Agency signed the 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 Loan was priced at .10 year Government Bond yield plus 1.5% margin.

An addendum to the initial NAPSA Loan Agreement was signed on 17 July 2019 to contract a further K1.8billion. The new secured loan increased to K3.9 billion. The Loan tenure was amended from 10 years to 15 years and repriced to 15 year Government Bond yield Rate.

The addendum included an additional 11 roads covering a total of 487.57 kilometres.

In December 2019 NRFA accessed a facility of K300 million from National Savings and Credit Bank (NATSAVE) to settle long outstanding debts owed to Routine Maintenance, Small and Medium Scale Local Contractors and Consultants. The Loan carries an interest rate of BoZ Policy Rate 11.5% plus 15.5% margin (effective rate 27% per annum). The facility is repayable in 5 years.

The Loan is secured against monthly cashflow receivables from the following toll stations: Wilson Mofya Chakulya, Livingstone/Zimba, Mkushi, Chiwoko, Sabina, Daniel Munkombwe, Ntoposhi, Musaila, Mweka, Tamiza and Chilonga.

	Year ended 31 December 2019 ZMW	Year ended 31 December 2018 ZMW
26. Retention Costs Payable to Contractors		
Retention - CWIP Periodic Maintenance	281,088,896	255,987,816
Retention - CWIP Rehabilitation	963,373,567	752,193,314
Retention - CWIP Upgrading	779,100,287	836,828,481
Retention - CWIP New Construction	26,610,235	12,749,239
Retention - CWIP Toll Stations	10,061,669	8,008,521
Retention - CWIP Bridges	63,306,423	61,413,256
Retention-CWIP-Weighbridges	5,341,714	5,341,713
Total	2,128,882,791	1,932,522,340
27. Non-exchange transfers -capital Grants		
DFID/DBSA	-	233,201,960
KFW	68,714,533	71,743,229
Exim bank China	13,070,049,947	9,150,195,213
Kazungula JICA	70,078,946	47,543,959
Kalabo -Sikongo	174,304,541	172,580,663
China Development Bank	2,087,758,293	2,087,758,293
EU/EIB	2,408,352,840	1,300,022,818
African Development Bank(AfDB)	1,025,544,845	1,051,778,761
World Bank	191,890,751	130,419,369
China Polytechnologies	373,716,750	-
Lusaka-Ndola Dual Carriage way	420,300,000	-
Lusaka decongestion(Exim Bank of India)	2,770,626,188	-
Total	22,661,337,634	14,245,244,265

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Notes (continued)

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 Government of the Republic of Zambia (GRZ) through its Road Sector Implementing Agencies, Road Development Agency (RDA) and the Ministry of Local Government (MLG) signs contracts for works with various contractors and consultants. Upon completion and certification of works, Interim Payment Certificates (IPCs) are raised which are forwarded to NRFA for payment. The Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	Year ended 31 December 2019 ZMW' Billion	Year ended 31 December 2018 ZMW' Billion
Roads and Bridges	67.78	52.29

The capital commitments as at the Year Ended 31 December 2019 were limited to the maximum cost of implementing the 2019 Annual Work Plan and Budget by 31 December 2019.

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.



National Road Fund Agency

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