

NATIONAL ROAD FUND AGENCY



ANNUAL REPORT 2020

" A Sustainable Road Fund"





NATIONAL ROAD FUND AGENCY

ANNUAL REPORT 2020

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Katima Mulilo Bridge

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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
СТІ	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
ТА	Technical Assistance
TMSA	Trade Mark Southern Africa
TOR	Terms of Reference
URRP	Urban Roads Rehabilitation Programme
WORC	Working on Roads Countrywide
ZIPS	Zambia Institute of Purchasing and Supply
ZMW	Zambian Kwacha
ZNBC	Zambia National Broadcasting Corporation
ZNFU	Zambia National Farmers Union
ZNTB	Zambia National Tender Board
ZPPA	Zambia Public Procurement Authority

CHAIRPERSON'S FOREWORD



t is my pleasure to present the National Road Fund Agency (NRFA) Annual Report and Financial Statements for the year ended 31st December 2020.

During the period under review the Board continued to give policy guidance in the management and governance of the Agency as it executed its mandate within the key objectives of the Strategic Plan 2017 – 2021.

In order to strengthen the NRFA's mandate, the National Road Fund Act no 13 of 2020, which was due for amendment was reviewed by the Ministry of Finance in conjunction with key stakeholders that included the Ministry of Housing and Infrastructure Development, Ministry of Transport and Communications, Ministry of Works and Supply, Road Development Agency and the Road Transport and Safety Agency.

It is envisioned that this process will be concluded in 2021 and once amended, the NRF Act will give the Agency a renewed and enhanced mandate in the collection and fiduciary management of financial resources for the road sector as well as ensuring value for money.

Further, the Board provided oversight in the review of Statutory Instrument Number 85 of 2016 of the Tolls Act Number 14 of 2011 with regards to payment of inland tolls by foreign registered motor vehicles. As a result of this review, a Statutory Instrument Number 74 of 2020 was issued and came into force in October 2020 and compelled all foreign registered motor vehicles to be paying tolls at inland toll gates across the country resulting in revenue gains of K20 million per month.

The Board also approved the NRFA Information Communication Technologies (ICT) Policy and the Procedures Manual to streamline and enhance the operations of ICT at the Agency for better service delivery.

As an Agency mandated to manage a huge financial envelope for the Road Sector, the Board ensured that all Agency operations were above board in line with the NRFA's Core Values as they relate to Transparency, Accountability and Integrity.

In line with the above Core Values, surveillance at toll collection points was strengthened with internal systems and controls enhanced to give confidence to all road users of the open and transparent manner revenues for road construction, maintenance and rehabilitation were collected and secured.

The Agency was also able to reduce system glitches at Toll Stations resulting in reduced human errors and ensure reduced audit queries in relation to Road Tolling Operations.

The Board, through the Committee of Chairpersons on Road Sector Agencies took the lead in creating synergies with implementing Agencies and institutions to appreciate the strides made and address challenges faced by the Road Sector.

Looking ahead, the Board remains resolute in providing policy guidance to Management as it executes its mandate of Resource Mobilization, Fiduciary Management of the Resources and ensuring Value for Money.

I now invite you to go through our Annual Report and wish to thank you most sincerely for your unwavering support.

Christabel Michel-Banda

Board Chairperson

DIRECTORICHIEF 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 2020, drawing its legal mandate from the National Road Fund (NRF) Act Number 13 of 2002.

The year 2020 was a year of mixed blessings, in the wake of the outbreak of Covid-19 which had a telling impact on the general business environment at country, regional and world levels.

In the midst of this global pandemic and economic challenges, the Agency remained committed to Resource Mobilisation, Fiduciary Management of Resources and ensuring Value for Money and operated within the 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.

As an Agency, entrusted to administer and manage road sector finances from a diverse of sources as per law prescribed, we operated with a Road Sector Budget of K10.5 billion with external component standing at K6.8 billion, local K2.7 billion, Contractor Financed projects K539 million and K472 million under the Private Public Partnerships (PPPs).

We received and disbursed K3.8 billion under the local component representing an increase of 145% in receipts while K3.1 billion was received under the external component representing 46 % and K488 million was receipted from the Contractor Financed projects representing 91%.

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

Further Government made a provision of K4 billion Covid 19 stimulus package aimed at stimulating local businesses through small and medium scale road contractors and the Agency received an initial K1 billion from this allocation.

We continued with the implementation of the Road Tolling Program which made a significant contribution to the road sector basket of funds earmarked for road construction, rehabilitation and maintenance.

A total of K1.551 billion was collected in tolls revenue for the period 1st January to 31st December 2020 against a target of K1.6 billion representing a collection performance of 94%.

However, traffic volumes increased by 12% from 14, 125, 277 passages recorded in 2019 to 15, 826.406 passages in 2020 out of which 2,637,929 vehicle passages were processed at discounted rates under the Frequent User and Local User Discount facilities with 2,226,894 being Frequent Users and Local Users stood at 411, 035.

The Electronic Toll Card continued to register growth over the years with a total of K167 million in tolls revenue collected using this payment platform in 2020 representing 25% of the total inland collections for the period as opposed to K116 million collected in 2019 which represented 22% of the total collections.

Looking ahead, the Agency will commence formulation of a new Strategic Plan which will run from 2022 – 2026 and reposition itself as a key economic player at macro level to compliment Government initiatives in developing the country. The National Road Fund Act Number 13 of 2002 will also be reviewed for subsequent amendment to enhance the Agency's functions.

To achieve all this, we shall count on the loyalty, diligence and commitment of our staff, guided by the Board and Management.

With sincere gratitude.

Wallece Mumba Director/ Chief Executive Officer

NRFA BOARD MEMBERS





Mr. Kaitano Chungu Vice Board Chairperson







Mr. Emmanuel Gardner



Mr. Joe Simachela



Ms. Mweya Kapasa



Mr. Jones Chomba



Dr. Lubinda Haabazoka





Mr. Gladwell Banda Ex-officio



Eng. George Manyele Ex-officio



Eng. Wallece Mumba, Secretary

NRFA SENIOR MANAGEMENT STAFF





Maj. Constantine Hara Director Corporate Services



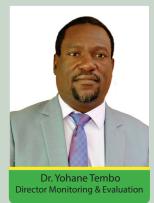
Mr. Daniel Mtonga Director Road Tolling



Mr. Vincent Nyambe Director Fund Management



Mr. Richard Shikoki Director Internal Audit



The Mongu Kalabo road

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I.0 INTRODUCTION

This Annual Report covers the period from 1st January to 31st December 2020 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 (NRTP).

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

2.0 STRATEGIC PLAN 2017-2021

In order to ensure effective implementation of the 2017-2021 Strategic Plan, the Agency formulated a consolidated Business Plan 2020 that comprised activities under each department and unit with clear targets aimed at attaining strategic objectives. A quarterly review process was undertaken to ensure effective implementation and adherence to the plan.

A Mid-term review of the Strategic Plan was undertaken and areas of improvement in terms of implementation were noted and planned for actioning for the remaining part of the period of the Strategic Plan. The Implementation of the Strategic Plan during the period under review, faced a major challenge which in this case the outbreak of the COVID 19 Pandemic that negatively impacted on the implementation of various activities within the Agency and the Road Sector in general. This entailed the Agency operating within the guidelines and measures as set out by the Office of the Secretary to Cabinet thereby ensuring that operations were conducted under the **NEW NORMAL**. However despite the outbreak of COVID 19 the Agency was able to stabilize operations of all toll stations and ports of entry under strict adherence to the measures as was put in place thereby ensure a balance in terms of revenue collection and stakeholder expectation was met. The agency's Scorecard is presented below;

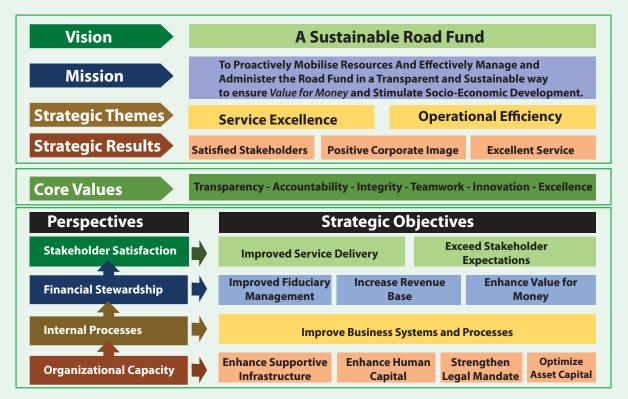


Figure 1. NRFA Scorecard



3.0 FUND MANAGEMENT

3.I ROLES AND MANDATE

The Fund Management Department is responsible for administering the Road Fund. This involves tracking 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, Driver 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 **ZMW8.87 billion** against an Annual Road Sector Budget of **ZMW12.05 billion**, representing **74%** of total budget amount. A total of **ZMW 5,099.99** was from Local Funding and the balance of **ZMW3,771.66** was from External Funding. A total of **ZMW3.78 billion** was received from Road User Charges (RUCs) and GRZ Project funding during the period under review against an annual budget of **ZMW2.72 billion**. This represented funding received of **ZMW1.06 billion** over and above the twelve months budget figure, representing a 39% increase above budget. The increase in fund releases especially as at quarter 4 of 2020 was as a result of increase in Road User Charges collections amounting to **ZMW989.4 million** and also a component of the Bank of Zambia stimulus loan amounting to **ZMW500 million** obtained from the National Savings and Credit Bank (NATSAVE). The table below presents the status as at 31st December 2020.

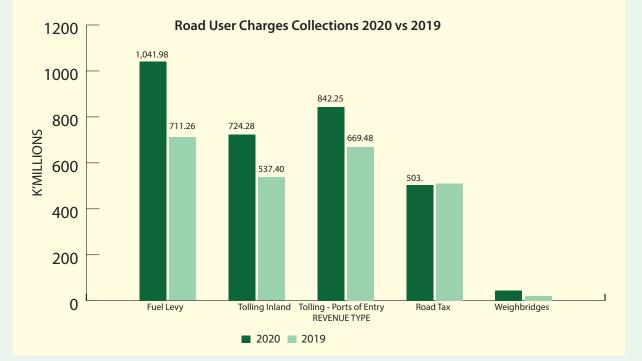
Funding Course	2020 Budget	Receipts	Variance	%							
Funding Source	K′m	K'm	K′m								
Local											
Fuel Levy +GRZ	2,722.78	3,779.72	1,056.94	39%							
NAPSA	1,000.00	820.27	(179.73)	-18%							
NATSAVE	500.00	500.00	-	0%							
Sub Total 1	4,222.78	5,099.99	877.21	21%							
		External									
CPs	6,621.00	2,971.49	(3,649.51)	-55%							
PPPs	472.00	-	(472.00)	-100%							
CFI	733.00	800.17	67.17	9%							
Sub Total 2	7,826.00	3,771.66	(4,054.34)	-52%							
Grand Total	12,048.78	8,871.65	(3,177.13)	-26%							

Table 1. Road User Charges Collections

In 2020, the RUCs collected amounted to **ZMW3,156 billion** compared to **ZMW2,449 billion** in 2019 representing a 30% increase. Inland toll collections increased by 28% from **ZMW1,212 billion** as at December 2019 to **ZMW1,551 billion** as at December 2020. The growth is attributed to the commissioning of new toll stations and the introduction and implementation of the Statutory Instrument No 74 of 2020 which provides for collection of tolls at Inland toll stations from foreign registered vehicles. This is illustrated in the Figure

below:

Figure 2. Road User Charges



The average collection of Road User Charges in 2020 reached **ZMW 250 million** per month compared to an average of **ZMW170 million** per month in 2019. Fuel levy averaged **ZMW80 million** per month and Ports of Entry collections averaged **ZMW70 million** per month. It is noted that Inland Tolls recorded an increase in collections during the period under consideration of a monthly average of **ZMW60 million**. The increase is attributed to the increase in the number of new Inland toll stations that were operationalized in 2020 and also the new revenue stream which is in this case the Inland toll fees levied on foreign vehicles. The table below presents the monthly collections of RUCs in 2020.

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	ост	NOV	DEC	TOTAL	AVE/ MONTH
Fuel Levy	60.99	73.67	82.67	66.88	79.75	60.02	96.85	110.96	96.38	104.38	120.86	88.58	1,041.98	86.83
Tolling-Inland	50.12	44.88	49.79	51.81	55.40	51.39	57.06	58.92	63.48	74.52	81.87	85.04	724.28	60.36
Tolling-Port Entry	56.19	58.81	74.90	59.73	59.58	63.81	63.34	74.87	72.88	84.62	90.36	83.17	842.25	70.19
Road Tax	64.12	24.36	37.75	34.10	26.26	43.80	47.93	25.52	41.47	46.83	30.93	80.02	503.12	41.93
Weighbridges	1.69	3.84	2.63	1.58	3.24	2.71	2.81	3.69	4.75	4.05	7.81	6.02	44.81	3.73
Total	233.12	205.57	247.74	214.10	224.23	221.73	267.99	273.96	278.96	314.41	331.82	342.82	3,156.45	263.04

Table 2. Monthly Road User Charges

3.3 NOTABLE ACHIEVEMENTS

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

Preparation of Unqualified 2020 Financial Statements

The Agency successfully prepared unqualified audited quarterly and annual financial statements for both external and local funding for the year ended 31st December 2020.

Preparation of Management Accounts

All Management Accounts for all quarters ended 31st December 2020 were prepared and presented to the Board for approval.

Formulate the Road Sector Debt Management Strategy

The Department 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.

Resource Mobilization Initiatives

As a strategy to address the negative impact of COVID 19 Pandemic on the Road Sector, the Agency through the Fund Management Department, obtained a component of the Bank of Zambia Stimulus Fund via NATSAVE, amounting to ZMW500 million which was used to pay a component of outstanding arrears owed to local contractors and suppliers of goods and services.

Automation of Payment Systems to Commercial Banks

During 2020, all payments were channeled through the automated commercial banks systems to ensure real time processing of payments by the Agency.



Sabina Toll Plaza



Sabina Toll Plaza between Ndola and Luanshya under construction



Newly constructed George Kunda SC Toll Plaza



Tour of control center

4.0 ROAD TOLLING DEPARTMENT

4.I ROLES AND MANDATE

The National Road Fund Agency (NRFA), as a Lead Tolls Agent (LTA), through the Road Tolling Department (RTD) is implementing the National Road Tolling Program (NRTP) in collaboration with other Sector Agencies such as the Road Development Agency (RDA) and the Road Transport Safety Agency (RTSA). The key responsibilities of the RTD include the planning and coordination of all activities under NRTP, formulation of technical policies and guidelines, implementation of strategies on tolling operations and infrastructure development, tolling systems development and management and regular reviews of the Tolling Legal Framework. The RTD is also responsible for the collection of Road Toll Revenues and ensuring that the Zambian tolling operations are well benchmarked against best Industry Standard Practice and deliver an efficient and effective service to Road Users.

4.2 TOLL REVENUE COLLECTIONS AND TOLLING OPERATIONS

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

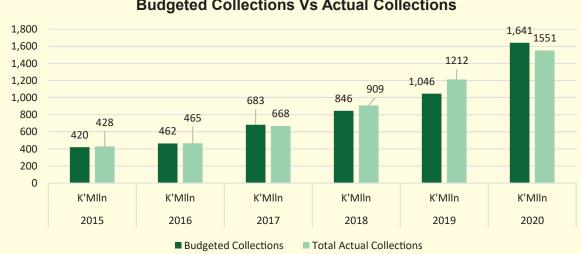
In 2020, a total of **ZMW1.551 Billion** in tolls revenue was collected compared to **ZMW1.212 Billion** in 2019. This represented a 28% year on year collection growth despite the challenges caused by COVID 19 pandemic.

Figures below present toll revenue collection trend and percentage revenue collection contribution per toll station for the twelve (12) months ending December 2020 respectively.



Rueben Chitandika Kamanga Toll Plaza

Figure 3. Budget Vs. Actuals



Budgeted Collections Vs Actual Collections

Figure 4. Trend for Toll Revenue Collections



2020 Toll Station % Revenue Contribution

CASHLESS TOLL COLLECTION SYSTEM 4.3

During the period under review, a total of **ZMW 167 million** in toll revenue was collected using the ETC system, representing 25% of total inland collections for the period. This represents a 44% growth from 2019 when ZMW116 million was collected through the ETC system. As at December 2020 the number of toll cards sold stood at 16,727 compared to 2,485 toll cards sold as at December 2019. This shows a growing acceptance by the general public in terms of usage of the electronic platforms as a payment solution with regards to road tolls. The figure below shows the number of E-Toll Cards sold year on year from 2017 to 2020.

E-Toll Cards Sold



4.4 TRAFFIC INFORMATION

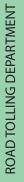
During the period under review, a total of **15,826,406** vehicle passages were processed at Inland toll stations compared to **14,125,277** passages in 2019. Out of the total figure in terms of vehicle passages, **2,637,929** vehicle passages were processed at discounted rates under the Frequent User Discount (FUD) and the Local Road User Discount (LUD) facilities. (FUDs-2,226,894 and LUDs -411,035). The Road User Discounts accounted for 17% of the total processed traffic.

4.5 CONTROL CENTRE OPERATIONS

During the period under review, the operations of the Control Centre were moved from the main HQ building to an appropriate adjacent and exclusive facility. The Centre continued to monitor toll station transactions and operations using deployed technologies and also offer support to customers through the dedicated customer lines. The centre also assisted with training and roll out of the ETC card acquisition, activation and loading of value to all toll stations.

4.6 TOLLING INFRASTRUCTURE DEVELOPMENT AND FACILITY MANAGEMENT

During the period under review, the Agency through the Road Tolling Department in collaboration with the Road Development Agency (RDA), completed the construction of and installation of new Toll Stations. As at December 2020, 5 Toll Stations were operationalized and these include Alexander Grey Zulu, Reuben Chitandika Kamanga toll stations in Eastern Province, Kebby Musokotwana toll station in Southern Province, George Kunda toll station in Central Province and Mibenge toll station in Luapula Province. The Map showing Toll Stations in Zambia as at December 2020 is presented below;



Tapo Toli Stu

24 Reuber C. Kangaga Tali S 25 George Nunda SC Tali Stat 26 labby Musokotovane Tali 11 Chipata-Lundozi Toli St 12 Katete-Chanida Toli Str Kajulushi - Sabina Toli : ter G Zulu Toll 10 Kayludyura Toll Starbio La Kayludyura Toll Starbio 12 Hunder C. Star Toll S 13 Hunderbray Multerhan 13 Hunderbray Multerhan 14 Hunderh Toll Station 15 Kaitense Toll Station 18 Kaponger, Toll Station 18 Magander, Toll Station 20 Chilongo Toll Station 20 Chilongo Toll Station Kasama-Mpika Toll Str Mpika-Chinsali Tall Sta 10 Isoka-Nakonde Toll S 21 Wilson M. Chaludya Mutuiteg-Ndola Toll 5 Isal/Jsaka Toll Stu olg Toll Station nge Toll Stati Bahati Toli Station Nega Nega Toll Sta ndw ToN Stat belie. Toll Stati 5 Mumbwa Toll St 9 Manyumbi Toli 5 ceite Toll St 7 Chongwe Toll 5 8 Katuba Toll Sta 3 Lui Toll Statio Baniel Mun 5 Charulete 9 Lundaz 10 Feira 11 Lusua 22 Mibe 23 Alexo F Karlba 6 Chemb Chile MALAW MOZAMBIOUE **Q4** 36 1 23 60 **03** 3 23 63 undat **FOLL STATIONS OVERALL STATUS 2020** 35 02 5 23 63 01 6 63 63 Under construction **TOLL COLLECTION POINTS** - Harare Category Operational Planned Total S/N 3 2 9 **OUSWAN** Tolling at Ports of Entry Planned Tolling at Ports Inland Tolling Stations **Tolling Plazas under** Planned Toll Plazas Construction of Entry

Figure 6. Toll Collection Points





Pave Zambia



Ndabala- Ngwabwe



L400 Lumumbwa road field inspection



Mpika-Nabwalya-road



Mpika urban road



Field inspection of the Mpika urban roads



Mbala-Kasesha road

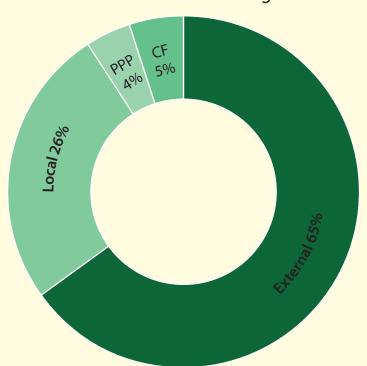
5.0 MONITORING AND EVALUATION (M&E)

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 FUNDING ANALYSIS

The 2020 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 2020 RSAWP had a total value of **ZMW10.6 billion** comprising 65% external financing (Loans and Grants), 26% from local resources in the form of direct GRZ funding from the Treasury and the Road Fund, 5% Contractor Facilitated Initiative (CFI) and 4% Public Private Partnership (PPP). Figure below shows the funding sources summary for the 2020 RSAWP.

Figure 7. Funding Sources for the 2020 RSAWP



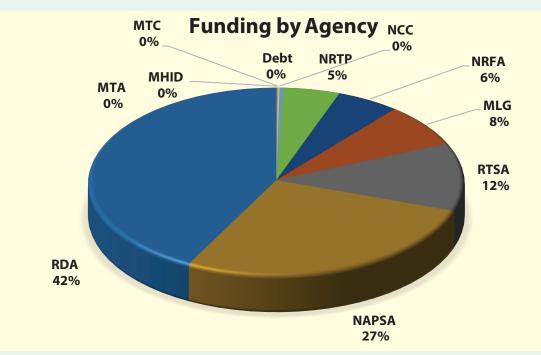
Sum of Road Sector Meeting K'000

5.2 PLANNING

The 2020 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 2020 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 various initiatives and skills development programmes. The implementation of the 2020 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 culminating into reduced Road User Charges (RUCs).

Figure below shows a summary of Funding by Sector Agencies. The largest share of the resources of approximately (42%) was allocated to RDA which is responsible for a significant portion of the Core Road Network (CRN) which mainly comprises the Trunk, Main and District Roads. The lower order roads mainly the urban and primary feeder roads have been delegated to Local Road Authorities under the Ministry of Local Government (MLG). MLG had a meagre share of 8% of the resource allocation in the 2020 RSAWP.

Figure 8. Funding By Agency



Note: The 27% NAPSA allocation highlights loan repayments to NAPSA following the loan acquisition by the Agency.

The 2020 RSAWP covered various interventions in line with the ZMW10.5 billion budget allocation. Rehabilitation projects had the largest allocation of 47% followed by capital expenditure and upgrading of road projects which are capital projects at 21% of the resource envelope. The allocations are shown in the table below

Programme/Project	Local K'000	External K'000	Overall K'000	Percentage
ESCO	500.00	-	500.00	0%
Road Reserve Enforcement	500.00	-	500.00	0%
Publicity	1,000.00	-	1,000.00	0%
Spot Improvement	4,000.00	-	4,000.00	0%
Legal	12,000.00	-	12,000.00	0%
Compensation	23,000.00	-	23,000.00	0%
Capital Expenditure	12,498.92	50,000.00	62,498.92	1%
Axle Load Control	38,450.00	33,000.00	71,450.00	1%
Studies & Designs	64,415.99	98,129.27	162,545.26	2%
Project Monitoring & Supervision	200,000.00	-	200,000.00	2%
Maintenance	288,905.48	27,000.00	315,905.48	3%
Toll Programme	281,195.87	2,000.00	283,195.87	3%
RTSA	320,000.00	-	320,000.00	3%
Debt Service	761,038.03	-	761,038.03	7%
Bridges	362,294.20	630,708.38	993,002.58	9%
Upgrading	141,262.95	2,196,574.44	2,337,837.39	22%
Rehabilitation	211,715.99	4,792,416.62	5,004,132.61	47%
Grand total	2,722,777.43	7,829,828.71	10,552,606.14	100%

Table 5. Funding by programmes

5.3 LOCALLY FUNDED PROJECTS

Table below presents the summary contracts that are financed from locally generated revenues such as toll fees, fuel levy and road tax. The projects funded include Link Zambia 8,000, Pave Zambia 2,000, Kazungula Bridge Project and major economic road projects and bridges.

Table 6. 2020 Road Sector Contract Summary table

No.	Descsription	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	195,375.80	445.10	53,785.66	3,722.46	8,200.59	45,585.07	
2	Re-Scoped LZ8000 Projects + Other Projects	30	3,206.40	532.98	28,213.47	2,157.51	8,200.59	20,012.88
3	Culverts and Crossings	10	-	-	219.14	48.73	83.60	135.55
4	Pave Zambia 2000	11 27.45	0.60	242.31	22.35	83.98	158.33	
5	Supply Pavers	3	-	-	42.04	9.64	8.50	33.55
6	Routine Maintenance- RDA	509	15,735.74	-	1,111.00	-	360.00	751.00
7	Kazungula Bridge Construction	1	-	-	3,092.55	-	1,320.44	1,772.11
8	Bridges	6	-	-	530.94	46.50	170.17	360.77
9	Routine Maintenance of Bridges	10	-	-	315.33	-	30.06	285.28
10	Weighbridges	2	-	-	102.67	-	34.22	68.44
11	Spot Improvement	1	100.00	-	315.33	-	144.74	170.59
12	Periodic Maintenance Projects under RDA	17	2,052.00	361.10	5,169.14	1,120.75	974.86	4,194.28
13	Rehabilitation Projects (Paved) under RDA	11	1,112.28	382.18	9,466.15	1,592.37	3,429.95	6,036.20
14	Upgrading Projects under RDA	5	365.00	173.00	2,361.56	324.25	941.82	1,419.74
15	National Feeder Roads Programme	2	3,126.00	107.00	4,445.28	-	61.88	4,383.40
16	Consultancy Services - RDA	67	-	-	1,490.18	455.20	916.38	573.81
RDA S	ub-Total 1	704	31,101	2,002	110,903	9,500	24,962	85,941
17	Routine Maintenance - MLGH	16	861.80	-	149.63	-	9.96	139.66
18	Feeder Roads (Unpaved) - Spot Improvement / Periodic Maintenance/ Rehabilitation - MLGH	210	8,642.05	-	11,703.49	-	2,406.05	9,297.44
19	URBAN ROADS PROGRAMME - (Paved) - Periodic Maintenance/ Rehabilitation/ Upgrading/New Construction - MLGH	35	584.23	146.70	4,589.16	257.50	707.54	3,881.63
20	Consultancy-MLGH	13	-	-	211.59	82.98	75.96	135.63
MLGH	ISub-Total 2	274	10,088	147	16,654	340	3,200	13,454
GRAN	DTOTAL	978	41,188.75	2,148.66	127,556.63	9,840.25	28,161.28	99,395.35

5.4 EXTERNALLY FUNDED PROJECTS

These are projects that are funded by Cooperating Partners such as the Package 3 Kazungula Bridge Project, Turnpike- Mazabuka Road Rehabilitation funded by the AfDB, Chinsali – Nakonde Lot 1&2 funded by the AfDB 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 Copper belt and the Lusaka Decongestion Project by Afcons under the Ministry of LOCAL Government. Table below presents the summary of the foreign ongoing contracts.

Intervention	Project No.	Contract Length (Km)	Achieved Length (Km)	Intial Contract Sum '000	Revised Contract Sum '000	Variation Orders '000	Amount Certified '000
Consultancy	6	-	-	212.44	245.59	33.15	188.88
L400 P2	1	146.00	172.80	241.18	241.18	-	241.18
L400 P3	1	116.00	130.00	241.11	241.11	-	241.11
OPRC	8	4,638.08	37.00	3,923.76	3,923.76	-	45.24
OSBP	2	-	-	370.31	370.31	-	217.59
Rehabilitation	5	289.00	24.20	2,065.99	2,114.58	48.59	529.44
Upgrading	1	237.50	235.00	234.83	234.83	-	176.58
Zambia Township roads Lot 1	1	152.00	145.00	232.23	232.23	-	232.23
Ndola Urban Roads	1	43.00	43.00	550.00	550.00	-	550.00
Lusaka Decongestion	1	95.00	60.00	2,891.06	2,891.06	-	1,510.00
Total	27	5,716.58	847.00	10,962.91	11,044.65	81.74	3,932.24

Table 7. Summary of Foreign Ongoing Projects

5.5 MONITORING

5.5.1 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 **4,585** Interim Payment Certificates (IPCs) were processed in 2020 and the Agency recorded a total savings of **ZMW217.55 million**. The table below presents a summary of savings from 2011 to 2020.

Table 8. Summary Savings from 2011-2020

Year	Amount Saved/With-held on Contracts (K)	Amount Saved/With-held on Force Accounts (K)	Amount Saved/With-held Total (K)
2011	16,345,948.94		16,345,948.94
2012	10,261,150.03	816,287.94	11,077,437.97
2013	19,401,643.00	3,934,072.23	23,335,715.23
2014	1,452,816.68	283,750.76	1,736,567.44
2015	7,986,037.74	41,817.71	8,027,855.45
2016	7,324,867.22	205,676.80	7,530,544.02

Year	Amount Saved/With-held on Contracts (K)	Amount Saved/With-held on Force Accounts (K)	Amount Saved/With-held Total (K)
2017	8,275,910.21	567,734.09	8,843,644.30
2018	7,529,936.53	-	7,529,936.53
2019	28,831,805.05	729,850.59	29,561,655.64
2020	217,548,352.22	-	217,548,352.22
TOTAL	324,958,467.61	6,579,190.11	331,537,657.72

5.6 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.

5.7 Evaluation

5.7.1 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.

5.7.2 In House Technical Audits

No activities were done for In-house technical audits during the period under review due to inactive projects not being financed and the outbreak of the COVID-19 pandemic.

5.7.3 Technical Assistance

During the period under review, the Agency was able to provide technical assistance to RDA and MLG in specific areas that included management of Force Accounts and Road Sector Progress Reports.

5.7.4 HIVIAIDS Activities Assessment

Cross cutting issues such as HIV/AIDS activities are mainstreamed in road contracts. The Agency thus takes these issues seriously in terms of monitoring such activities in all major contracts and projects.

During the period under review, the Agency carried out HIV/AIDS activities monitoring key feeder and rescoped road projects in Northern, Muchinga, Copper belt, North Western and Eastern Provinces. It was noted that most contractors had engaged independent firms to carry out sensitization activities and had also incorporated COVID-19 preventive measures into this component.

5.7.5 Desktop Evaluation

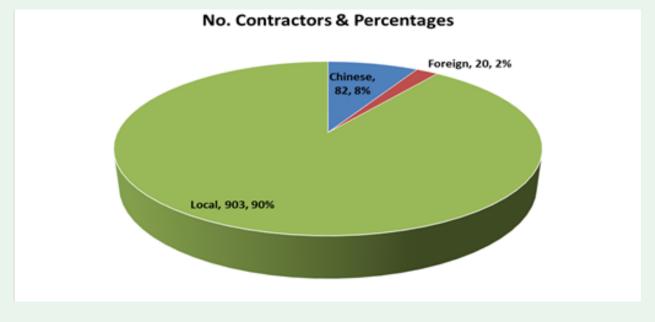
The analysis taken in 2020 report comparing the initial contract sums against the revised contract sums on Road Sector projects showed that the contract sums were increasing tremendously due to lack of funding and thus allowed the Extension of Time for the projects. Additionally the increase in the contract sum was due to change of project scope which favored mostly additional works.

The Agency through the M&E Department was able to that reductions in the contract sums was due to the re-scoping program that was being done on some of the contracts. Re-scoping resulted in thirty one (31) projects re-scoped under RDA and seven (7) contracts under MLG.

5.7.6 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 **1,005** contracts were on-going. For these contracts, 903 were being executed by local contractors while **82** contracts by Chinese contractors and **20** contracts by other foreign contractors representing 90% for local, 8% for Chinese and 2% for foreign contractors respectively as shown in Figure below.

Figure 9. Contractors & Percentages



In terms of the value of contracts, **ZMW30.73 billion** was allocated towards the 903 contracts executed by Local Contractors, **ZMW75.78 billion** went to Chinese contractors with 82 contracts and **ZMW8.69 billion** towards 20 contracts by foreign contractors representing **27%** for locals, 66% for Chinese and 7% for foreign contractors as presented in Figure below.

Figure 10. Value of Contracts



5.7.7 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. Several projects were subjected to a detailed evaluation in order to establish the extent to which the Government is obtaining *value for money*. Further, engagement with implementing Agencies helped in sound decision making by the Board and Management.



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6.0 INTERNAL AUDIT

6.I 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.

6.2 The Internal Audit Process

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

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

Planning - this mainly involves setting the audit scope and objectives based on the individual audit assignment's risk assessment.

Evaluation – this involves field work and testing i.e. testing the effectiveness of controls as well as substantive testing.

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.

Follow Up – these reviews are done for confirmation of planned actions and verification of management responses.

6.3 Activities Undertaken During the Year

The main activities undertaken during the year included:

6.3.1 Quarterly Internal Audit Reviews

The main objective of these audits was to ensure that the Agency was in compliance with both internal procedures and various pieces of 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.

6.3.2 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.

6.3.3 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 2021 Annual Procurement Plan and the 2020 Quarterly Progress Reports.

6.3.4 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.

6.3.5 Audit of Tolling Operations

The main objective of these audits was to ensure that the Agency was in compliance with both internal procedures, 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 Eight audits were done against a target of 40 and these covered operational procedures, internal controls, review of systems and substantive tests on revenue collections. During the period under review, 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.

6.3.6 Special Audits

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

6.3.7 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.

6.3.8 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.



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 2020

7.2.1 Toll Visitations by various interest groups

During the period under review Toll visitations were restricted due to the out break of the COVID 19 pandemic thereby ensuring that the Agency was adhering to the control measures and guidelines set out by the Government through Cabinet Office. In this regard the Toll visits were minimized and were strategic. The following were the two visitations undertaken;

Ministerial Tour of Toll Stations- During the period under review, the Minister of Finance undertook a tour of the Chongwe Toll Station and also inspected work progress on the toll stations that were being constructed between Nyimba and Petauke, and between Katete and Chipata.

Office of the Secretary to Treasury tour of Katuba Toll Station- During the period under review, the Agency in conjunction with the Office of the Secretary to Treasury, Ministry of Finance undertook a tour of the Katuba Toll Gate to check on the preventive measures that had been put in place by the Agency in the wake of the COVID 19 pandemic.

7.2.2 End of Year Media Briefing

At the beginning of 2020, the Agency held an end of year media briefing at which an update of the 2019 activities and focus for 2020 were availed to the general public through mainstream electronic and print media.



Eng. Wallece Mumba during the end year media briefing

7.2.3 Joint Road Sector Press Briefing

During the period under review, the Agency in conjunction with RDA and NCC, held a joint media breakfast meeting to update the general public on key milestones, successes and challenges the road sector faced within 2020.

7.2.4 Awareness Campaign on Commencement of Road Tolling

During the period under review, the Agency undertook awareness campaigns ahead of the Road Tolling Commencement at the newly constructed toll stations that included Mibenge in Luapula Province, the Alexander Grey Zulu toll station and the Reuben Chitandika Kamanga toll station in Eastern Province, the Kebby Musokotwane toll station in Southern Province and the George Kunda toll station in Central Province

7.2.5 E-Toll Card Awareness Campaign

During the period under review, the Agency embarked on a robust awareness raising campaign of the E-Toll card under the theme **"Drive Cashless"** as a faster and efficient way of paying toll fees. The aim of the campaign was to increase sell of the toll cards in 2020. As at December 2020, 16,727 cards were sold.



7.2.6 Media Coverage and Publications

During the period under review, the Agency appeared in the media (both print and electronic) 412 times, through articles in Newspapers, interviews on radio and television with no adverse media coverage.

7.2.7 Facebook Page, Website and Help Desk

The Agency's Facebook page had 82,299 page followers as at December 2020, compared to 62,382 as at year end 2019. The social platform continued to work as a feedback mechanism to closely interact with the general public and disseminate information. The Agency Website recorded an average daily User Count of 918 and a monthly average of 3,761 page viewers.

The Help Desk which attends to road contractors and consultants dealt with 257 clients all of whom were seeking information on the payment status for their claims by end of the year 2019 this is against 361 at the end of the year 2020. The number of inquiries rose specifically in December owing to the receipt and disbursement of funds to local road contractors and consultants.

7.2.8 Media Coverage

During the period under review the Agency appeared in the media (both print and electronic) 412 times, through articles in newspapers, interviews on radio and television with no adverse media coverage this is against 200, reported in 2019.

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

7.2.9 E- Toll Card Awareness Campaign

In June 2020, the Public Relations Unit embarked on a robust awareness campaign of the E-Toll card as a faster and efficient way of paying tolls, under the theme "Drive Cashless". The aim of the campaign was to increase sells of the Electronic toll cards in 2020.

This campaign was conducted through social media posts, billboards, adverts on Radio, TV, branding of motor vehicles and other Agency publications. During the second Quarter and following our awareness campaign, we sold **2**, **756** Cards, and **2**,**619** cards were sold in the Third Quarter.

In the fourth quarter, at the climax of the E-Toll Card campaign, we saw an increase in E-Toll Card, sales with **3,241** cards sold in October, **2,458** in November and **1,365** in December bringing the total of cards sold in the Fourth Quarter to **7,064** as compared to **2,619** in the third quarter.

7.2.10 E- Toll Card Awareness Campaign

Public awareness campaigns were conducted ahead of road Toll commencement at the Mibenge simplified Toll Gate, between Mansa and Samfya, in Luapula Province, Alexander Grey Zulu Toll Gate between Nyimba and Petauke, and the Reuben Chitandika Toll Gate between Katete in Eastern Province, Kebby Musokotwane Toll Gate between Zimba and Livingstone in Southern Province, and George Kunda Toll Gate between Kapirimposhi and Mkushi in Central Province.

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 sensitizations 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.



8.0 PROCUREMENT

8.1 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).

8.2 Procurements Made During the Year

During the period under review, a total of 195 Local Purchase Orders issued amounted to **ZMW45.3 million** compared to the total costs of Local Purchase orders issued in 2019 amounted to **ZMW17.5 million**. Figure below indicates the percentage of Procurements carried out from Quarter 1 to Quarter 4 of 2020.

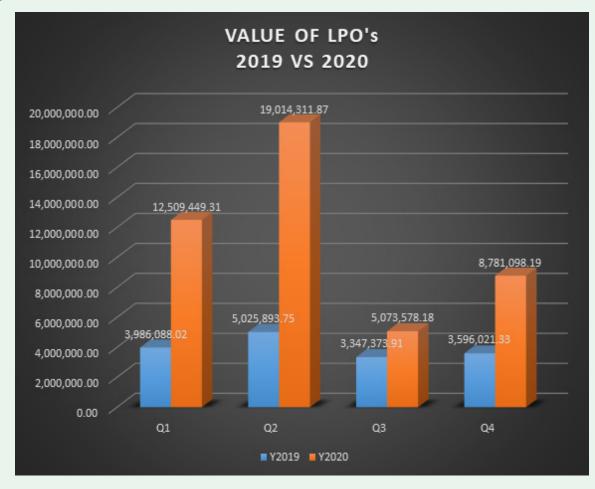


Figure 11. Value of LPO's – 2019 vs 2020

8.3 LOCAL PURCHASE ORDERS

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.

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Staff at Enoch Kavindele Toll station receive Directors award



Fund Management department receive awards during the end of year award ceremony

9.0 CORPORATE SERVICES

9.1 9.1 Roles and Mandate

The Corporate Services Department exists to render comprehensive Human Resource and Administration functions in order to enhance service delivery and the welfare of all National Road Fund Agency employees. The department endeavors to help the Agency capture the full value in all its operations through provision of these cross functional areas of Human Resource Management, General Administration, Information Communication and Technology (ICT), facilitating for Board Affairs, 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 2020, despite the outbreak of COVID 19 pandemic, 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 a conducive working environment and there was no recorded industrial unrest during the period under review.

9.2.1 Staff Compliment

The year 2020 closed with a total staff compliment of Six Hundred and Eighty Four **(684)** compared to 2019 at Five Hundred and Forty One **(541)** representing a **19.4%** growth rate. With an approved structure of Seven Hundred and Thirty Nine **(739)**, the staffing variance as at December 2020 was Fifty Five **(55)**. Figure below presents percentage of staff compliment by gender;



Figure 12. Staff Compliment by Gender

Of the total staff compliment of 684, 276 were females representing 40.4% while 408 were males at 59.6%.

9.2.2 Staff Recruitment

To enhance human capital, the department continued to recruit and appoint staff to fill various vacant positions as part of its human resource planning. To that effect recruitments were done for the Road Tolling Department to appoint toll collectors for deployment at various toll stations across the country, recruitment of accounting staff for the Fund Management Department, recruitment of a Manager M&E in the Monitoring and Evaluation Department and recruitment of additional staff in the Corporate Services Department.

9.2.3 Staff Turnover

During the period under review, there were thirty three (33) staff separations as indicated on the table below

No.	Reason for Sepaeration	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020 Annual Total
1.	No renewal of contract	0	0	1	0	1	2
2.	Dismissal	0	24	0	2	0	26
3.	Resignation	0	1	0	3	0	4
4.	Unsuccessful probation	0	0	1	0	0	1
	Total	0	25	2	5	1	33

Table 9. Staff Turnover

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 thirty seven (37) disciplinary cases were handled.

9.2.5 Workplace Social Support Activities

During the period under review, the Agency continued to encourage employees to live a healthy lifestyle, by holding lifestyle engagements with them. The Agency in this regard facilitated for the hosting of a sports tournament held on Independence day, 24th October 2020.

9.2.6 Annual Award Giving Ceremony and Staff Meeting

During the period under review, the Agency hosted the Annual Staff Meeting and Award Presentation Ceremony at which various staff matters were discussed, and an action matrix generated. Awards were presented to deserving employees as guided by the Awards and Commendation Policy.

9.3 Administration

9.3.1 Promotion of Health and Safety Measures to Prevent COVID 19

In the wake of the COVID 19 pandemic, the Agency continued to implement various measures to promote sanitation and health working environment by providing hygiene kits such as hand washing bays, hand sanitizers, gloves and masks especially to frontline staff at Toll Stations.

The Agency also fumigated office building blocks to enhance preventative measures against COVID 19 and further engaged the Zambia National Public Health Institute (ZNPHI) to conduct COVID 19 screening of members of staff.

9.3.2 Registry Re- organization

During the period under review, the Agency in conjunction with Officers from the National Archives appraised and transferred the NRFA records that were due for archiving to the National Archives.

9.3.3 Integrity Committee Activities

During the period under review the Agency through the Integrity Committee carried out the following activities:

- i. Launch of the Whistle Blower Hotline through Deloitte Tip Off Anonymous System.
- ii. Distributed weekly Integrity messages to all employees electronically
- iii. Conducted Staff Sensitization Workshop at Toll Stations
- iv. Successfully uploaded the Complaints Handling System onto the NRFA Website

9.3.4 Legal Matters

9.3.4.1 Review of the NRFA Act NoI2 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.

9.3.4.2 Review of SI No 85 of 2016 of the Tolls Act No 14 of 2011

During the period under review, the Agency undertook a review of the above regulations with regards to the payment of Tolls by Foreign registered motor vehicles. The SI was released as SI No 74 of 2020 and came into operation on the 19th December 2020.

9.3.4.3 Review of the Tolling Services Agreement between NRFA and RDA

During the period under review, the Agency concluded the review of the Tolling Services Agreement between RDA and NRFA as Lead Tolls Agent which would last for a period of 3 years.

9.3.4.4 Review of Agency Policy Documents

During the period under review, the Agency undertook a review of various policy documents and procedures manuals which were approved by the Board.

9.4 Board Affairs

During the period under review, the Agency through the Corporate Services Department coordinated and facilitated the holding of Board and Committee meetings. 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:

- i. Finance Committee
- ii. Audit and Risk Management Committee
- iii. Administration Committee, and
- iv. Technical Committee

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. The Chairperson of the Board may call for Special Board Meetings when need arises. During the period under review, the Board held the following number of meetings as shown below;

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Table 10. Meetings Held for the Year 2020

No.	Category	No. of meetings held Q 1	No. of meetings held Q 2	No. of meetings held Q 3	No. of meetings held Q 4	Total No. of meetings held for the year 2020
1.	Board	3	3	3	2	11
2.	Administration Committee	3	2	1	2	8
3.	Finance	2	1	3	1	7
4.	Audit and Risk Committee	2	1	1	1	5
5.	Technical Committee	1	2	1	2	6
6.	Board Field Visit	1	0	0	0	
7.	Committee of Chairpersons Meeting	2	3	3	2	10
8.	Committee of Chairpersons Tour	1	0	0	1	2

9.4.1 Board of Directors Field Visits

In order to ensure adherence to the measures that that the Agency put in place to curb the spread of COVID 19, Board Field Visits during the period under review were cancelled.

9.4.2 Committee of Chairpersons of Road Sector Boards

The Committee of Chairpersons which comprises Chairpersons from the Road Sector Boards held 10 meetings and two field visits covering Lusaka, Central and Northwestern Provinces. The field visits included field tours of selected road infrastructure projects and road tolling operations.

9.5 African Road Maintenance Funds Association (ARMFA)

During the period under review, almost all ARMFA activities were suspended due to the COVID 19 pandemic, except for a regional meeting that was held virtually on July 13th 2020 and the extra ordinary General Assembly that was held on the 16th of December 2020.



NRFA Director Corporate Services Maj.Constantine Hara handsover donated items to Luanshimba Primary School Head Teacher GershomChinkumbi



Integrity committee staff sensitization workshop



10.0 INFORMATION COMMUNICATION TECHNOLOGY (ICT)

10.1 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.

10.2 Activities Undertaken in 2020

The following are the operations that the ICT Unit undertook and implemented during the year 2020;

10.2.1 Development and Deployment of an Asset Management System

During the period under review, the Agency through the ICT Unit developed and deployed an Asset Management System to improve asset records management. This undertaking was in line with the Agency's strategic objective of improving service delivery through enhanced automation of business processes.

(The screenshot below shows the sample of the Reports page from the system)

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10.2.2 Enhancement of the Electronic Toll Collection System

During the period under review, the Agency's Electronic Toll Collection System was optimized to improve the speed of processing a toll transaction. The performance standard was also approved by Smart Zambia Institute, which averaged 6 seconds of processing speed.

10.2.3 Installation of the Control Centre

During the period under review, the Agency through the ICT Unit deployed monitoring systems into a new Control Centre building which started operating as at quarter one 2020. The Agency Control Centre provides remote visibility to toll stations across the country.



Part of the NRFA Control Room

10.2.4 Systems Deployment at new Toll Stations

During the period under review, the Agency through the ICT Unit deployed Toll Management Systems at four new tolls stations that included Kebby Musokotwane Toll Station in Livingstone, Alexander Grey Zulu and Rueben Chitandika Kamanga Toll Stations in Eastern Province and the George Kunda Toll Station in Central Province.



Installation works at Lui toll station

₽ U

10.2.5 Enhancement ICT Policy Documents

ICT noted the inadequacy of the policy documents that were in existence, and the limitations in their content. In July, 2020, ICT in conjunction with Smart Zambia Institute, reviewed the policy documents for ICT operations. The documents included the ICT Procedures Manual, ICT Policy, ICT Equipment Standards Manual and the ICT Disaster Recovery and Business Continuity Plan. The documents were also approved by the Board and have since been adopted in the ICT operations.



ICT Team during the ICT Policy Documents Review operation at Sandys Creations in July 2020



Installation works at Tapo toll station

II.0 OUTLOOK FOR 2021

During the year 2021, the Agency will continue to operate within its mandate of Resource Mobilization, Fiduciary Management of the Road Sector Resources and 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 2021 Business Plan coupled with the strategy of undertaking a balanced approach of **"Innovate with Less"**. Key focus areas for management for the year 2021 and beyond include the following:

Sustainable Debt Management: This is critical for sustainability in the road sector and the national economy. This will comprise arresting the escalation of the current debt, reduction and ensuring non debt accumulation in future. This will also require management of commitments.

Formulate the National Road Fund 5 Year Strategic Plan 2022-2026- The process to formulate a New Strategic Plan and Implementation Plan shall commence in 2021 as the current Strategic Plan (2017-2021) comes to an end in December 2021.

System Improvements: In line with the theme **"Innovate"** the Agency intends to focus on improving the current systems platform through integration, full automation and creation of a robust infrastructure and architecture to ensure efficiency, enhanced controls and increased revenues.

NRFA Draft Bill: The Agency intends to further engage the line Ministry and stakeholders to ensure that the Draft NRFA Bill is enacted by year end 2021.

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.

I2.0 CONCLUSION

The Agency's operations in the year 2020 were significantly hampered by the outbreak of the COVID 19 pandemic. However, during this period the Agency showed remarkable ability to adjust to difficult operational circumstances while remaining focused to deliver on its mandate and in target to achieve its vision of it being a **"Sustainable Road Fund"**

Given that COVID 19 resulted in the Agency operating in the **"New Normal"**, the two strategic themes- Service Excellence and Operational Efficiency- drawn from the Agency's Strategic Plan 2017-2021, were an excellent avenue for shared service provision by the Board, Management and Staff. With improved internal business processes under the **New Normal**, positive work culture and quality service delivery, the Agency bolstered and communicated a positive corporate image and gained confidence from the Road Users.

During the period under review, it was clear that the Government's resource envelope was not able to sustainably finance all road sector operations in view of the need to service external debt obligations and address the COVID 19 pandemic. This therefore called for innovative thinking in a way that allowed the Agency to manage the challenges and also at the same time embark on activities that helped grow the Fund.

The Agency will adopted a theme dubbed **Innovate** going in 2021, and the strategy of innovation whilst striking a balance of limited resources and implementation of key road projects and programmes shall remain inform service delivery going forward.



National Road Fund Agency



FOR THE YEAR ENDED 31st DECEMBER 2020

National Road Fund Agency National Road Fund General Information Financial Statements for the year ended 31 December 2020

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 Find Act, the key functions of the Agency are, among others:

- a. Administer and manager 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: <u>nrfa@zamnet.zm</u> 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 Mr Kaitano Chungu Mr Joe Kapembwa Ms Mwenya Kapasa Mr. Joe Simachela Ms Mumeka Walumweya Mr. Nicholas Chikwenya Mr Mukuli Chikuba Mr Gladwell Banda Eng. Elias Mwape Eng. Wallece Mumba
- Chairperson
- Vice Chairperson
- Director
- CEO -Secretary

NATIONAL ROAD FUND AGENCY STATEMENT OF DIRECTORS' RESPONSIBILITIES NATIONAL ROAD FUND Financial Statements For the year ended 31 December 2020

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 (NRF) as at the end of the financial year and of its surplus or deficit. It also requires the Directors to ensure that the National Road Fund 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 National 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

27th March _ 2021

AMrs Christabel Michel Banda Board Chairperson



Audit • Advisory • Tax

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the National Road Fund, which comprise the statement of financial position as at 31 December 2020, 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 2020and 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.

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Plot 180 Luanshya Road, Off Musonda Ngosa Road, Villa Elizabertha, P.O Box 33919, Lusaka, Zambia. Tel +260 211 291401, Cell: +260 962 059 690 / 0979 835 430, E-mail: markdaniels@markdaniels.co, www.markdaniels.co

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 in 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 2020 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

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

79th March __ 2021

Statement of Financial Performance

		Year ended 31 December 2020	Year ended 31 December 2019
	Notes	ZMW	ZMW
Revenue	4	6,479,261,008	4,305,351,736
Expenses			
Ministry of Housing and Infrastructure Development	5	18,443,230	3,475,786
Ministry of Local Government	6	6,582,759	13,039,424
Ministry of Transport and Communication	7	11,533,592	1,584,376
National Council for Construction	8	325,418	1,301,188
National Road Fund Agency	9	752,174,514	135,672,251
Road Development Agency	10	3,210,785,686	2,016,420,823
Road Transport and Safety Agency	11	152,262,161	227,892,558
Total		4,152,107,360	<u>2,39</u> 9,386,406
Operating Surplus		2,327,153,648	1,905,965,330
Finance Costs	12	1,317,576,449	738,512,608
Surplus for the Year		1,009,577,199	1,167,452,722

The notes on pages 10 to 32 form part of these financial statements.

Statement of Financial Position

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
Current Assets	Notes		
Advances to Road Sector Institutions	13	633,700,902	365,398,530
Other Receivables	14	611,494,928	358,560,444
Cash and Bank	15	688,776,676	597,581,870
		1,933,972,506	1,321,540,844
Non-Current Assets			
CWIP - Road Works Construction Costs	16	56,615,940,807	49,617,380,431
CWIP - Road Structures Construction Costs	17	2,324,796,998	2,105,475,889
Advances to Contractors and Consultants	18	5,888,807,297	4,773,123,500
Property, Plant & Equipment	19	36,827,332	17,883,413
Other Road Project Costs	20	560,100,134	326,002,715
Loan Guarantee	21	3,063,754,888	2,223,707,227
		68,490,227,456	59,063,573,175
Total Assets		70,424,199,962	60,385,114,019
Current Liabilities			
Bank overdraft	15	644	495
Road Works and Services Liabilities	22	13,097,025,143	7,533,102,998
Other Creditors and Accruals	23	313,502,478	31,900,072
Provision for Legal Fees	24	514,895,818	-
DBSA Loan Payable	25	466,553,113	284,397,074
NAPSA Loan Payable-Arrears	25	11,255,205	794,400,000
NATSAVE Loan Payable-within 1 year	25	42,229,274	30,603,031
NATSAVE Stimulus Payable-Within 1 year	25	16,298,619	
		14,461,760,294	8,674,403,670
Non-Current Liabilities			
Long Term Loans payable 2 to 5 years	25	710,769,076	223,646,147
Long Term Loans payable 2 to 20 years	25	6,677,121,437	4,239,625,759
Retention Costs Payable to Contractors	26	2,645,760,278	2,128,882,791
Non-exchange transfers-Capital Grants	27	22,571,515,025	22,661,337,634
		32,605,165,816	29,253,492,331
Total Liabilities		47,066,926,110	<u>37,927,896,001</u>
Net assets		23,357,273,852	22,457,218,018

Statement of Financial Position (continued)

	Notes	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
Net Assets/equity			
Accumulated Surpluses/(deficits)		4,946,065,176	4,094,557,522
Other reserves		150,104,145	99,477,725
Contributed Capital Grants		18,261,104,531	18,263,182,771
Total Net Assets/equity		23,357,273,852	22,457,218,018

The financial statements on pages 6 to 32 were approved for issue by the Board members $On_{27} \xrightarrow{C_{10}} March_{2021}$ and signed on its behalf by:

Eng. Wallece Mumba Director/Chief Executive Officer

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Ms Christabel Michel Banda Board Chairperson

The notes on pages 10 to 32 form part of these financial statements.

Statement of Changes in Net Assets/equity

	Contributed Capital Grant	Other Reserves	Accumulated	Total
			Surpluses/ (deficits)	
	ZMW	ZMW	ZMW	ZMW
Balance At 1 st January 2020	18,263,182,771	99,477,725	4,094,557,522	22,457,218,018
Adjustment	(2,078,240)		(158,069,545)	(160,147,785)
Adjusted balances	18,261,104,531	99,477,725	3,936,487,977	22,297,070,233
Surplus for the Year	-	,	1,009,577,199	1,009,577,199
Additions to reserves	-	50,626,420		50,626,420
Balance At 31 December 2020	18,261,104,531	150,104,145	4,946,065,176	23,357,273,852

	Contributed Capital Grant	Other Reserves	Accumulated	Total
	Surpluses/			
			(deficits)	
	ZMW	ZMW	ZMW	ZMW
Balance At 1 st 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

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 32 form part of these financial statements.

Cash Flow Statement

	Notes	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
Cash flows from operating activities			
Surplus For The Year Adjusted for:		1,009,577,199	1,167,452,722
Depreciation		10,457,188	5,454,023
Adjusted Surplus For the Year		1,020,034,387	1,172,906,745
Increase in Advances to Road Sector Institutions		(268,302,372)	(41,281,761)
Increase/(decrease) in Other Receivables		(252,934,484)	51,326,119
Increase in Road Works and Services Liabilities Increase /(decrease) in Creditors and Accruals		5,563,922,145	827,463,731
Increase in Provisions		281,602,406 514,895,818	(58,203,949)
Changes in other reserves		50,626,420	(69,319,041)
Changes in Accumulated Funds		(158,069,545)	(54,258,452)
Increase in Retention Costs payable to contractors		516,877,487	196,360,451
Net cash inflow from operating activities		6,248,617,875	2,024,993,843
Investing activities			
Acquisitions of Non-Current Assets		(9,407,710,362)	(11,559,913,680
Purchase of property, plant and equipment		(29,401,107)	(7,786,870)
Net cash used on Investing Activities		(9,437,111,469)	(11,567,700,550)
Financing activities			·
Short term loans		(573,063,894)	1,009,732,843
Long Term Loans		2,924,618,607	437,859,694
Capital Grants		(91,900,849)	8,376,756,027
Net cash from financing activities		2,259,653,864	9,824,348,564
Net increase/ (decrease) in cash and cash equivalents		91,194,657	281,641,857
Cash and cash equivalents at beginning of the Year		597,581,375	315,939,518
Cash and cash equivalents at end of the Year	15	688,776,032	597,581,375

The notes on pages 10 to 32 form part of these Financial Statements.

Notes

1 Principal activity of the National Road Fund Agency

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

2 Statement of Compliance and Basis of Preparation – IPSAS 1

(a) The National Road Fund'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 National Road Fund.

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 K12,527,787,788

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 NRF will be a going concern on the foreseeable future and that the NRF 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.

- 3 Summary of significant accounting policies
- a) Revenue recognition
- i) Revenue from non-exchange transactions IPSAS 23

Fees, taxes and fines

The National Road Fund 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 National Road Fund 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.

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 NRF 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 deprecation 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 NRF.

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 National Road Fund 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.

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 National Road Fund 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 National Road Fund 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 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 National Road Fund 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 National Road Fund 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

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.

3 Summary of significant accounting policies (continued)

f) Provisions – IPSAS 19

Provisions are recognized when the National Road Fund 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 National Road Fund 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 National Road Fund 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 National Road Fund 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 National Road Fund 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 National Road Fund creates and maintains reserves in terms of specific requirements. National Road Fund to state the reserves maintained and appropriate policies adopted.

h) Changes in accounting policies and estimates – IPSAS 3

The National Road Fund 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.

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 National Road Fund 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 National Road Fund, or vice versa. Members of key management are regarded as related parties and comprise the senior managers.

I) 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 National Road Fund'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 National Road Fund 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 National Road Fund. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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 National Road Fund.
- 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 year ended 31 December 2020.

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.

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 NRF and these benefits can be measured reliably.

(i) Interest Rate Risk

The National Road Fund (NRF) exposure to interest rate risk is limited to the extent that the National Road Fund (NRF) 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 National Road Fund 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 National Road Fund.

(iii) Credit Risk

Potential concentration of credit risk consists mainly of cash and cash equivalents, and receivables. The National Road Fund limits its counterparty exposure by dealing with established banks. The National Road Fund 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 National Road Fund 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 National Road Fund 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 National Road Fund 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 National Road Fund.

(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.

(ii) Currency Risk

The National Road Fund 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 National Road Fund.

4. Income

	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
Fuel Levy	1,041,984,453	711,260,314
Tolling - NRFA	729,529,111	537,409,972
Tolling - RTSA	842,294,786	669,493,256
Road Tax, Motor and Drivers Licenses	503,111,244	510,633,796
Weighbridge Fines and Fees	39,368,393	20,652,525
Interest income	1,048,397	483,996
Exchange Gains	16,683,211	28,215
Sundry Income	-	2,864
NAPSA Funding	29,500,000	-
Government Grant Income – DBSA	828,696,670	423,661,782
AfDB Grant Income	-	1,079,857,035
Cooperating partners Grant Income	2,399,243,592	334,312,044
Capital Grant Amortization	47,789,186	17,555,937
Bank Charges-EU/EIB	11,965	
Total	6,479,261,008	4,305,351,736

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
5.	Ministry of Housing and Infrastructure Development		
	Functions and Meetings Monitoring and Evaluation Motor Vehicles Operational Expenditure Staff Costs Workshops, Seminars and Training Total	25,992 2,337,620 387,496 3,709,863 7,090,059 4,892,200 18,443,230	108,668 179,830 141,847 1,115,328 <u>1,930,113</u> 3,475,786
6.	Ministry of Local Government		
	Emergencies Functions and Meetings Monitoring and Evaluation Motor Vehicles Operational expenditure Routine Maintenance Workshops, Seminars and Training Total	21,460 - 150,000 696,651 4,889,100 - 825,548 6,582,759	1,000,000 223,944 101,377 - 894,788 10,755,471
7.	Ministry of Transport and Communication		
	Advertising Functions and Meetings Monitoring and Evaluation Motor Vehicle expenses Operational expenditure Workshops, Seminars and Training Total	51,000 352,107 9,697,869 37,969 453,094 941,553 11,533,592	287,361 175,079 <u>1,121,936</u> 1,584,376

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
8.	National Council for Construction		
	Workshops, Seminars and Training Total	<u>325,418</u> <u>325,418</u>	<u> </u>
9.	National Road Fund Agency		
	Advertising Audit Fees - Financial & Technical Bank Charges Functions and Meetings Land and Buildings Monitoring and Evaluations Motor vehicles Office Equipment and Furniture Operational Expenditure Professional and Legal Fees Systems Development Systems Operations Tolling Operations Workshops, Seminars and Training Total	1,424,838 2,502,578 219,295 796,464 252,161 60,804 5,973,946 2,923,976 190,158,225 516,199,318 483,684 382,235 30,644,527 152,463 752,174,514	368,380 1,267,264 343,153 127,688 1,005,377 17,672 - 4,059,098 98,933,280 275,292 1,523,353 - 27,086,588 <u>665,106</u> 135,672,251

	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
10. Road Development Agency		
Advertising Capital Expenditure Expensed Emergences Functions and Meetings Land and Buildings Monitoring and Evaluations Motor Vehicle expenses Office Equipment and Furniture Plant and Equipment Professional and Legal Fees Operational Expenditure Resettlement and Compensations Routine Maintenance and Vegetation Control Supervision and Consultants Staff Costs Studies – Designs, Systems Development Workshops and Seminars Total	2,634,979,805 95,018,273 184,944 64,000 2,537,288 341,504 	$\begin{array}{r} 151,157\\ 1,652,843,832\\ 2,283,759\\ 508,615\\ 1,685,198\\ 3,370,860\\ 214,000\\ 3,914,370\\ 3,911,208\\ 83,044,244\\ 678,347\\ 251,933,634\\ 1,306,826\\ .\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.\\.$
11. Road Transport and Safety Agency		
Advertising Functions and Meetings Information systems Monitoring and Evaluation Motor Vehicles Office Equipment and Furniture Operational Expenditure Road Safety Workshops and Seminars Total	456,752 156,848 3,900,935 549,640 26,432 1,472,909 114,155,546 30,000,000 1,543,099 152,262,161	1,042,340 18,917,371 177,912,664 29,887,922 132,261 227,892,558

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Notes (continued)

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
12.	Finance Costs		
	DBSA Loan Interest Costs	192,960,457	184,977,930
	NAPSA Loan Interest Costs	1,027,567,872	550,984,678
	NATSAVE Interest Costs	79,324,146	-
	NATSAVE Loan Fees	5,450,000	2,550,000
	NATSAVE Stimulus Interest costs	12,273,974	-
		1,317,576,449	738,512,608

NAPSA Loan

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

The Agency signed the second Loan Agreement with the National Pension Scheme Authority (NAPSA) on 24 June 2017 for a total of K2.13 billion to finance the rehabilitation and construction of the T2 from Ndola – Kitwe – Chingola to Solwezi. As at 31 December 2018 the whole K2.13 billion had been received by the NRFA from NAPSA. The Loan was secured on the Road Fund Road User Charges (RUCs) Collections. The above Loan Repayment represent Loan Interest Costs incurred during the year 2018.

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.

NATSAVE Loan

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.

12. Finance Costs (Continued)

NATSAVE Stimulus Loan

In October 2020 NRFA accessed the BOZ Stimulus Package through National Savings and Credit Bank (NATSAVE) for an amount of 500 million 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 8% plus 6% margin (effective rate 14% per annum). The facility is repayable in 5 years with a one year moratorium on Capital.

13.	Advances to Road Sector Institutions	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
	Ministry of Finance Ministry of Housing and Infrastructure Development MHID) Ministry of Local Government (MLG) Ministry of Transport and Communication (MTC) Ministry of Works and Supply (MWS) National Council For Construction (NCC) National Road Fund Agency (NRFA) Road Development Agency (RDA) - Head Office Road Development Agency (RDA) - Regional Offices Road Transport and Safety Agency (RTSA) Zambia National Service (ZNS) Total	1,137,043 1,498,860 16,426,925 3,497,168 448,409 6,354,720 1,995,752 342,995,128 106,035,561 150,111,336 3,200,000 633,700,902	$\begin{array}{r} 1,464,547\\ 1,227,780\\ 10,126,142\\ 3,104,951\\ 448,409\\ 6,354,720\\ 4,586,237\\ 243,929,641\\ 57,471,798\\ 33,484,305\\ 3,200,000\\ 365,398,530\\ \end{array}$
14.	Other Receivables		
	Capital Grant NAPSA receivable from Rad Fund Loan Guarantee Receivable Other Receivables Road User Charges receivable from MoF Total	332,015,224 279,479,704 - 611,494,928	284,400,033 30,704,944 <u>43,455,467</u> <u>358,560,444</u>

	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
15. Cash and Bank Balances		
Cash and bank balances Bank of Zambia – DBSA – ZMW Bank of Zambia – DBSA – US \$ DBSA BoZ Debt Service Reserve – ZMW DBSA BoZ Debt Service Reserve – US\$ Bank of Zambia-IRCP-US \$ Bank of Zambia – Road Fund – ZMW ZANACO – Road Fund – ZMW ZANACO – Road Fund – US \$ ZANCO Tolling Income Account Citbank – NAPSA – ZMW Citibank-NAPSA – ZMW Loan Repayment ZANACO – AfDB Nacala IV – ZMW ZANACO – AfDB Nacala IV – US \$ Bank of Zambia –AfDB Nacala IV – US \$ Investrust Bank – KfW – ZMW Natsave Loan Account Indo Zambia Bank – IRCP – ZMW Indo Zambia Bank – IRCP – US \$ Atlas Mara – EIB – Euro Stanbic Tolling income Account-ZMW Stanbic Tolling income Account-US \$ Sub Total	951,869 1,149,018 137,457,559 184,604 181,100,775 10,767,122 567,534 7,743,568 2,927 888 10,570 - 25 255,479 36,472,690 54,527,632 252,024,058 5,446,589 113,769 688,776,676	1,397,666 96,045,436
Investrust Bank – KfW – Euro DBSA BoZ Debt Service Reserve – ZMW Sub Total	(200) (444) (644)	(200 (295 (495)
Total	688,776,032	<u> </u>

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

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
16.	CWIP - Road Works Construction Costs		
	CWIP - Routine Maintenance CWIP - Periodic Maintenance CWIP - PM Interest on Delayed Payments CWIP - Rehabilitation CWIP - Rehab Interest on Delayed Payments CWIP - Upgrading CWIP - Upgrading Interest on Delayed Payments CWIP - New Construction CWIP - New Construction Interest on Delayed payments Total	274,194,920 5,408,882,339 390,300,703 22,009,637,790 202,983,543 22,192,990,808 520,042,820 5,555,171,601 61,736,283 56,615,940,807	$\begin{array}{r} 193,598,585\\ 4,247,143,571\\ 103,972,053\\ 18,469,518,834\\ 110,035,506\\ 22,112,150,419\\ 465,755,053\\ 3,855,997,148\\ \underline{59,209,262}\\ 49,617,380,431\\ \end{array}$
17.	CWIP- Road Structures Construction Costs		
	CWIP - Toll Stations CWIP - Toll Stations Interest on Delayed Payments CWIP - Bridges CWIP - Bridges Interest on Delayed Payments CWIP - Weighbridges Total	504,043,149 98,158 1,740,284,786 42,332,442 38,038,463 2,324,796,998	462,212,035 98,158 1,579,938,404 35,517,281 27,710,011 2,105,475,889
18.	CWIP - Advances to Contractors and Consultants		
	Advances - CWIP - Routine Maintenance Advances - CWIP - Periodic Maintenance Advances - CWIP - Rehabilitation Advances - CWIP – Upgrading Advances - CWIP – New Construction Advances - CWIP - New Construction Advances - CWIP - Toll Stations Advances - CWIP - Bridges Advances-Emergency Maintenance Works Total	1,202,896 1,441,581,025 1,399,319,679 2,869,122,285 16,491,556 2,315,617 136,728,053 22,046,186 5,888,807,297	1,525,926 471,292,223 1,434,742,479 2,761,487,883 7,932,069 2,315,617 93,827,303 4,773,123,500

19. Property, Plant & Equipment -

	Land & Buildings ZMW	Plant & Equipment ZMW	Motor Vehicles ZMW	Office Equipment ZMW	Furniture & fittings ZMW	Total ZMW
Cost At 1 January 2019 Additions At 31 December 2019	679,311 	1,020,232 5,213,051 6,233,283	14,050,744 2,299,742 16,350,486	1,016,374 	588,628 	17,355,289 7,786,870 25,142,159
Cost At 1 January 2020	679,311	6,233,283	16,350,486	1,290,452	588,628	25,142,159
Additions At 31 December 2020	679,311	6,308,760 12,542,043	2,599,972 18,950,458	<u>2,224,894</u> <u>3,515,346</u>	18,267,479 19,512,016	29,401,106 54,543,265
Depreciation At 1 January 2019 Depreciation Charge At 31 December 2019	101,897 <u>42,688,</u> 144,585	23,820 1,282,573 1,306,393	1,373,843 <u>3,576,459</u> <u>4,950,302</u>	211,890 346,117 558,007	93,273 206,185 299,458	1,804,723 5,454,022 7,258,745
At 1 January 2020 Depreciation Charge At 31 December 2020	144,585 208,293 352,878	1,306,393 <u>1,882,033</u> 3,188,426	4,950,302 7,131,569 12,081,871	558,007 	299,458 231,410 530,867	7,258,745 10,457,188 17,715,933
Net Book value At 31 December 2019 At 31 December 2020	<u>534,726</u> <u>326,432</u>	4,926,889 9,353,617	<u>11,400,184</u> <u>6,868,587</u>	732,445 1,953,456	<u></u>	<u>17,883,413</u> 36,827,332

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
20.	Other Road Project Costs		
	Bank Charges Exchange Losses Resettlement Costs Supervision and Consultancy Technical Assistance Total	8,942 43,589,226 513,436,315 <u>3,065,651</u> 560,100,134	55,858 47,587 15,107,485 310,791,785 - - 326,002,715
	Loan Guarantee GRZ Loan Guarantee on DBSA Road Works and Services Liabilities	3,063,754,888	2,223,707,227
	(a) By Contractor Nationality Foreign Contractors and Consultants - Chinese Foreign Contractors and Consultants - Other Total Foreign Local Contractors and Consultants Total	6,494,889,216 1,357,937,814 7,852,827,030 5,244,198,113 13,097,025,143	4,054,887,916 946,590,197 5,001,478,113 <u>2,531,624,885</u> 7,533,102,998

23. Road Works and Services Liabilities (continued)

(b) By Project(s) - 31 December 2020

	Foreign Chinese	Foreign other	Local	Total
	ZMW	ZMW	ZMW	ZMW
AfDB - Chinsali Nakonde	1,460,611	8,871,976	459,647	10,792,234
AfDB - Kazungula B/Grant	-	1,408,423	-	1,408,423
AfDB - Kazungula B/Loan	141,206,696	-	-	141,206,696
AfDB - Nacala IV	-	36,485,040	-	36,485,040
China Polytechnologies	298,058,004		-	298,058,004
European Investment Bank	-	59,232,000	-	59,232,000
EXIM Bank of China	2,489,487,846		-	2,489,487,846
JICA	•	4,730,897	-	4,730,897
Lusaka Decongestion	-	654,333,651	•	654,333,651
Road Fund World Bank	3,564,676,059	592,875,827	5,243,738,466	9,401,290,352
Total	6,494,889,216	1,357,937,814	5,244,198,113	13,097,025,143

(c) By Ageing Analysis

(-, -, -, -, -, -, -, -, -, -, -, -, -, -	,		Year Ended	Year Ended
Description	Days	Years	31 December 2020 ZMW	31 December 2019 ZMW
1 Year Old	0 - 360	2020	3,882,303,428	2,101,738,452
2 Years Old	361 - 720	2019	1,148,803,178	528,307,344
3 Years Old	721 1,080	2018	2,463,071,306	558,335,135
4 Years Old	1,081 – 1,440	2017	1,122,434,793	2,495,582,140
5 Years Old	1,441- 1,800	2016	2,568,843,849	1,379,067,918
6 Years Old	1,801 2,160	2015	1,439,882,493	451,270,480
7 years Old	2,161-2,420	2014	452,884,568	7,314,577
8 years old and above	2,421+	2013	18,801,528_	11,486,952
Total			13,097,025,143	7,533,102,998

	Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
23. Other Creditors and Accruals		
Amounts held on behalf of IRCP World Bank Project Amounts payable to NRFA Secretariat Advance on RUCs received from MOF Audit Fees – Financial - Payable Exchange Gains Other Creditors Payable to NAPSA project Account Total	15,561 587,456 271,432,749 1,105,899 40,360,813 	1,289,036 24,253,057 623,950 5,734,029 31,900,072
24. Provision for Legal Fees		
Legal fees Provision Total	<u>514,895,818</u> 514,895,818	
25. Long Term Loans		
DBSA Loan Facility 20 Year Loan NAPSA Loan 15Year Loan NATSAVE Loan- 5 Year Loan NATSAVE Stimulus Loan - 5 Year Loan Total	3,063,754,888 3,613,366,549 227,067,695 <u>483,701,381</u> <u>7,387,890,513</u>	2,223,707,225 2,015,918,534 223,646,147 - 4,463,271,906

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

	National Savings and Credit Bank (NATSAVE) STIMULUS	National Savings and Credit Bank (NATSAVE)	Totals
Balance as at beginning of the year	500,000,000	254,249,178	754,249,178
Draw down during the year		45,000,000	45,000,000
Bank Loan Adjustment	-	650,821	650,821
Repayments during the year	-	(30,603,030)	(30,603,030)
Balance at the end of the year	500,000,000	269,296,969	769,296,969
Current	16,298,619	42,229,274	58,527,893
Non-current	483,701,381	227,067,695	710,769,076
Total	500,000,000	269,296,969	769,296,969

25. Long Term Loans (continued)

NATSAVE Loan

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

NATSAVE BOZ STIMULUS

In October 2020 NRFA accessed the BOZ Stimulus Package through National Savings and Credit Bank (NATSAVE) for an amount of 500 million 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 8% plus 6% margin (effective rate 14% per annum). The facility is repayable in 5 years with a one year moratorium on Capital.

The Loan is secured against the Road User Charges received into the Road Fund.

	Development Bank of Southern Africa (DBSA)	National Pension Scheme Authority (NAPSA)	Totals
Balance as at 1 January 2020	2,508,104,299	2,810,318,534	5,318,422,833
Adjustment	-	(3,315,238)	(3,315,238)
Drawdowns during the year	-	820,256,780	820,256,780
Repayments during the year	-	(2,638,322)	(2,638,322)
Exchange Differences	1,022,203,702		1,022,203,702
Balance as at 31 December 2020	3,530,308,001	3,624,621,754	7,154,929,755
Current	466,553,113	11,255,205	477,808,318
Non-current	3,063,754,888	3,613,366,549	6,677,121,437
Total	3,530,308,001	3,624,621,754	7,154,929,755

DBSA Loan

The National Road Fund 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.

25. Long Term Loans (continued)

NAPSA Loan

The National Road Fund 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.

		Year ended 31 December 2020 ZMW	Year ended 31 December 2019 ZMW
26. Retention Costs	Payable to Contractors		
Retention - CWIP Retention - CWIP Retention - CWIP Retention - CWIP Retention - CWIP Retention - CWIP Retention-CWIP-W	Upgrading New Construction Toll Stations Bridges	363,097,910 1,384,361,201 790,138,864 27,993,831 10,061,669 63,660,803 <u>6,446,000</u> 2,645,760,278	281,088,896 963,373,567 779,100,287 26,610,235 10,061,669 63,306,423 5,341,714 2,128,882,791
KFW Exim bank China Kazungula JICA Kalabo -Sikongo China Developmer EU/EIB African Developme World Bank China Polytechnolo Lusaka-Ndola Dua	ent Bank(AfDB) ogies	70,714,533 13,070,049,947 70,078,946 - 2,410,958,618 1,868,023,100 463,795,181 670,786,600 420,300,000 <u>3,526,808,100</u> 22,571,515,025	$\begin{array}{r} 68,714,533\\ 13,070,049,947\\ 70,078,946\\ 174,304,541\\ 2,087,758,293\\ 2,408,352,840\\ 1,025,544,845\\ 191,890,751\\ 373,716,750\\ 420,300,000\\ \underline{2,770,626,188}\\ 22,661,337,634\end{array}$

28. Events occurring after the Statement of Financial Position

The National Road Fund 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 National Road Fund 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 NRF 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	Year ended 31 December
	2020 ZMW' Billion	2019 ZMW' Billion
Roads and Bridges	127.56	67.78

The capital commitments as at the Year Ended 31 December 2020 were limited to the maximum cost of implementing the 2020 Annual Work Plan and Budget by 31 December 2020.

30. Taxation

The National Road Fund (NRF) 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 22** above, which can only be reasonably estimated when they materialise in later years.

NRF had some pending legal proceedings as at 31 December 2020 amounting to **K21 million**. Provisions have not been made in the financial statements in respect of these claims, based on professional advice and management's best judgement.



NATIONAL ROAD FUND AGENCY

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