

ROAD DEVELOPMENT AGENCY



ANNUAL REPORT **2013**



## Vision

To be the leading Model Road Agency in the developing world that is providing a world class Core Road Network in Zambia.

## Mission

To provide a World Class Core Road Network in Zambia

## Core Values

Honest and integrity  
Transparency and Accountability  
Teamwork  
Responsiveness  
Zero tolerance to corruption  
Commitment  
Stakeholder satisfaction

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## Abbreviations

<b>ACC</b>	Anti-Corruption Commission
<b>ACEZ</b>	Association of Consulting Engineers of Zambia.
<b>AfDB</b>	African Development Bank
<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>APL 2</b>	Adaptable Program Lending 2
<b>AURRP</b>	Accelerated Urban Roads Rehabilitation Programme
<b>MBADEA</b>	Arabic Bank for Economic Development in Africa
<b>Bn</b>	Billion
<b>CEO</b>	Chief Executive Officer
<b>COMI</b>	Committee of Ministers
<b>COPS</b>	Committee of Permanent Secretaries
<b>CRN</b>	Core Road Network
<b>DANIDA</b>	Danish International Development Agency
<b>DDCC</b>	District Development Coordinating Committee
<b>DTIMS</b>	Delton's Total Infrastructure Management System
<b>EBRP</b>	Essential Bridge Rehabilitation Project
<b>EDF</b>	European Development Fund
<b>EIZ</b>	Engineering Institution of Zambia
<b>ESCO</b>	Engineering Services Corporation
<b>EU</b>	European Union
<b>GRZ</b>	Government of the Republic of Zambia
<b>HDM-IV</b>	Highway Development and Management version IV
<b>HIPC</b>	Highly Indebted Poor Countries
<b>HIV</b>	Human immunodeficiency Virus
<b>HMS</b>	Highway Management System
<b>IDA</b>	International Development Assistance
<b>ISO</b>	International Standards Organization
<b>JDF</b>	Joint Donor Forum
<b>JICA</b>	Japan International Co-operation Association
<b>KFAED</b>	Kuwait Fund for Arab Economic Development
<b>Km</b>	Kilometer
<b>LRA</b>	Local Road Authority
<b>MACO</b>	Ministry of Agriculture and Cooperatives
<b>MTWSC</b>	Ministry of Transport, Works, Supply and Communication
<b>MDGs</b>	Millennium Development Goals
<b>MLGH</b>	Ministry of Local Government and Housing

## *Abbreviations continued*

<b>MoF</b>	Ministry of Finance
<b>MoJ</b>	Ministry of Justice
<b>MoU</b>	Memorandum of Understanding
<b>MP</b>	Member of Parliament
<b>MFAT</b>	Ministry of Foreign Affairs and Tourism
<b>MMEWD</b>	Ministry of Mines, Energy and Water Development
<b>NDF</b>	Nordic Development Fund
<b>NGO</b>	Non-Governmental Organization
<b>NORAD</b>	Norwegian Agency for International Development
<b>NRFA</b>	National Road Fund Agency
<b>OAG</b>	Office of the Auditor General
<b>OPEC</b>	Oil Producing and Exporting Countries
<b>OPRCs</b>	Output and Performance based Road Contracts
<b>PAC</b>	Parliamentary Accounts Committee
<b>PDCC</b>	Provincial Development Coordinating Committee
<b>PSRP</b>	Public Sector Reform Program
<b>PS</b>	Permanent Secretary
<b>RDA</b>	Road Development Agency
<b>RMI</b>	Road Maintenance Initiative
<b>RoadSIP</b>	Road Sector Investment Programme
<b>RRMP</b>	Road Rehabilitation and Maintenance Project
<b>RSAWP</b>	Road Sector Annual Work Plan
<b>RTSA</b>	Road Transport and Safety Agency
<b>SADC</b>	Southern Africa Development Community
<b>T, M and D</b>	Trunk, Main and District Roads
<b>US\$</b>	United States Dollar
<b>VCs</b>	Video Conferences
<b>ZEMA</b>	Zambia Environmental Management Agency
<b>ZAWA</b>	Zambia Wildlife Authority
<b>ZMK</b>	Zambian Kwacha old currency
<b>ZMW</b>	Zambian Kwacha rebased

## Chairperson's Statement



Mr. Willie Nsanda  
**RDA Board Chairman**

It is my singular honour and great privilege to once again present the Eighth Performance Annual Report of the activities of the Road Development Agency (RDA). The Report highlights the achievements, successes and challenges of the Agency during the year ended 31st December, 2013. The Agency continued to carry out its mandate as enshrined in the Public Roads Act No. 12 of 2002 i.e. by ensuring that the core road network was kept in a maintainable condition in line with the targets set in the 2013 Road Sector Annual Work Plan (RSAWP).

During the year, support to the Road Sector by our Cooperating Partners continued to build up with some of these partners showing total commitment to road project financing and supervision such as Lusaka – Chirundu Link 1, 2 and 3 and the Nacala Corridor. The Cooperating Partners continued to show confidence in the Road sector with great inspiration drawn from Government's desire to spur economic development through road infrastructure development.

The year 2013 saw the Road Sector receive an unprecedented financial support to a tune of ZMK3.28 billion from the national budget to go towards maintenance and rehabilitation of the existing road network as well as commencement of totally new projects under the Link Zambia 8000 Road Project. The continued commitment by the Republican President in particular and the Government of the Republic of Zambia in general to prioritize road infrastructure development with the view to open up the rural areas and transform the country into a truly landlinked Country is key to laying the foundation for economic growth of this country, Zambia.

The Agency managed to complete the following road projects during the year:

The Upgrading to bituminous standard of road projects were being upgraded from gravel to bituminous standard, namely: Kasama – Luwingu, Senanga-Sesheke Lots 1, 2 and 3, Zambezi – Chavuma, Mumbwa – Landless Lot 2, Isoka - Muyombe (Lot 1) and the Lusaka South MFEZ roads.



Completed roads at the Multi Facility Economic Zone in Lusaka South



The Agency also had the following ongoing projects:

Kalulushi – Lufwanyama, Kasama – Mbesuma, Chipata Mfuwe, Kasama – Mporokoso, Mongu – Kalabo, Pedicle Road roads, Bottom Road, Mbala – Nakonde and various urban road projects.

During the year under review the Agency also initiated the construction of various road projects including but not limited to:

Construction of 175km of Mansa – Luwingu, upgrading to bituminous standard of 100km of Mulilansolo – Chinsali – Safwa, upgrading of 45.5km of Kitwe-Chingola to a dual carriageway, 158 km of Kawambwa – Mushota – Luwingu Road and the Pave Zambia 2000 Road Project.

The Agency also undertook a number of maintenance Projects such as: 115km of Livingstone – Sesheke, 91km Mansa – Chembe, 245km Mansa – Nchelenge, 60km Ndola – Kitwe, Kabwe – Kapiri Mposhi. The rehabilitation of the multinational 360 kilometres of Nacala Corridor Project of the Great East Road from Luangwa Bridge to Mwami Border was undertaken through financing facilities from the African Development Bank (AfDB), the European Union (EU), European Investment Bank (EIB) and the French Development Agency (AFD).

The Project is segmented into four packages for ease of implementation namely Lot 1: Luangwa Bridge –Nyimba, Lot 2: Sinda to Mtenguleni and Lot 3: Mtenguleni to Mwami Border which were being financed by the European package comprising EU/EIB/AFD with Lot 4 being financed by the AfDB for the rehabilitation of 114.78 km of the Nyimba – Sinda section.

Plans to rehabilitate 611.5km of the Serenje to Nakonde Road are still underway with the design having been completed. Civil works could not start during the period under review as the major financier, COMESA were unable to finance the project.

The Agency also initiated the implementation of the National Road Tolling Program which was launched on 1st November, 2013. Through the Tolls Act No. 14 of 2011 RDA is mandated to collect toll fees from all road users passing through the trunk and main roads.

I would like to take this opportunity to sincerely thank the Government, our co-operating partners and all the key road sector players for their continued support to the successes recorded in the road sector in the year 2013. To our road users once again, thank you for your continued patience, support and feedback. I wish to reassure you of our commitment to making the roads better than they are so as to support the economic development of the country. RDA will ensure that the Core Road Network is brought to maintainable condition.

Last but not least, the Agency looks forward to continued support of the Cooperating Partners in the coming years in order to facilitate the meeting of the objectives and targets of the road sector.

A handwritten signature in black ink, appearing to read 'Willie Nsanda', is written over a light blue rectangular background.

**Willie Nsanda**

## CEO's Report



Eng. Charles Mushota  
**RDA Director and CEO**

## General

The purpose of the Report is to present a summary of the key activities that the Agency carried out in the year 2013. The Report highlights the successes achieved and challenges faced in the implementation of key activities during the year.

## Road Sector Investment Programme

The Zambian Government started implementing the first Road Sector Investment Programme (RoadSIP) in 1998 upto 2003. This was followed by RoadSIP II which was implemented between 2003 and 2013. This programme was aimed at promoting equitable economic growth and better living conditions in Zambia, by bringing about sustainable improvement in the condition of transport infrastructure.

## Board Activities

### Appointment of the Board

During the period of September 2012 to November 2013, only the chairperson of the Board Mr. Willie Nsanda and two other members i.e. the permanent secretary in the Ministry of Transport Works Supply and Communication and Director and Chief Executive Officer formed part of the Board. The full Board was appointed in December 26, 2013 by the Minister of Transport, Works Supply and Communications.

### Composition of the Board<sup>1</sup>

The Road Development Agency Board comprised of representatives from the following institutions:

1. Zambia National Farmers Union
2. National Science and Technology Council
3. Engineering institution of Zambia
4. Chartered Institute of Logistics and Transport
5. Ministry Transport, Works, Supply and Communications (MTWSC)
6. Ministry of Local Government and Housing
7. Ministry of Finance
8. Ministry of Tourism and Art
9. Ministry of Agriculture and Co-operatives
10. National Council for Construction
11. Road Transport and Safety Agency
12. National Road Fund Agency
13. Attorney General's Chambers
14. Road Development Agency

<sup>1</sup> For names of the Board Members refer to page .....

## 1. Special Meetings

During the year 2013, the Board of Directors held thirteen (13) Special Meetings to deliberate on the following key issues:

Some of the issues deliberated upon included:

- Consideration and Approval of the RDA Operations Budget, 2014.
- Consideration of an Out of Court Settlement between Germins Bus Services and RDA.
- Consideration of the Lease of various Quarries along the line of rail to B.U.K Truck Parts Limited.
- Consideration of the Terms of the Lease of the Kafue Quarry to AVIC International
- Consideration and Approval of the RDA Road Sector Annual Work plan 2014.
- Opening of RDA Bank Accounts to be used specifically for the Toll collections.
- Approval of the Statutory Instrument on Road Tolling

### 1. The Strategic Plan 2012 – 2016 of the Road Development Agency.

#### RDA Structure

During the period under review, the RDA Structure was effected in accordance with the 2012 to 2016 Strategic Plan which saw the creation of position of director as heads of departments. In the same year, Eng. Charles Mushota was appointed as Director and Chief Executive Officer of the Agency to replace Eng. Bernard Chiwala who was appointed as Permanent Secretary in the MTWSC.

The following were appointed as Directors to head the Departments of the Agency:

1. Eng. Rennie Chanda – Construction and Rehabilitation (Acting)
2. Eng. Mumba Kanyuka - Planning and Design
3. Eng. Emmanuel Kaunda – Maintenance
4. Mr. Keeta Shisholeka – Procurement
5. Eng. Steven Mwale – Commercial and Technical Services
6. Mrs. Mwaka Ngoma – Legal
7. Mr. Anderson Mwape – Audit and Risk Assurance
8. Mr. Kapembwa Mulenga – Finance
9. Mr. Andrew Chisala – Human Capital and Administration

#### Road Development Agency Activities

The Agency continued with network planning and also undertook design reviews and carried out tests to ensure compliance to design specifications through laboratory conformance tests. Environmental compliance remained of paramount importance at various stages of project implementation. The Agency also continued to make use of the HMS database that was fully developed and integrated with the technical and economic software tools in the previous year. The Agency continued to take a leading role in the procurement of contracts for various road-works intervention including those funded by the cooperating partners such as the World Bank, China's EXIM Bank and the African Development Bank (AfDB). Supervision of contractors and consultants working on roads and road related infrastructure such as bridges and culverts continued

to be among the Agency's responsibilities, with care being taken to ensure the respective contractors and consultants were paid in time.

The Agency in November, 2013 started the collection of toll fees under the National Tolling Program through eight fixed weighbridges across the country as well as the entry points.

### Review of the 2013 AWP

The 2013 Annual Work Plan (AWP) saw a decrease of budgetary allocation to the road sector by about 23% of the previous budget. A total of **ZMK 3.28 Billion** was allocated to the road sector in the year 2013 compared to the **ZMK4.27 Billion** in 2012. The budget comprised funding mainly from GRZ (48%), Road Fund (25%) and the Cooperating Partners (27%).

### The Link Zambia 8000, L400 and Pave Zambia 2000 Road Projects

Government, through the Road Development Agency, established a very ambitious program to construct and upgrade a total of approximately 8,000 kilometres of the road network across the country under the Link Zambia 8000 Road Project. This program continued and saw the completion of the first 43.8km of the Leopards Hill – Katoba Basic School Road.



A section of the completed Leopards Hill – Katoba Road

The Lusaka 400 and the Pave Zambia 2000 Road Projects were launched by His Excellency the Republican President, Mr. Michael Chilufya Sata and the Minister of Transport, Works, Supply and Communications, Hon. Yamfwa Mukanga respectively. By the end of period under review, the Mumbwa road from Amanita Oil Industries to Lusaka Westwood Police Post had been expanded into dual carriageway under the L 400 while Nyerere Road in Chawama was paved under the Pave Zambia Project. All equipment for Pave Zambia 2000 Project was in the country, ready for distribution.

In conclusion, the year 2013 saw works being executed as per the annual work plan despite the challenges that Agency faced in the implementation process. The Strategic Plan was implemented to make the Agency more responsive to the challenges that arose as a result of the new Projects that had been introduced during the year under review.

A handwritten signature in black ink, appearing to read 'Charles Mushota', is written over a faint, light-colored watermark of the RDA logo.

**Eng. Charles Mushota**  
**Director and Chief Executive Officer**

# Overview

This Annual Report presents the activities of the Road Development Agency during the period 1st January to 31st December 2013. The Report records the key successes and challenges and is intended to give the stakeholders a good understanding of the performance of the Agency in terms of road infrastructure development, maintenance and management, in line with good corporate governance. The Government of the Republic of Zambia (GRZ) has been implementing the Road Sector Investment Programme (RoadSIP) since 1998. RoadSIP I started in 1998 and was completed in 2003 at a cost of US\$ 520 million, while RoadSIP II started in 2003 and ended in 2013, at a cost of US\$ 1.6 billion, with the key objective of bringing the Core Road Network (CRN) of 40,113 km into maintainable condition.

In this regard RoadSIP II aims at systematically maintaining the road network, to effectively contribute to the development of the national economy, reduce poverty, generate employment and increase economic opportunities for the rural people.

The Road Development Agency (RDA) is a corporate body with perpetual succession and a common seal, capable of suing and of being sued in its corporate name, and with power, subject to the provisions of the Public Roads Act through which it was established. The functions of the Agency are to plan, manage and coordinate the public road network in the country through:

- a) carrying out routine and emergency maintenance of public roads through its employees or independent contractors;
- b) conducting such studies as it may consider necessary for the development, maintenance and improvement of the road network in Zambia;
- c) advising road authorities regarding the construction, rehabilitation and maintenance of roads under their jurisdiction;
- d) providing guidance and technical assistance to road authorities;
- e) receiving and considering reports from road authorities on their activities and preparing quarterly and consolidated annual reports;
- f) recommending to the Minister the appointment of any person or institution as a road authority;
- g) preparing and reviewing terms of reference and guidelines for road authorities including budget guidelines;
- h) reviewing from time to time the status of road authorities and recommending appropriate action to the Minister;
- i) making recommendations in relation to the siting of buildings on road-sides;
- j) in consultation with the National Road Fund Agency, recommending to the Minister funding for development of new roads;
- k) in consultation with the owners of property served by an estate road and the National Road Fund Agency, determining the proportion of the cost of constructing and maintaining an estate road to be borne by such owners;
- l) preparing and awarding contracts and certifying works for public roads;
- m) reviewing design standards and classification of roads and traffic signs;
- n) planning and co-coordinating the road network in the country;
- o) enforcing axle load control;
- p) enforcing road tolling on the core road network;

- q) carrying out any other activities relating to roads which are necessary or conducive to the performance of its functions under the Act and the Road Sector Investment Programme (RoadSIP II)



Abnormal load on T2 Lusaka – Kabwe Road

The Road Sector Investment Programme (RoadSIP) was formulated following Zambia's assent to the World Bank's sponsored Road Maintenance Initiative (RMI), with the objective of concentrating on preventative road maintenance, by carrying out repairs and strengthening before failure takes place, and protecting road pavements from deterioration.

### **Outcome of the RoadSIP II**

RoadSIP II which was aimed at promoting equitable economic growth and better living conditions in Zambia, by bringing about sustainable improvement in the condition of transport infrastructure had the following outcomes and outputs:



Key Outputs	Key Outcomes	Impacts
<b>Maintainable CRN of 40113km</b>	Access and improved mobility, underpinning development of all sectors and reducing poverty	Lower travel time and distribution costs for people and goods, increasing efficiency of the economy
<b>Effective axle load controls in place (weigh stations, legislation)</b>	Completion of construction of weighbridges	Reduced overloading on the roads thereby increasing its life span
<b>New or substantially renovated bridges and pontoons</b>	Substantially improved access, opening opportunities across all sectors, reduced poverty levels in the country	More school enrollment, better access to health facilities
<b>IMT Production facilities</b>	Increased self-sufficiency, contributing to the economy and reduction in poverty	Improved national welfare
<b>IMT distribution to the poor</b>		



Contract signing ceremony.

# Road Maintenance Initiative

## Committee of Ministers on Road Maintenance Initiative (RMI)

The RDA Board reports to the Committee of Ministers (COMI) on RMI on Policy issues through the Committee of Permanent Secretaries. The composition of the COMI on RMI during the period under review is shown below.



**Hon. Yamfwa Mukanga**  
Minister of Transport,  
Works, Supply and  
Communications –  
Chairman



**Hon. Alexander Chikwanda**  
Minister of Finance and  
National Planning



**Hon. Christopher Yaluma**  
Minister of Mines, Energy  
and Water Development



**Hon. Emelyne Kabanshi**  
Minister of Local  
Government and Housing



**Hon. Emmanuel Chenda**  
Minister of Agriculture &  
Cooperatives



**Hon. Winter Kabimba, SC**  
Minister of Justice



**Hon. Silvia Masebo**  
Minister of Tourism  
and Art

During the year 2012, the Committee met to consider and approve the Annual Work Plan and Operational Budgets of the Road Sector Agencies.

### Committee of Permanent Secretaries on RMI

The Committee of Permanent Secretaries (COPS) on RMI functions and provides services as secretariat to the Committee of Ministers on RMI. The composition of the Committee during the period under review was as shown below.



Mr. Joseph Akafumba - PS  
Ministry of Justice



Eng. Bernard Chiwala - PS  
Ministry Transport Works  
Supply and Communications  
Chairman



Mr. George Zulu - PS  
Ministry of Energy & Water  
Development



Mr. David Shamulenga - PS  
Ministry Agriculture and  
Cooperatives



Mrs. Charity Mwansa - PS  
PS- Ministry of Foreign  
Affairs and Tourism



Mr. Felix Nkulukusa - PS EMF  
Ministry of Finance



Rev. Haward Sikwela - PS  
Minister of Local  
Government and Housing

# The Board of Directors

The full Board of Directors of the Agency was appointed in December 2013. The board members stood as follows:

1. Mr. Willie Nsanda (Board Chairman)
2. Mrs. Doreen K. Mwanza (ZNFU)
3. Ms. Atridah Mulonga (NSTC)
4. Eng. Charles Sakanga (EIZ)
5. Mrs. Phidelia Mwaba (CILT)
6. Eng. Bernard Chiwala (MTWSC)
7. Mrs. Charity Ngoma (MTWSC)
8. Rev. Howard Siwela (MLGH)
9. Mrs Pamela Kabanga (Mof)
10. Ms. Chiseshe Mutale (MTA)
11. Mr. Peter Lungu (MAC)
12. Eng Golden Makayi (NCC)
13. Mr. Zindaba Soko (RTSA)
14. Dr. Anthony Mwanaumo (NRFA)
15. Attorney General's Chambers



Mr. Willie Nsanda  
Chairman



Mrs. Phidelia Sichone Mwaba  
Vice Chairperson



Mr. Howard Sikwela  
Member



Ms Doreen Mwanza  
Member



Eng. Golden Makayi  
Member



Eng. Bernard Chiwala  
Member



Mrs. Charity Ngoma  
Member



Mr. Charles P. Sakanya  
Member



Mrs. Pamela Kabamba  
Member



Ms. Atridah Mulonga  
Member



Mrs. Chiseche M. Mutale  
Member



Mr. Zindaba Soko  
Member



Mr. Peter K. Lungu  
Member



Dr. Anthony Mwanaumo  
Member



Eng. Charles Mushota  
RDA Director and CEO

# RDA Structure

## Senior Management

In order to undertake all its functions the Agency has an agile structure which is conveniently organised around the ten (10) departments namely: - Central Administration, Planning and Design; Construction and Rehabilitation; Maintenance; Commercial & Technical Services; Procurement; Finance; Audit and Risk Assurance; Legal and Human Capital and Administration . The composition of the Agency’s Senior Management was as shown below:



Eng. Charles Mushota  
Director and Chief Executive Officer



Eng. Mumba Kanyuka  
Director – Planning and Design



Eng. Emmanuel Kaunda  
Director Maintenance



Eng. Remie Chanda  
Acting Director– Construction & Rehabilitation



Eng. Stephen Mwale  
Director Commercial & Technical Services



Mr. Keeta Shisholeka  
Director – Procurement



Mr. Anderson Mwape  
Director – Audit & Risk Assurance



Mr. Kapembwa Mulenga  
Director – Finance



Mrs. Mwaka Ngoma  
Director Legal



Mr. Andrew Chisala  
Director – Human Capital and Administration

### Regional Offices

The RDA has ten (10) Regional Offices in ten Provincial Centres that are in charge of the road networks within their provincial jurisdictions. The regional offices carried out road surveys and prepared work plans for their respective regions. The regions also participated in the enforcement of Axle load limits.

During the period under review, the Procurement of Routine Maintenance by Performance Contracts continued to be undertaken by the Regional Offices with HQ only getting involved in the preparation and signing of awarded contracts. The regional offices were also actively involved in the procurement and supervision of emergency works.

### Local Road Authorities

The regions fully engaged the Local Road Authorities (LRA's) in management of the networks in the districts in collaboration with Ministry of Local Government and Housing (MLGH). During the year under review MLGH and RDA's working relationship further improved with all road projects falling under the jurisdiction of City, Municipal and District Councils being coordinated from a central point at MLGH.



Media tour of the Kapiri Mposhi weighbridge

# Road Development Agency Activities in 2013

The RDA continued to carry out its activities through its principal departments. The following sections discuss the activities and performance of the Agency during the period under review.

### *The 2013 Road Sector Annual Work Plan*

The 2013 RSAWP captured planned expenditures on activities managed by the RDA, NRFA, RTSA and the MLGH. The preparation of the 2013 RSAWP was faced with the challenges of rationalizing planned expenditure against budget ceilings provided in the Medium Term and Expenditure Framework (MTEF) and the SNDP by the Ministry of Finance.

The primary focus of the 2013 RSAWP was the completion of all on-going projects to which funds had already been committed. The 2013 RSAWP displayed a bias towards major up-grading works under the link Zambia 8000 project in the form of multi-year contracts that were envisaged to be carried over from 2013 and beyond.

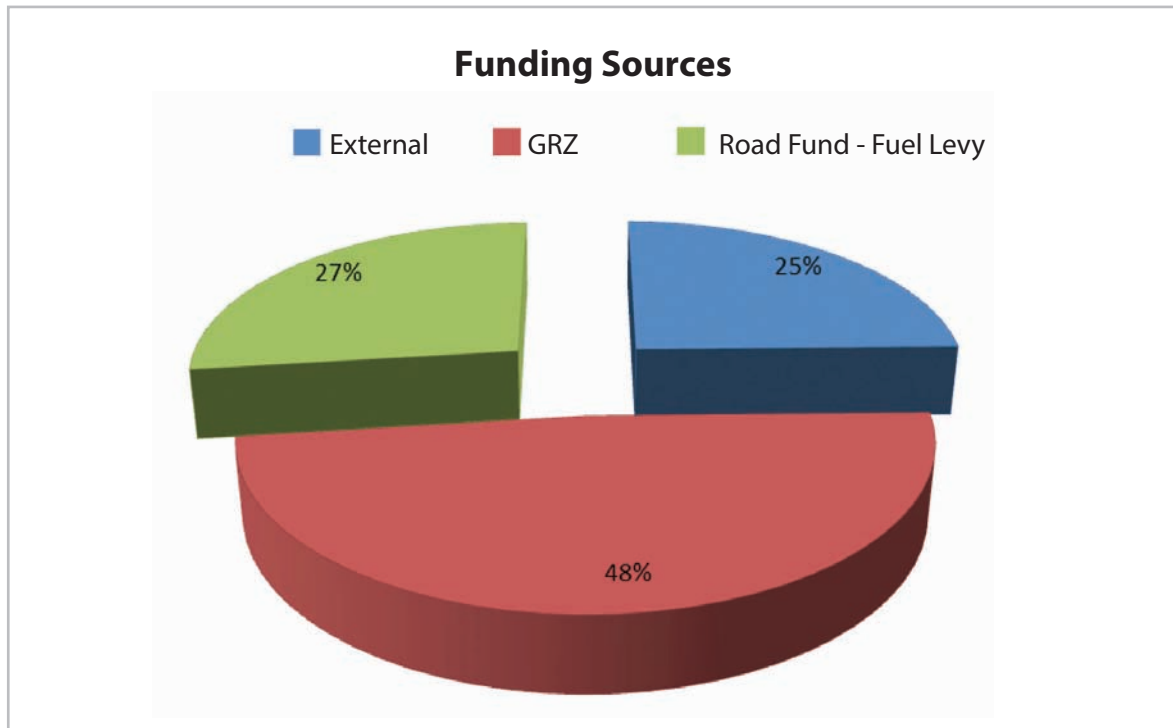
Other key projects earmarked for implementation included the rehabilitation of approximately 400km of Lusaka Urban Roads under L400 and the rehabilitation of approximately 2,000km of urban roads using segmented block technology under Pave Zambia 2,000.

### *Funding Sources for the 2013 RSAWP*

The 2013 RSAWP had a total budgetary resource allocation of ZMW 3.288 billion which was intended to address road infrastructure maintenance, rehabilitation, upgrading, bridge construction and maintenance as well various techno-economic feasibility studies and detailed engineering designs for various road projects. The 2013 budget was reduced from ZMK 4.272 billion in 2012 to ZMK 3.288 billion representing a 23 per cent reduction. This reduction is largely attributed to consideration made in so far as the existing absorption capacity of the Road Sector in Zambia was concerned. It should be noted that the budgetary utilisation of the 2012 RSAWP was slightly over ZMK 1 billion on the various road infrastructure projects which amounted to only 23% of the entire 2012 budget.

The contributions made by the various sources towards the 2013 RSAWP are shown below. Approximately 73% was financed from local resources as shown in Figure 2-3 and Table 2-3. The contribution from direct Government financing has been steadily increasing over the years and in 2013 it was standing at 48% while the Road Fund (fuel levy) contribution was at 27%. The remaining 25% was sourced from Loans and Grants from CPs including Multilateral Development Banks such as the Development Bank of Southern Africa (DBSA), Exim Bank, World Bank, African Development Bank and other financiers.





**Figure 2-1:** Funding by Source

**Table 2-2:** Summary by Funding Agency

Source of Funding	Amount (ZK millions)	Percentage Distribution
AfDB	33 000.00	1.0%
BADEA	27 143.29	0.8%
COMESA	47 000.00	1.4%
Danida	65 546.43	2.0%
DBSA	263 714.31	8.0%
EU	89 775.00	2.7%
EXIM	-	0.0%
GRZ	1 590 039.15	48.3%
IDA	179 155.00	5.4%
IDA/AfDB	10 000.00	0.3%
Kfw	4 242.52	0.1%
Kuwait	37 471.61	1.1%
NDF	2 908.40	0.1%
OFID	27 142.86	0.8%
Road Fund	886 718.82	27.0%
Saudi Arabia	14 571.00	0.4%

### Budget Receipts and Disbursements during 2013

As of December 2013, a total of ZMK 931.6 Billion representing 41.6% of the budgeted amount under GRZ & Road Fund was disbursed on various road projects leaving a balance of ZMK 1,306.3 Billion. On the other hand, a total of ZMK 281.3 Billion representing 13.8% under external funding was released leaving a balance of ZMK 1,753.5 Billion. The overall budget utilization was at 28.4%. Table 2-1 shows a summary of the performance of the 2013 Road Sector Annual Work Plan (RSAWP) as at December 31, 2013.

**Table 2-1:** Budget Releases

Authorized Funding for 2013	Programme	Authorised Planned Expenditure for 2013	Disbursements up to Nov 2012	% of disbursed to Authorised Planned Expenditure	Funding Source
K' billion		K' billion		%	
1	GRZ & Road Fund	2,476.8	931.6	41.6	AWP 2013
2	External Funding	812.1	281.3	13.8	AWP 2013
<b>Grand total</b>		<b>3,288</b>	<b>1,212.9</b>	28.4	AWP 2013

### RoadSIP-II Targets for 2013

The GRZ approved the Road Sector Investment Programme (RoadSIP) Bankable Document which outlined targeted kilometres to be achieved each year up to 2013 by which time the entire core road network should have been brought into maintainable condition.

RoadsIP targets provided the basis for the evaluation of the RoadSIP. External Financiers such as the European Union used these indicators as basis for continued support to the road sector. The GRZ was using the indicators to gauge the rate at which the road infrastructure was being improved as well as sourcing local and external financing. The unconstrained needs in attaining a maintainable core road network was estimated at US\$ 910.22 Million for the year 2013 as reflected in the **"2012-2016 Core Road Network Needs Report"**.

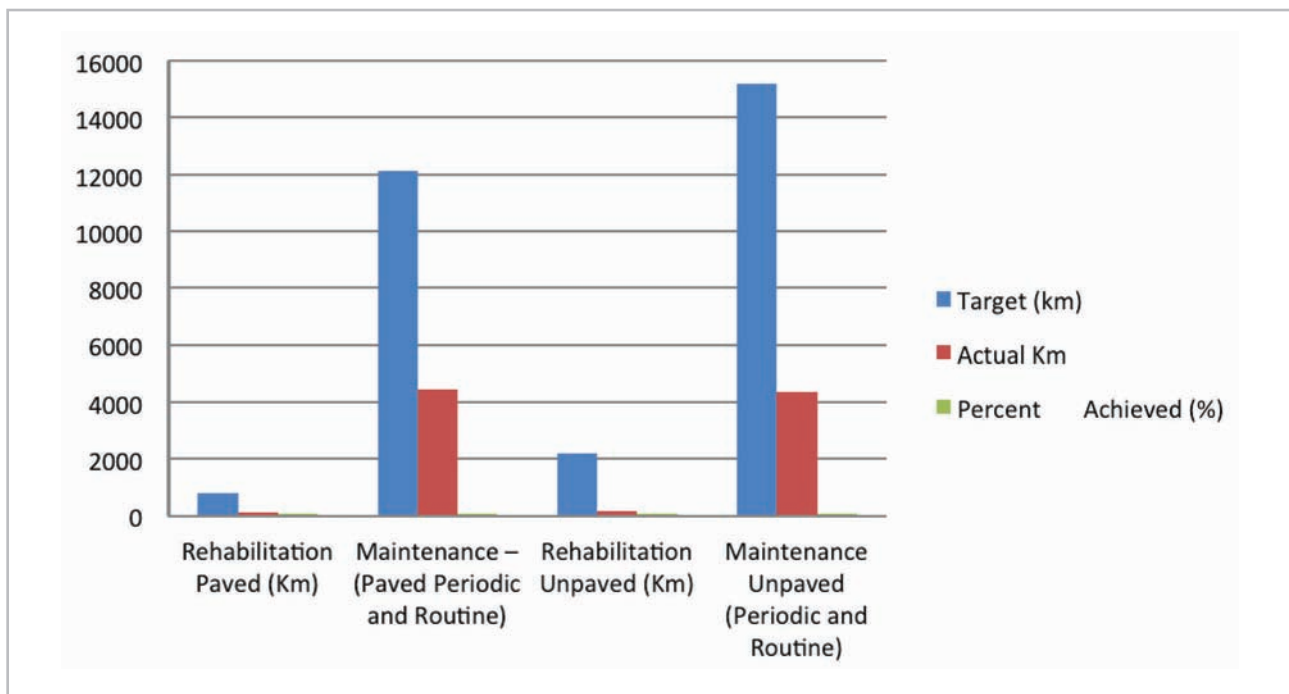
The 2013 RSAWP was prepared to fit within the budget figures (Budget Ceilings) that were provided by the Ministry of Finance. As such the kilometres needed to attain the targets as set in the RoadSIP II bankable documents were adjusted to fit within the constrained budget amount of ZMK3.288 billion.

### AWP Performance Indicators

Table 4-1 and Fig 4-1 illustrates the 2013 AWP Performance Indicators in terms of target kilometers versus the actual kilometers achieved for the period January 1, 2013 to December 31, 2013 with relation to the RoadSIP Targets. It is evident that considerable maintenance and rehabilitation work still remains to be done on the core road network. The low levels of achievements on the rehabilitation (including upgrading) of the paved network were largely due to continued low contractor capacity. The tilt of the 2013 RSAWP to major upgrading works as opposed to maintenance activities on the network also contributed to low levels of achievement on the maintenance of the paved and unpaved roads.

**Table 4-1:** RoadSIP II Performance Indicators

No.	Intervention (Paved & Unpaved)	2013 RoadSIP Targets (Km)	Actual km	Percent achieved
1	Rehabilitation (including upgrading)	1,042.8	157.7	xxx
2	Maintenance (Periodic & Routine)	18,522.0	742.03	xxx
<b>Total</b>		<b>19,564.8</b>	<b>xxx</b>	<b>xxx</b>



**Figure 2-1:** Physical Performance vs RoadSIP II Targets in 2013

The targets set for the maintenance works in the 2013 RSAWP were achieved as shown in table 4.1 above. However, only 9.3% of the planned rehabilitation and upgrading works were achieved. This was due to many factors which included; budget constraints coupled with inadequate release of funds, the lengthy procurement cycle for projects and time delays in seeking clearances from the Zambia Public Procurement Authority (ZPPA) and the Attorney General (AG).

### *Routine Maintenance*

Routine Maintenance Contracts were implemented in 2013 by the Agency through the Regional Offices. A number of Routine Maintenance projects had expired by the beginning of the fourth quarter as they had exhausted the seven months performance period. Some routine maintenance contracts were suspended to pave way for Rehabilitation, Upgrading and Periodic Maintenance works on various sections of the core road network.

### *Periodic Maintenance*

Periodic maintenance works were implemented with the view to maintain the road asset.

### *Rehabilitation/Upgrading*

Only 50.6% of the targeted rehabilitation works were achieved in 2013.



Minister of Transport, Works, Supply and Communications, Hon. Yamfwa Mukanga, inspecting a Dumper Truck

# Financial Overview

During the period under review, the Agency continued to carry out its mandate of providing for the care, maintenance and construction of public roads in Zambia, regulating maximum weights permissible for transmission on roads and providing for matters connected with and incidental to the foregoing. The financial performance of the RDA during the period ended is presented in this section of the report.

## Revenue and Expenditure

### Revenue

#### Revenue Grant

During the period under review the Agency received grants for operations amounting to K 84,001,004 This represents funding for staff costs and other operating and administration costs.

#### Project Grants

This represents the grants received for non-capital expenditure such as routine maintenance and force account activities. Payments made for routine maintenance are immediately expensed and the grant is recognized as revenue in the period in which the certified works are recognized. Revenue grants amounting to K 143,287,737 were received during the period under review.

#### Amortization Capital Grant

The certified works for major road projects such as rehabilitation and periodic maintenance and financing of other assets such as motor vehicles are capitalized and the funding is recognized as deferred income. The capitalized assets are depreciated over the estimated useful life of the assets and an amount equivalent to the depreciation is transferred from deferred income to the revenue account. The total amount transferred to revenue during the period under review was K 463,663,933.

#### Other Income

This represents all the other income received by the Agency and includes the following sources:

- Weighbridge fines and compensation charges
- Laboratory (Soil Testing)
- Tender Document sales
- Route way Inspection
- Proceeds from disposal of assets

Revenue amounting to K 14,730,468 was realized from these sources.

### Administrative expenses

Included in administrative expenses of K 637,278,970 is K 463,663,933 representing the depreciation of fixed assets. The depreciation amount is also reflected under income as amortization of deferred income.

### Implementation of the 2012 Annual Work Plan

#### Certification of works - additions to Capital Work in Progress

During the period under review the Agency certified works valued at K 4,585,681,959 of which K 4,497,932,517 were road works and K 87,749,442 were bridge works. These were added to the stock of Capital Work in Progress which stood at K9,973,824,261 as at 31 December 2013.

#### Capitalisation of Completed Works

The Agency capitalized completed works valued at K 454,841,424 during the year 2013.

#### Routine Maintenance and other non capital works

The Agency carried out routine maintenance and other works of a non capital nature valued at K 133,481,465 during the period under review.



Construction works on Kitwe-Chingola dual carriageway

## Internal Audit

The RDA has an Internal Audit function which is an independent, objective assurance and consulting activity designed to add value and improve RDA's operations. This function is purposefully designed by the Board to help RDA accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

During the year under consideration, the department reviewed and evaluated the risk Management Strategy for the Agency, Internal Control Systems, Processes and Procedures.



Audit inspection of culverts

# Planning and Design

The Planning and Design Department continued with project planning and preparation of activities for the Core Road Network and the attendant road infrastructure such as bridges, culverts and other related road furniture. The Department also oversaw research and development studies, environmental and social assessments, compliance monitoring and assisted in the procurement of road projects. The Planning Design Department played a critical role in the formulation of the 2014 RSAWP whose Projects and Programmes were aligned with the Revised Sixth National Development Plan and the RDA strategic plan for the period 2012 to 2016. The following items were the major activities that took place in 2013:

### Preparation of the 2014 Road Sector Annual Work Plan

The 2014 RSAWP was finalised and submitted to the Ministry of Finance. The 2014 RSAWP was aimed at addressing the various road maintenance activities including periodic, routine and emergencies under force account on the network in an effort to preserve the existing road infrastructure which is mainly in good and fair condition. It was also aimed at addressing the objective of creating connectivity among the various districts, reduction of Vehicle Operating Costs (VOCs); congestion (construction of ring roads); travel time and promotion of tourism, trade and economic activities in the country through Link Zambia 8000 Project which was launched by His Excellency Republican President Mr. Michael C. Sata in September, 2012. The main goal of this programme was to transform Zambia from a landlocked to land linked country as well as create jobs to Zambians.

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

### Consultancy Services

The Planning & Design Department oversaw a total of 32 consultancy contracts for various services ranging from feasibility studies to detailed designs under the Annual Work Plan 2013. These consultancy services contracts were valued at K138.7 million.

### Research and Development

Planning and Design department in February 2013 saw the establishment of the Research and Development Unit. Three (3) Engineers to manage all the activities of the Unit were appointed. The Unit was established in line with the RDA Strategic Plan with an objective to promote alternative sustainable use of materials and technology. During the year under review, the unit initiated a number of activities which included the establishment of linkages with both local universities and international research institutions which included the University of Zambia, Copperbelt University, Center for Scientific and Industrial Research (CSIR) based in South Africa and Transport Research Laboratory (TRL) based in the United Kingdom. The unit also established synergies with the industries that are key in the supply of road construction materials such as Lafarge Zambia PLC.



# Procurement

Section 3(1) of the Public Procurement Act, 2008 (PPA) provides that all procurement carried out by procuring entities using public funds shall be in accordance with the PPA, except where the procurement involves or relates to the security, defence or international relations of the Republic.

## Procurement Operations and Activities

### Procurement Planning

The 2013 PP as submitted to ZPPA covered sixty-four (64) works procurement items and fifty-seven (57) consultancy services. Following the updates covering the ZPPA comments and review of the RSAWP in May 2013 the 2013 PPs covered sixty-seven (67) works procurement items and sixty-three (63) consultancy services.

It should be noted that the PP did not cover all specific goods procurement items as most of these were normally agreed, described and specified as and when the actual need arose, but were already included under general programmes or activities contained in the RSAWP. Some of the major goods procured were:

- i. Purchase of Motor Vehicles for Feasibility Studies;
- ii. Design and Tender Document Preparations for Road Safety Engineering Measures;
- iii. Purchase of Survey and Design Equipment and Software for Roads and Bridges; and
- iv. Purchase of Pave Zambia 2000 Equipment.

### Procurement of Works and Consultancy Services

A total of 13 contracts for works and consultancy services involving upgrading of various roads were signed among them being:

1. Upgrading of 120 km Chipata-Vubwi (via Fern) - Chadiza (D804/R276, RD406) roads in Eastern Province
2. Upgrading of 140 km Chipata-Chadiza-Katete (D128, RD 593, T6) roads in Eastern Province
3. Upgrading to bituminous standard of 91km of the Luangwa Bridge to Feira (D145) Road in Lusaka Province
4. Upgrading of 45.5km of Kitwe – Chingola road into dual carriageway
5. Upgrading of Mulilansolo to Chinsali to Safwa in Muchinga Province

Under the Link Zambia 8000 Road Project, 27 contracts for consultancy services were procured and included among others the following:

1. Consulting Services for the upgrading 270km of the Katunda (M9 Junction) – Lukulu – Watopa – M8 (D792/D557) Road In Western Province
2. Consulting Services for the upgrading of 102km of the Limulunga to Lukulu (U1/U13) Road in Western Province.
3. Consulting Services for the Construction of Bridges at Lunsemfwa and Chipaba Rivers in the Lower Lunsemfwa Area in Mkushi District of Central Province

4. Consulting Services for the upgrading of 110km of the Itezhi Tezhi to Mumbwa Road (D769) in Southern and Central Provinces
5. Consulting Services for the upgrading to bituminous standard of 306km of the Kabwe to Picadily Circus to Mkushi (D200/D207/D214) including the Mpula to Masansa (D208/D209) Roads in Central Province.
6. Consulting Services for the upgrading of 135km of the Matebele Shangombo (RD463) Road in Western Province.



Works on Chingola – Kitwe dual carriageway

The Agency also had fourteen (14) other road projects procured during the year under review including:

1. Lusaka - Chirundu Road
2. Chiawa Bridge Project
3. Mufuchani Bridge Resettlement Dwelling
4. Lusaka L400 Project
5. Livingstone City Roads
6. Great East Road - Nyimba to Sinda



Inspection of Lusaka – Chirundu Road works

### Procurement of Goods and Equipment

The Agency awarded 22 contracts for the supply of various equipment and road construction materials. By 31st December, all the required equipment for the Pave Zambia 2000 Project had been procured.

## Construction and Rehabilitation

The Construction and Rehabilitation Unit continued with the implementation all new and ongoing construction and rehabilitation projects. In the year under review, the unit monitored the implementation of various projects under rehabilitation, accelerated urban road rehabilitation, road upgrade works, bridges and Output Performance Based Road Contracts (OPRCs) projects. The department saw the completion of major projects such as the reconstruction and re-alignment of the Kasama to Luwingu Road in Northern Province, Upgrading to bituminous standard of the Roads M8 & D293 from Kabompo to Chavuma and Upgrading and re-alignment of the Senanga to Sesheke Road among others.



A section of the Sesheke – Senanga Road

Table 12.1 shows a summary of the fifteen (15) major projects that were coordinated by the department.

**Table 12.1: Substantially complete/Finally Completed Projects**

Item No.	Road Name	Contract Length (km)	Progress
1	The Periodic Maintenance of Road M12 from Km 90.00-Lundazi District (91Km) , Lot 2 and the Rehabilitation of Selected Urban Roads (15 Km) in Lundazi District of Eastern Province	100.00	97 Km have been surfaced. Physical Progress is 99.00%
2	Contract for the Design and Construction/Upgrading Of Multi Facility Economic Zone (MFEZ) 2.4 Km Chifwema Road Main Access And 50 Km Various Internal Roads	18.70	18.7 Km has been surfaced. Physical Progress is 99.00%

Item No.	Road Name	Contract Length (km)	Progress
3	Contract No. RDA/CE/001/011: The Upgrading of M18 (Kalulushi M7-Lufwanyama) 60.3 Km and M7 (End of Paved Section-Roundabout) 3.45 Km in the Copperbelt	63.75	63.75 Km has been surfaced. Physical Progress is 99.00%
4	Contract No. TB/CE/006/010- Upgrading of the Road D18 from Kasama to Isoka in Northern Province, Lot 1: Kasama to Mbesuma Pontoon (110km)	146.00	120.00 Km has been surfaced. Physical Progress is 82.19%
5	Contract No.RDA/CE/025/012-The Periodic Maintenance of 14 Km of Road M016/M004 from Kalulushi to Sabina Road and 9.0 Km of the Sabina to Mufulira Road on the Copperbelt {The Rehabilitation of the Kalulushi Sabina Road (13.5 Km) on the Copperbelt Province}	31.40	16.40 Km has been surfaced. Physical Progress is 74.03%
6	RDA/CE/002/13: The upgrading to Bituminous Standard of Approximately 50 Km of Road M020 from Km65 to Mumbwa (115 Km) in Central Province - Lot 2.	50.70	50.70 Km has been surfaced. Physical Progress is 99.00%
7	The Reconstruction and Re-alignment to class 1C M3 Kasama - Luwingu in Northern Province	171.00	Completed and Final Accounts done.
8	The Upgrading to Class 1C Bituminous Standard of Road M8 between Kasempa Turn off and Kabompo in North-Western Province	225.00	Completed and Final Accounts done.
9	Contract No.TB/CE/001/10-Upgrading of the Roads M8 & D293 from Kabompo to Chavuma (239km) Lot 1: Kabompo to Mumbezi (79 Km) in North- Western Province	79.00	Completed and Final Accounts done.
10	TB/CE/001/10- Upgrading of the Roads M8 & D293 from Kabompo to Chavuma (239km) Lot 2: Mumbezi to Zambezi (75 Km) in North- Western Province	75.00	Completed and Final Accounts done.
11	Upgrading of the Roads M008/D293 from Kabompo to Chavuma (239 Km).Lot 3: Zambezi-Chavuma: 85 Km-North Western Province.	85.00	85.0 Km has been surfaced. Physical Progress is 99.00%
12	Upgrading and re-alignment of Road M10 from Senanga to Sesheke. Lot 1 Senanga to Maziba/Sioma (85Km)	85.00	70.0 Km has been surfaced. Physical Progress is 99.00%
13	Upgrading and re-alignment of Road M10 from Senanga to Sesheke. Lot 2 Sesheke to Km 70 (70Km)	70.00	70.0 Km has been surfaced. Physical Progress is 99.00%

Item No.	Road Name	Contract Length (km)	Progress
14	Upgrading and re-alignment of the Sesheke to Senanga road in Western Province. Lot 3 M10 Km 70 to Maziba/Sioma (66 Km)	66.00	70.0 Km has been surfaced. Physical Progress is 99.00%
15	Rehabilitation and Construction Works on Mbala - Nsumbu (134 Km) and Mpulungu - Mwenda (11 Km) Roads	145.00	Completed pending Final Accounts.



Construction works on Kitwe-Chingola dual carriageway

# Maintenance

During the year under review, there were several contracts under maintenance that were undertaken. Some projects were successfully completed whereas others were on-going.

## Completed Road Projects

Notable projects that were completed in 2013 included:

1. Periodic Maintenance of Mansa Nchelenge and Mansa Chembe in Luapula Province,
2. Periodic Maintenance of Great North Road from Lukulu Bridge in Muchinga Province; and
3. The rehabilitation of Livingstone City roads in Southern Province.



Mosi-O-Tunya Road – Livingstone City Roads



Completed section of Mansa Nchelenge

## On-Going Trunk and Main Road Projects

There were five (5) periodic maintenance road projects that were carried out in 2013, as shown in Table 16.1

**Table 16.1:** On-going Road Projects under Maintenance as at 31st December, 2013

Item No.	Road Name	Contract Length (km)	Progress
1	Chingola -Solwezi	169	20Km of pothole patching done
2	Ndola – Kitwe	60	17Km was surfaced
3	Kaoma Mongu	263	171km was surfaced
4	Livingstone-Sesheke	115	15Km was surfaced
5	Kabwe-Kapiri Mposhi	65.5	6Km was surfaced



Completed section of the Ndola-Kitwe Dual Carriageway

### Rehabilitation of Unpaved Mining Roads

The department also embarked on rehabilitation of unpaved roads for small scale mines across the country namely, upper Lunsemfwa-Mulombwashi Lot 4, Nshinso-Katula Kumanga Lot 2 and Sable Mine -Silver King Lot 5.

### Urban Roads under Local Road Authorities

The Local Road Authorities continued to coordinate Urban and Feeder Road Projects with technical assistance from Road Development Agency. By the end of the year, all the Formula 1 projects in Mufulira, Kalulushi, Kitwe, Luanshya and Lusaka were completed. The urban roads in Ndola, Kapiri Mposhi and Kabwe were not completed due to the terminations of the Contracts in the three Districts. However Gomes Haulage Transport Limited was engaged to carry out the works in Ndola while Asphalt Roads Zambia Limited was engaged to carry out the works in Kapiri Mposhi and Kabwe Districts. The works in Chingola District were on-going.

### Major Urban Roads Projects Completed

All major urban roads that were on-going in 2012 were completed in the year under review among them being: Mufulira (lot 2), Kalulushi and Kitwe (lot 3) and Lusaka urban roads (lot 7 to 11).



### Major On-going Urban Roads Projects

Item No.	Road Name	Contract Length (km)	Progress in 2013
1	Ndola	54.39	9.7Km surfaced
2	Kabwe & Kapiri Mposhi	34.47	20Km surfaced
3	Lusaka L400	408	12 Km surfaced
4	Chingola	23.35	9.8Km surfaced

### Feeder Roads

The Agency continued carrying out interventions on some feeder roads under the IDA/EU sponsored Agriculture Development Support Programme (ADSP), called the Rural Road Improvement Facility (RRIF). The projects were undertaken in Chipata, Katete, Chongwe, Lundazi and Choma.

These contracts were maintained using the Output and Performance Based Contract (OPBC) method which is a long term contracting method. The maintenance of roads was carried out over a period of more than 4 years. Under this project, the Contractors initially rehabilitated the roads in the first year (1st March 2009 - 28th February 2010) and continued to maintain the roads for remaining period (up to February 2014). Performance on the Chongwe and Lundazi contracts was not satisfactory due to funding constraints. Chipata/Katete and Choma were financed by the World Bank while Chongwe and Lundazi were financed by GRZ through Sector Budget Support from the European Union.

The RDA also embarked on rehabilitation of Feeder Roads on selected unpaved roads in Southern Province through funding from KfW under the Rural Transport for Poverty Reduction Programme in Southern Province. Interventions were mainly upgrading from earth to gravel surface and maintenance.

The works under Implementation Phase (IP) 1 in Mazabuka, Monze, Choma and Kalomo were completed and handed over to the respective District Councils September 2013.

### National Park Roads

The Road Development Agency coordinated the rehabilitation and maintenance of the spinal road in the Kafue National Park with the funding from Nordic funds. Both spinal Roads (lot 1 – 60 km and lot 2 119 km) were completed by the end of the year.

### Bridges

During the year 2013 five (5) bridge works were planned, procured, constructed and completed.

### Completed Bridge Construction/Maintenance Projects

1. Mbonge Bridge in North Western Province
2. Construction of Selected Bridges in Eastern Province
3. Maintenance of Kafue Bridge on Sabina/Mufulira (M4 roads) Copperbelt Province
4. Chibalashi Bridge Luapula Province
5. Construction of cast inSitu Box Culvert on Chisekesi – Chikuni road, Southern Province

### On-going Bridge Projects

The only ongoing Project was the Construction of selected crossing point in Vubwi District and the works were at 60% complete by the 31st December 2013.

### Emergency Works

The Agency in collaboration with the Disaster Management and Mitigation Unit (DMMU) dealt with emergency works on eleven (11) roads and drainage structures. These included:

1. Construction of 5 cell \_1.5m\_1.5m culvert at Siazwela in Pemba
2. Construction of Chisale Box Culvert in Katete
3. Replacement of Rotten Timber deck on Mvuvye Bridge in Petauke
4. Spot Improvement of Katunda Lukulu road
5. Repair of erosion gullies on Tapo-Kalabo road, and
6. Construction of Kalomboshi Bridge in Luwingu District



Box Culvert under construction

# Commercial and technical

The Commercial and Technical Services Department has four units namely Axle Load Control Unit, Road Tolling Unit, Mechanical Services Unit and Commercial Services Unit. The following are the achievements made in 2013:

### Axle load control unit

Permanent mobile weighbridge units were established on the Copperbelt and in Lusaka. As a result:

- Levels of overload were drastically reduced to below the 5% target
- Total revenues collected from weighbridge fines, abnormal load permits, compensation and inspection fees amounted to K 46,041,080.00.

Major rehabilitation of the Kapiri Weighbridge to improve traffic flow, reduce congestion and weighing time was embarked on.



Electronic weighing of the whole truck on a multi-deck to reduce congestion

### Road Tolling Unit

Issuance of Statutory Instrument No. 73 of 2013 as sub regulation to the Tolls Act No. 14 of 2014 and signed by Minister of Transport, Works, Supply and Communication on 7th August, 2013

Road Tolling of Heavy Goods Vehicles using existing infrastructure commenced at 07 Weighbridges on 1st November, 2013.



RDA official at Mwami Weighbridge in Chipata where toll fees are collected

Appointed RTSA as Toll Collection Agents for Ports of Entry tolling points as per the Tolls Act No. 14 of 2014.

A total of ZMK44.4m was collected in Toll revenue in the months of November and December 2013. Table 1.0 shows the breakdown.

**Table 1.0:** Summary of Road Toll revenue collected as at 31st Dec 2013

S/N	Toll Point Collection	November	December	Total
1.	Weighbridges	1,964,234.00	2,003,027.30	3,967,261.30
2.	Ports of entry	20,894,205.29	19,569,851.28	40,464,056.57
<b>Total</b>		<b>22,858,439.29</b>	<b>21,572,878.58</b>	<b>44,431,317.87</b>

### Mechanical Services Unit

The number of quarries with Mining and Small-Scale Prospecting Permits registered in the name of the Road Development Agency increased from sixteen (16) in 2012 to thirty-one (31) as at December 2013.

The agency successfully leased three (3) quarries namely Kafue, Sekonbo and Luombe quarries to AVIC International Corporation, Inyatsi Roads Zambia Limited and China Geo-Engineering Corporation respectively while the Lokomo C100P Mobile Crusher Plant was leased to Sable Transport Limited.

The agency acquired eighty-one (81) motor vehicles for various uses by members of staff and projects; and one hundred and fifty-three (153) mobile equipment, plant and machinery for Pave Zambia 2000.

The agency procured two (2) sets of pontoon propulsion units for Kazungula and Kashiba pontoons and supported rehabilitation of Kabompo and Lukulu pontoons.

### Commercial Services Unit

Internally generated revenues from quarries, billboards, tender document sales, laboratory services, etc in 2013 amounted to K 9,111,943.00



Completed section of the Kalulushi-Lufwanyama Road

# Legal

Thirteen (13) Special Meetings of the Board had been held.

### Court and Arbitration Proceedings

There were 19 active Court cases and 3 Arbitration matters. Claims ranged from employment issues, trespass to land, and damage to cables and payment for work done following termination of Contracts.

### Construction of Filling Station in Road Reserve

On 12th February 2013, a meeting was held with Kafue City Council Officials concerning the filling station being built in the Road Reserve along Kafue Road. They advised that the Planning Authority in Lusaka is responsible for giving authorisations to prospective builders. A meeting with the Executive Secretary and the Lusaka Province Planning Authority revealed that the owner of the filling station has title to the land on which they are building and that to relocate him to another place, RDA must compensate him. A letter was written to the Commissioner of Lands advising the same and requesting for a meeting. Follow-ups are still being made.

### Other Activities

1. *Review of Contracts:* Changes have been made to the Solicitation documents as and when gaps have been identified in collaboration with players from other departments.
2. *Risk Management:* The Agency participated in training on risk management. Consequently, it was at the moment working on a Legal Register, which entailed an analysis of the Laws pertinent to RDA to identify the relevant sections as well as the officer responsible for implementing the particular section. This would not only enhance compliance, but would also assist in identifying the shortfalls in the Legal provisions which could lead to formulating and recommending policy revision of the Public Roads Act and other laws to the Board and the Government.

### Challenges

During the period under review, some of the challenges faced regarding legal matters were:

1. Delay in Clearance of Contracts by AG's office
2. Delay in meeting financial obligations for services provided. This was with respect to fees due to arbitrators and external lawyers.
3. Delayed responses to legal issues.

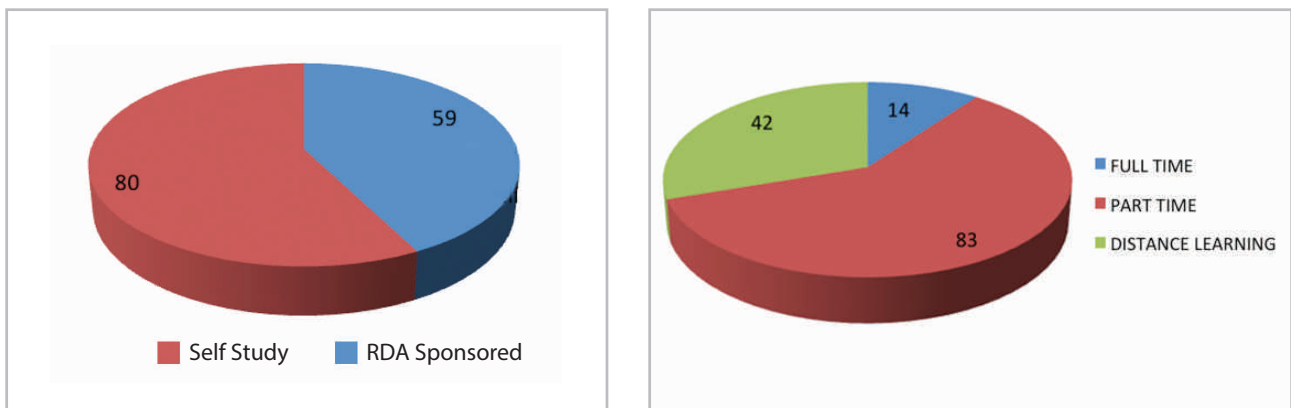
# Human Capital and Administration

## Staff Establishment

By 31st December, 2013 the Agency had a total number of four hundred and twenty five (425) employees.

## Staff Training and Workshops/ Seminars

As at 31st December, 2013 the Agency had 139 staff studying of which 59 staff were on RDA full sponsorship as indicated below;



## Workshops/ Seminars

The Training Committee in the year 2013 approved a total number of 42 short courses which were conducted locally and abroad, 39 were fully sponsored by the Agency and 3 by the Japanese International Co-operation Agency (JICA). As at 31st December, 2013, 146 staff underwent short term training through workshops and seminars; 82 abroad and 64 local.

## Staff Appointments, Transfers & Deployment

By 31st December, 2013, the Agency had engaged a total of eighty nine (89) new employees. The Agency also transferred a total number of eight (08) employees to various locations and redeployed three (3) employees during the period under review.

## Staff Resignation/Termination/Non Renewal

During the period under review, the Agency had four (4) resignations, two (2) non-renewal of contracts, one (1) dismissal and five (5) contract terminations.

## Staff Retirements

During the period under review, the Agency had two (2) employees retire from service with the Agency on account of age.

### Labour Turnover

Average No. of Employees in the Period	393
Total No. of Leavers in the Period	14
Turnover in the Period	3.56%

### Staff Health & Safety

During the year, the Agency provided its staff with a Medical Insurance Scheme to be administered by Metropolitan Health. However, challenges were faced in areas where medical facilities were either inadequate or non-existent.

The Health and Safety Policy for the Agency had been drafted for management's consideration. With the exception of Muchinga Region, all the Regions and Head Office had Fire Extinguishers at their premises. The Regions ensured that safety attire was provided to Casual Workers on Force Account Projects.

### Disciplinary

The process of revising and updating the RDA Disciplinary & Grievance Procedure Code was commenced. The new policy document was to be submitted to the Board for approval in the fourth quarter of 2014.

### Collective Agreement

The first Collective Agreement between RDA and the National Union of Building, Construction and General Workers (NUBEGW) was signed on 21st November, 2013. The document will cover the period January, 2014 to December, 2015.

### Job Descriptions

The directorate co-ordinated the process of updating job descriptions for all positions in the Agency. The draft job descriptions had been circulated to all directorates and departments for comments.

### Administration

The following activities were undertaken in the period under review;

- Acquiring a piece of land for possible construction of the office block to ease the problem of office space currently being experienced.
- Sinking a borehole to improve water supply at head office.
- Installation of electric fences at Head Office and RDA Mumbwa workshop.
- Installation of a backup Generator at Ndola Region office to enhance power supply.
- Consolidation of security system in the Agency by engaging G4S Security Company to provide security services to all RDA offices.



- Paving the walk way outside the fence of the office premises at Head Office.
- Arranging additional office space opposite Mass Media for rent to ease the problem of office space at Head Office.

### **Implementation of Project Management System (PMS)**

The implementation of the Project Management System was completed in August 2013 at headquarters. The PMS stores all the information about projects from initiation - Annual Work Plan, procurement process, implementation process, monitoring and control process up to closure of a project. All the projects (works and services) which RDA was working on were uploaded in the system including the Annual Work Plans for 2011, 2012 and 2013. The system was scheduled to be rolled out to the Regional offices by the end of 2014.

### **Backup Storage System (NetApp System)**

The ICT Unit implemented a Storage and Remote backup system called NetApp. The system backed up all the information on the RDA Servers.

### **Toll Collection System**

The ICT Unit implemented the Toll Collection System (TCS) which was deployed at Kafue, Kazungula, Livingstone, Mwami, Kafulafuta and Solwezi weighbridges. The Toll Collecting System is an electronic fee paying system for vehicles which pass through the weighbridges.

### **Electronic RDA Library Collection**

The Agency continued with the digitizing of the library collection in the period under review. This resulted in the creation of an electronic collection of documents on the project management system (PMS) server. Besides serving as a depository for the scanned documents to be uploaded to the PMS database, this collection is used as the RDA digital library. The electronic/digital library allowed members of staff to check for project documents from their desk computers.

### **The Project Management System**

The uploading of project documents on the project management system is a continuous process for the library section. Besides scanning the latest project documents as they are incoming, the Agency had also embarked on scanning all documents in the Library to be uploaded to the PMS eventually.

# Public Relations

## Project Media Tours

Thirteen media tours were conducted during the year under review. Media institutions that took part in the media tours included Zambia National Broadcasting Corporation (ZNBC), Muvi Television, Prime Television, Radio Phoenix, Times of Zambia, Zambia Daily Mail, The Post Newspaper and Community Radio Stations.



Field interview during a media tour of the Chipata Vubwi Road project in Eastern Province

## Media Briefings

The Agency held eight media briefings in the period under review. Notable among them was the signing of the contract to conduct a feasibility study and design of the Lusaka to Kapiri Mposhi Dual Carriageway

## Workshops

The Agency successfully hosted a number of workshops during the year under review and these included a one day workshop with the media at Radisson Blu Hotel in Lusaka. The Agency also hosted the Small and Medium Scale Contractors at the same Hotel.

### Television Programs

13 documentaries were produced and aired by the Zambia National Broadcasting Corporation (ZNBC) capturing all major roads. The programmes included studio based interviews and discussions.

### Corporate Magazine

The Agency produced three editions of the Corporate Magazine during the period under review. The publications highlighted developments on various road projects country wide.

### Participation in corporate events and exhibitions

The Agency took part in several exhibitions and corporate events that took place in the country. The events included the following;

- (i) Public Service Day
- (ii) Intercompany Relay
- (iii) Zambia International Trade Fair
- (iv) Zambia Agriculture and Commercial Show

### Sensitization for Road Tolling Program

Following the launch of the National Road Tolling Program on 1st November, 2013, the Agency embarked on a three months nationwide sensitization campaign which started in October to December, 2013.



**Left:** Senior Chief Mushota of the Bwile people of Luapula Province speaking when RDA staff and journalists paid a courtesy call on him at his palace after inspecting the Kawambwa – Mushota Road project.

**Right:** RDA staff and journalists at the Palace.

# Monitoring and Evaluation

## Vendor Rating System

During the year 2013, the RDA started implementing the Vendor Rating System (VRS) for Consultants and Contractors involved in road construction projects. The aim of the Vendor Rating system was to systematically analyse and document past and current performances of all Consultants and Contractors in order to achieve the best performance of the projects in the road sector. The specific objectives of the VRS are to:

1. Continuously measure the performance of Consultants and Contractors in relation to the quality of their services and works as stipulated in consultancy and works contracts;
2. Improve the tracking, monitoring and documentation of the performance of consultants and contractors;
3. Benchmark and provide feedback to consultants and contractors with both satisfactory as well as unsatisfactory performance so as to share and learn from best practices;
4. Rate consultants and contractors with the results being considered in subsequent procurements and possible barring of non performing consultants and contractors in accordance with the Public Procurement Act No. 12 of 2008;
5. Motivate consultants and contractors to achieve high performance and attainment of quality services.

A total number of seventeen (17) projects were inspected during the year under review, resulting in a total of sixteen (16) Consultants and seventeen (17) Contractors being rated.

Tables 17.1 and 17.2 summarise the performance of the consultants and contractors who were rated.

**Table 17.1:** Summary of performance for Consultants in 2013

Performance Score range %	Description of Grade Obtained	Number of Consultants in each Category	Recommended Actions / Comments
>89%	Totally Satisfactory Performance	0	Acceptable
80%-89%	Highly Satisfactory Performance	0	Acceptable
60%>79%	Acceptable Satisfactory Performance	11	Acceptable
40>59%	Slightly Poor Performance	5	Warning Letters
<40%	Very Poor Performance-Technically Incompetent	0	Suspension

**Table 17.2:** Summary of performance for Contractors in 2013

Performance Score range %	Description of Grade Obtained	Number of Consultants in each Category	Recommended Actions / Comments
>89%	Totally Satisfactory Performance	0	Acceptable
80%-89%	Highly Satisfactory Performance	0	Acceptable
60%>79%	Acceptable Satisfactory Performance	12	Acceptable
40>59%	Slightly Poor Performance	5	Warning Letters
<40%	Very Poor Performance-Technically Incompetent	0	Suspension

**Proposed New RDA Headquarters**

The Agency coordinated the design of the new RDA head office building with Ng’andu Consulting in association with Michel Design Studio and MP Consulting. However the contract suffered setbacks due to delays by the consortium in fulfilling its obligations.

**Re-launch of Kaizen**

The Kaizen Programme (Total Quality Management) was re-launched in 2013 and seminars were held for the various departments and regions in the Agency. Further, representatives from RDA were sent to attend the International Convention on Quality Control Circles (ICQCC) which was held in Taipei, Taiwan, in October, 2013.

**Major Challenges and Constraints**

There was poor feedback on the action to be taken on the M&E Reports from the implementing Departments.



**Left:** RDA Director and CEO, Eng. Charles Mushota officially opening a Kaizen Workshop in Siavonga in August, 2013.

**Right:** RDA Participants at the workshop.



Grant Thornton

Road Development Agency  
Financial statements  
31st December 2013

## Road Development Agency Financial Statements - 31 December 2013

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## Report of the Directors

The directors present their report on the activities of the Agency for the year ended 31 December 2013.

### 1. Principal functions

The Agency's main activity is to provide care and maintenance and construction of public roads in Zambia and to regulate maximum weights permissible for transmission on roads. The Agency's operations are dependent on Government grants and donor funding.

### 2. Results

The Agency's results for the year are as follows:

	<b>2013</b>	<b>2012</b>
	<b>K</b>	<b>K</b>
Income	<u>705,683,142</u>	<u>586,693,656</u>
Total comprehensive deficit for the year	<u>(65,077,293)</u>	<u>(30,035,708)</u>

### 3. Directors and secretary

The following directors and secretary were appointed to hold office with effect from 23 December 2013:

- Mr Willie Nsanda - Chairman
- Mr Charles Sipanje - Ministry of Transport, Works, Supply and Communication
- Mr Stanford Mschili - Ministry of Local Government and Housing
- Mrs Chiseche Mwanza Mutale - Ministry of Tourism and Arts
- Mrs Pamela Chobooga - Ministry of Finance
- Mr Peter Lungu - Ministry of Agriculture and Livestock
- Mr Mumba Malila - Attorney General, Ministry of Justice
- Mr Charles P Sakanya - Engineering Institute of Zambia
- Mrs Phidelia Sichone Mwaba - Chartered Institute of Transport
- Mrs Doreen Mwanza - Zambia National Farmers Union
- Mr Golden Makayi - National Council for Construction
- Mr Zindaba Soko - Road Transport & Safety Agency
- Dr Anthony Mwanaumo - National Road Fund Agency

#### Secretary

Eng. Bernard Chiwala, Director and Chief Executive Officer  
 Road Development Agency  
 P.O. Box 50003  
 Lusaka



### *Report of the Directors (continued)*

#### **4 Management**

The management of the Agency during the year ended 31 December 2013 was as follows:

Eng Charles Mushota	-	Director and Chief Executive
Eng Rernmie Chanda	-	Director - New Construction and Rehabilitation
Eng Steven Mwale	-	Director - Commercial and Technical Services
Eng Emmanuel Kaunda	-	Director - Road Maintenance Initiative
Mr Kapembwa Mulenga	-	Director - Finance
Eng Kanyuka Mumba	-	Director - Planning and Design
Mr Anderson Mwape	-	Director - Audit and Risk Assurance
Mr Keeta Shisholeka	-	Director - Procurement
Mrs Mwaka Ngorna	-	Director - Legal
Mr Andrew Chisala	-	Director - Human Capital and Administration

#### **5. Employees**

The average number of persons employed by the Agency during the year was 427. The total staff costs were K142,492 thousand (2012 - K73,914 thousand).

#### **6. Property, plant and equipment**

Additions to property, plant and equipment in the year amounted to K94,649,362 (2012 - K24,634,792). In the opinion of the directors, the fair value of fixed assets is not less than the amounts at which they are included in the financial statements.

#### **7. Other material facts, circumstances and events**

The directors are not aware of any material fact, circumstances or event which occurred between the accounting date and the date of this report which might influence an assessment of the Agency's financial position or the results of its operations.

#### **8. Annual financial statements**

The annual financial statements on pages 60 to 78 have been approved by the members.

#### **9. Auditors**

In accordance with the provisions of the Act, the auditors, Messrs Grant Thornton, will retire as auditors of the Agency at the forthcoming Annual General Meeting and having expressed their willingness to continue in office a resolution for their reappointment, and fixing their remuneration, will be proposed at the Annual General Meeting.

#### **By order of the Board**



**Board Secretary**

**Lusaka**

**Date** 19 AUGUST 2014

## Statement of Members' Responsibilities

The Public Roads Act No. 12 of 2002 of the Laws of Zambia requires the members of the Agency to prepare financial statements for each financial year which give a true and fair view of the financial position of the Road Development Agency and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the members are responsible for

- designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- selecting appropriate accounting policies and applying them consistently;
- making judgments and accounting estimates that are reasonable in the circumstances; and
- preparing the financial statements in accordance with the applicable financial reporting framework, and on the going concern basis unless it is inappropriate to presume that the Agency will continue in operation.

The members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Agency and enable them to ensure that the financial statements comply with the Public Roads Act No. 12 of 2002 of the Laws of Zambia. They are also responsible for safeguarding the assets of the Agency and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Agency Members confirm that in their opinion

- (a) the financial statements give a true and fair view of the financial position of Road Development Agency as at 31 December 2013, and of its financial performance and its cash flows for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that the Agency will be able to pay its debts as and when these fall due; and
- (c) the financial statements are drawn up in accordance with applicable International Financial Reporting Standards.

This statement is made in accordance with a resolution of the members.

Signed at **Lusaka** on **19 AUGUST 2014**

A handwritten signature in black ink, appearing to be 'M. A.', written over a light blue rectangular background.

**Board Chairperson**

A handwritten signature in black ink, appearing to be 'B.', written over a light blue rectangular background.

**Director/Chief Executive Officer**

## Report of the Independent Auditors to the Minister of Transport, Works, Supply and Communication

We were engaged to audit the accompanying financial statements of the Road Development Agency, which comprise the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in funds and statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Members' responsibility for the financial statements

As described on page 57, the members of the Agency are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by members, as well as evaluating the overall presentation of the financial statements.

### Basis for qualified opinion

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion, except for the matters indicated below:

- a) Included under property plant and equipment is an amount of K343,702 thousand relating to completed roads and bridges for which no breakdown and details were provided. In the absence of details making up this amount, we were unable to verify completeness, accuracy, valuation and existence of the roads and bridges.
- b) Capital work in progress includes a balance of K719 million for which no details were provided. We were therefore not able to satisfy ourselves as to the accuracy, completeness, existence and valuation of capital work in progress.
- c) The Agency does not have description and location details as well as title deeds for land and buildings shown at a cost of K13 million and we were therefore unable to verify ownership and existence of these properties.

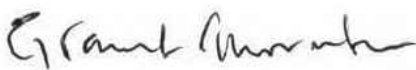
- d) Included in property, plant and equipment are assets coded as GRZ assets with a total cost of K13 million which could not be identified for physical verification. We could not verify existence of these assets.
- e) Included in property, plant and equipment are motor vehicles at a cost of K15 million for which no details of the valuation were provided. We could therefore not verify the accuracy of the cost of the vehicles.
- f) By virtue of the Public Roads Act 2002, assets and liabilities of the Roads Department were transferred to RDA. In the absence of evidence that all the assets and liabilities transferred were incorporated in the books of the Agency, we have not been able to satisfy ourselves as to the completeness and accuracy of the Agency's assets and liabilities at the reporting date.
- g) In the absence of a comprehensive list of properties leased out by the Agency, we were unable to verify completeness of rental income amounting to K0.094 million

#### **Qualified opinion**

In our opinion, except for the effects of such adjustments if any as might have been determined necessary had we satisfied ourselves regarding the matters in the preceding paragraphs, the financial statements give a true and fair view of the financial position of Road Development Agency as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### **Report on other legal and regulatory requirements**

In our opinion, the financial statements of the Road Development Agency as at 31 December 2013 have been properly prepared in accordance with the Public Roads Act. No. 12 of 2002 of the Laws of Zambia, and the accounting and other records and registers have been properly kept in accordance with the Act.

A handwritten signature in black ink, appearing to read 'Graham...', is written over a light grey rectangular background.

Chartered Accountants

A handwritten signature in black ink, appearing to read 'Christopher Mulenga', is written over a light grey rectangular background.

Christopher Mulenga

Name of Partner signing on behalf of the Firm

Lusaka

Date **03 SEP 2014**

## Statement of Comprehensive Income

for the year ended 31 December 2013

	Note	2013 K	2012 K
<b>Income</b>	Schedule 1	705,683,142	586,693,656
<b>Administration costs</b>	Schedule 2	(637,278,970)	(534,295,350)
<b>Routine repairs and maintenance works</b>	Schedule 3	<u>(133,481,465)</u>	<u>(82,434,014)</u>
<b>Deficit before taxation</b>		(65,077,293)	(30,035,708)
<b>Income tax expense</b>	7	_____ -	_____ -
<b>Total comprehensive deficit for the year</b>		<u><u>(65,077,293)</u></u>	<u><u>(30,035,708)</u></u>

## Statement of Changes in Funds for the year ended 31 December 2013

	<b>Accumulated funds/deficits K</b>	<b>Capital grants K</b>	<b>Total K</b>
At 1 January 2012	(53,171,494)	6,122,195,064	6,069,023,570
Capital grants received (works)	-	2,686,301,974	2,686,301,974
Capital grants received (advance payments)	-	845,061,927	845,061,927
Capital grants received (operations)	-	28,723,224	28,723,224
Total comprehensive deficit for the year	(30,035,708)	-	(30,035,708)
Amortisation of capital grants	-	<u>(431,957,829)</u>	<u>(431,957,829)</u>
At 31 December 2012	(83,207,202)	9,250,324,360	9,167,117,158
Capital grants received (works)	-	3,891,044,958	3,891,044,958
Capital grants received (advance payments)	-	1,094,616,318	1,094,616,318
Capital grants received (operations)	-	29,933,665	29,933,665
Total comprehensive deficit for the year	(65,077,293)	-	(65,077,293)
Amortisation of capital grants	-	<u>(463,663,933)</u>	<u>(463,663,933)</u>
At 31 December 2013	<u>(148,284,495)</u>	<u>13,802,255,368</u>	<u>13,653,970,873</u>

## Statement of Financial Position - 31 December 2013

	Note	2013 K	2012 K
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	2,503,753,179	2,418,475,246
Capital work in progress	9	9,973,824,261	5,842,983,726
		<u>12,477,577,440</u>	<u>8,261,458,972</u>
<b>Current assets</b>			
Inventories		312,526	190,621
Trade and other receivables	10	3,720,190,275	1,933,712,004
Cash and cash equivalents	11	32,769,819	43,646,437
		<u>3,753,272,620</u>	<u>1,977,549,062</u>
<b>Total assets</b>		<u>16,230,850,060</u>	<u>10,239,008,034</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Funds and reserves</b>			
Accumulated deficits		(148,284,495)	(83,207,202)
Capital grants		13,802,255,368	9,250,324,360
		<u>13,653,970,873</u>	<u>9,167,117,158</u>
<b>Current liabilities</b>			
Trade and other payables	12	2,576,879,187	1,071,890,876
		<u>2,576,879,187</u>	<u>1,071,890,876</u>
<b>Total funds and liabilities</b>		<u>16,230,850,060</u>	<u>10,239,008,034</u>

The financial statements on pages 60 to 78 were approved by the Agency Members on **19 AUGUST 2014** and were signed on its behalf by:-


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BOARD CHAIRPERSON

DIRECTOR/CHIEF EXECUTIVE OFFICER

## Statement of Cashflows

### for the year ended 31 December 2013

	2013 K	2012 K
<b>Cash (outflow)/inflow (on)/from operating activities</b>		
Deficit before taxation	(65,077,293)	(30,035,708)
Interest received	(10,198)	(60,498)
Interest paid	932,514	4,472,026
Loss/(profit) on disposal of property, plant and equipment	29,375	(47,331)
Amortisation of capital grants	(463,663,933)	(431,957,829)
Depreciation	463,663,933	431,957,829
Increase in inventories	(121,905)	(16,428)
Increase in trade and other receivables	(1,786,478,271)	(548,545,596)
Increase in trade and other payables	<u>1,504,988,311</u>	<u>48,091,309</u>
<b>Net cash outflow on operating activities</b>	<u>(345,737,467)</u>	<u>(526,142,226)</u>
<b>Returns on investments and servicing of finance</b>		
Interest received	10,198	60,498
Interest paid	<u>(932,514)</u>	<u>(4,472,026)</u>
<b>Net cash outflow on returns on investments and servicing of finance</b>	<u>(922,316)</u>	<u>(4,411,528)</u>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(4,680,331,321)	(3,000,755,323)
Proceeds from disposal of property, plant and equipment	<u>519,545</u>	<u>895,797</u>
<b>Net cash outflow on investing activities</b>	<u>(4,679,811,776)</u>	<u>(2,999,859,526)</u>
<b>Net cash outflow before financing</b>	<u>(5,026,471,559)</u>	<u>(3,530,413,280)</u>
<b>Financing</b>		
Capital grants received	<u>5,015,594,941</u>	<u>3,560,087,125</u>
<b>Net cash inflow from financing activities</b>	<u>5,015,594,941</u>	<u>3,560,087,125</u>
<b>(Decrease)/increase in cash and cash equivalents</b>	(10,876,618)	29,673,845
<b>Cash and cash equivalents at the beginning of the year</b>	<u>43,646,437</u>	<u>13,972,592</u>
<b>Cash and cash equivalents at the end of the year</b>	<u>32,769,819</u>	<u>43,646,437</u>
<b>Represented by:</b>		
Bank balances and cash	<u><u>32,769,819</u></u>	<u><u>43,646,437</u></u>



## Notes to the Financial Statements - 31 December 2013

### 1. **The Agency**

The Road Development Agency (RDA) is a statutory body which was established by the Public Roads Act No. 12 of 2002. The main function of RDA is to plan, manage and coordinate the road network in the country. The Agency is also responsible for the planning, care and maintenance and construction of public roads in Zambia. It also regulates the maximum permissible weights on roads, conducts studies for the development and improvement of the road network and reviews design standards and classification.

### 2. **Principal accounting policies**

The principal accounting policies applied by the Agency in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### (a) **Basis of presentation**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Agency has elected to present the "Statement of Comprehensive Income" in one statement, the "Statement of Comprehensive Income". The financial statements have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Agency's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

#### (b) **New and revised standards that are effective for annual periods beginning on or after 1 January 2013**

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2013. Information on these new standards is presented below.

##### **IFRS 10 'Consolidated Financial Statements' (IFRS 10)**

IFRS 10 supersedes IAS 27 'Consolidated and Separate Financial Statements' (IAS 27) and SIC 12 'Consolidation-Special Purpose Entities'. IFRS 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of a Group's investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the Agency during the period or comparative periods covered by these financial statements.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (b) New and revised standards that are effective for annual periods beginning on or after 1 January 2013 (continued)

##### **IFRS 11 'Joint Arrangements' (IFRS 11)**

IFRS 11 supersedes IAS 31 'Interests in Joint Ventures' (IAS 31) and SIC 13 'Jointly Controlled Entities- Non-Monetary-Contributions by Venturers'. IFRS 11 revises the categories of joint arrangement, and the criteria for classification into the categories, with the objective of more closely aligning the accounting with the investor's rights and obligations relating to the arrangement. In addition, IAS 31's option of using proportionate consolidation for arrangements classified as jointly controlled entities under that Standard has been eliminated. IFRS 11 now requires the use of the equity method for arrangements classified as joint ventures (as for investments in associates).

##### **IFRS 12 'Disclosure of Interests in Other Entities' (IFRS 12)**

IFRS 12 integrates and makes consistent the disclosure requirements for various types of investments, including unconsolidated structured entities. It introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.

Consequential amendments to IAS 27 'Separate Financial Statements' (IAS 27) and IAS 28 'Investments in Associates and Joint Ventures' (IAS 28) IAS 27 now only addresses separate financial statements. IAS 28 brings investments in joint ventures into its scope. However, IAS 28's equity accounting methodology remains unchanged.

##### **IFRS 13 'Fair Value Measurement' (IFRS 13)**

IFRS 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. The scope of IFRS 13 is broad and it applies for both financial and non-financial items for which other IFRSs require or permit fair value measurements or disclosures about fair value measurements except in certain circumstances. IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. Its disclosure requirements need not be applied to comparative information in the first year of application.

##### **Amendments to IAS 19 'Employee Benefits' (IAS 19)**

The 2011 amendments to IAS 19 made a number of changes to the accounting for employee benefits, the most significant relating to defined benefit plans. The amendments:

- eliminate the 'corridor method' and requires the recognition of re-measurements (including actuarial gains and losses) arising in the reporting period in other comprehensive income;
- change the measurement and presentation of certain components of the defined benefit cost. The net amount in profit or loss is affected by the removal of the expected return on plan assets and interest cost components and their replacement by a net interest expense or income based on the net defined benefit asset or liability;
- enhance disclosures, including more information about the characteristics of defined benefit plans and related risks.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Agency

At the date of authorization of these financial statements, certain new standards, amendments IAS 8.31 and interpretations to existing standards have been published by the IASB but are not yet effective, and have not been adopted early by the Agency.

Management anticipates that all of the relevant pronouncements will be adopted in the Agency's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Agency's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Agency's financial statements.

#### IFRS 9 'Financial Instruments' (IFRS 9)

The IASB aims to replace IAS 39 'Financial Instruments: Recognition and Measurement' (IAS 39) in its entirety with IFRS 9. To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning on or after 1 January 2015. Chapters dealing with impairment methodology and hedge accounting are still being developed. Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address application issues. Management does not expect to implement IFRS 9 until it has been completed and its overall impact can be assessed.

Based on the Agency's current business model and accounting policies, management does not expect material impact on its financial statements when the standards or interpretations become effective.

#### (c) Income

##### (i) Capital grants

Government grants are accounted for when there is reasonable assurance that the Agency will comply with the conditions attaching to them and that the grants will be received. Grants that relate to specific capital expenditure are treated as capital grants which are then amortised through the statement of comprehensive income over the related asset's useful life. Other grants are credited to the statement of comprehensive income in the period in which they are received.

##### (ii) Other income

Income from interest earned and other income is accounted for on an accrual basis.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Agency and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of property, plant and equipment are credited to the revaluation surplus in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost, is transferred from the revaluation surplus to retained earnings.

Depreciation is calculated to write off the cost of property, plant and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Leasehold land and buildings	2
Furniture and fittings	20
Office equipment	20
Motor vehicles	20
Computers	33.33
Plant and machinery	8.30

The assets' residual values and useful lives are reviewed at each reporting date and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the statement of comprehensive income in other operating income. When revalued assets are sold, the amounts included in the revaluation surplus relating to these assets are transferred to retained earnings.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (e) Roads

Maintenance of the existing roads involving performing works to offset the deterioration of roads on a continuous basis is treated as routine maintenance and is expensed in the year the works are carried out.

Other works on new roads such as expanding road capacity, providing stronger surface and significantly changing characteristics of the roads is capitalized and depreciated on the following basis:

	<b>Paved</b>	<b>Gravel</b>	<b>Earth</b>
	%	%	%
Periodic maintenance	20	33.33	100
Rehabilitation	10	20	100
Construction	5	10	25

#### (f) Financial assets

The Agency classifies its investments into the following categories: financial assets at fair value through profit or loss, trade and other receivables, held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

##### (i) *Financial assets at fair value through income*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through income' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit taking, or if so designated by management.

Financial assets designated as at fair value through profit or loss at inception are those that are:

- held in internal funds to match investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- managed and whose performance is evaluated on a fair value basis. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (f) Financial assets (continued)

##### (ii) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Agency intends to sell in the short term or that it has designated as at fair value through income or available for sale. Trade and other receivables are recognised at nominal value, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to their original terms.

##### (iii) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of trade and other receivables that the Agency's management has the positive intention and ability to hold to maturity. These assets are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Agency will not be able to collect all amounts due according to their original terms.

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

Financial assets are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Agency has also transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Held-to-maturity financial assets are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the statement of comprehensive income in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as net realised gains or losses on financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Agency's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the Agency establishes fair value by using valuation techniques.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (g) Impairment of assets

##### (i) Financial assets carried at amortised cost

The Agency assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Agency about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganization; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Agency, including:
  - adverse changes in the payment status of issuers or debtors in the Agency; or
  - national or local economic conditions that correlate with defaults on the assets in the Agency.

The Agency first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Agency determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. If a held-to-maturity investment or a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (g) Impairment of assets (continued)

##### (i) *Financial assets carried at amortised cost (continued)*

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statement of comprehensive income.

##### (ii) *Financial assets carried at fair value*

The Agency assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not subsequently reversed. The impairment loss is reversed through the statement of comprehensive income, if in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the equity.

##### (iii) *Impairment of other non-financial assets*

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### (h) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments and balances held with banks. Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents.



## Notes to the Financial Statements - 31 December 2013 (continued)

### 2. Principal accounting policies (continued)

#### (i) Foreign currencies

##### (i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Agency operates (the 'functional currency'). The financial statements are presented in Zambian Kwacha, which is the Agency's presentation currency.

##### (ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the rates of exchange prevailing at the date of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Translation differences on non-monetary items, such as equity at fair value through profit and loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in fair value reserve in the statement of changes in funds.

#### (j) Employee benefits

##### (i) *Provision for retirement benefits*

The pension plan is with National Pension Scheme Authority (NAPSA) where the Agency pays an amount equal to the employees' contributions. Employees contribute 5% of their gross earnings.

The employees of the Agency are entitled to defined benefits at retirement for non contract employees and to gratuity at end of contract for contract employees. Provisions for gratuity payable to contract employees are recognized as an expense and the liability is shown in the statement of financial position. There is no scheme in place to meet obligations arising from the retirement benefits payable to non contract employees. However, these obligations will be funded from future government grants.

Provisions for leave pay are made in respect of all staff. Leave days are provided for up to the maximum leave days allowed under the conditions of service.

#### (k) Trade and other payables

Trade and other payables are stated at cost.

#### (l) Provisions

##### *legal claims*

Provisions for legal claims are recognised when: the Agency has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

## *Notes to the Financial Statements - 31 December 2013 (continued)*

### 3. **Critical accounting estimates and judgements**

The Agency makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Agency's accounting policies, management has made judgements in determining:

- (a) the classification of financial assets;
- (b) whether assets are impaired;
- (c) estimation of provision and accruals; and
- (d) recoverability of trade and other receivables.

### 4. **Management of financial risk**

#### 4.1 **Financial risk**

The Agency is exposed to a range of financial risks through its financial assets and liabilities. The most important components of this financial risk are interest rate risk and credit risk.

These risks arise from open positions in interest rate and business environments, all of which are exposed to general and specific market movements.

The Agency manages these positions with a framework that has been developed to monitor debtors and return on its investments.

##### 4.1.1 **Credit risk**

The Agency exposure to credit risk is medium.

##### 4.1.2 **Capital management**

The Agency's objective when managing capital is to safeguard the Agency's ability to continue as a going concern so that it can continue to provide benefits to stakeholders.

The Agency's capital is supported by grants from the Government of the Republic of Zambia (GRZ).

### 5. **Income**

Income represents amortisation of grants received from the Government of the Republic of Zambia.

*Notes to the Financial Statements - 31 December 2013 (continued)*

	2013 K	2012 K
6. <b>Deficit for the year</b>		
Deficit for the year is stated after charging:-		
Depreciation	<u>463,663,933</u>	<u>431,957,829</u>
and after crediting:-		
Interest received	<u>10,198</u>	<u>60,498</u>
7. <b>Taxation</b>		
The Agency is exempt from taxation under Section 15 of the Income Tax Act Cap 323 of the Laws of Zambia and in accordance with paragraph 5 part III of the second schedule of the same Act.		

*Notes to the Financial Statements - 31 December 2013 (continued)*

8. <b>Property, plant and equipment</b> (a) Summary	Roads K	Pontoons & bridges K	Land and buildings K	Weigh- bridges K	Motor vehicles K	Plant and machinery K	Computers and office equipment K	Furniture and fittings K	Total K
<b>Cost or valuation</b>									
At 1 January 2012	1,162,190,476	92,756,305	12,516,492	388,700	29,514,013	9,522,252	5,867,028	3,132,044	1,315,887,310
Additions	-	-	-	-	20,863,315	-	3,274,108	497,369	24,634,792
Capitalisation	2,000,610,675	40,489,578	-	15,152,376	-	-	-	-	2,056,252,629
Disposals	-	-	-	-	(3,381,194)	-	-	-	(3,381,194)
At 31 December 2012	3,162,801,151	133,245,883	12,516,492	15,541,076	46,996,134	9,522,252	9,141,136	3,629,413	3,393,393,537
Additions	-	-	-	-	22,138,225	63,594,313	6,700,523	2,216,301	94,649,362
Capitalisation	449,292,807	5,548,617	-	-	-	-	-	-	454,841,424
Disposals	-	-	-	-	(1,618,119)	-	-	-	(1,618,119)
At 31 December 2013	3,612,093,958	138,794,500	12,516,492	15,541,076	67,516,240	73,116,565	15,841,659	5,845,714	3,941,266,204
<b>Depreciation</b>									
At 1 January 2012	482,537,236	27,894,395	1,060,048	46,644	21,769,976	4,718,980	5,105,218	2,360,693	545,493,190
Charge for the year	409,605,019	8,640,258	250,330	1,740,684	8,879,689	804,110	1,649,324	388,415	431,957,829
Disposals	-	-	-	-	(2,532,728)	-	-	-	(2,532,728)
At 31 December 2012	892,142,255	36,534,653	1,310,378	1,787,328	28,116,937	5,523,090	6,754,542	2,749,108	974,918,291
Charge for the year	428,161,423	11,103,562	250,330	1,554,107	12,231,324	6,068,675	3,500,366	794,146	463,663,933
Disposals	-	-	-	-	(1,069,199)	-	-	-	(1,069,199)
At 31 December 2013	1,320,303,678	47,638,215	1,560,708	3,341,435	39,279,062	11,591,765	10,254,908	3,543,254	1,437,513,025
<b>Net book value</b>									
At 31 December 2013	2,291,790,280	91,156,285	10,955,784	12,199,641	28,237,178	61,524,800	5,586,751	2,302,460	2,503,753,179
At 31 December 2012	2,270,658,896	96,711,230	11,206,114	13,753,748	18,879,197	3,999,162	2,386,594	880,305	2,418,475,246

## Notes to the Financial Statements - 31 December 2013 (continued)

### 9. Capital work in progress

	Roads K	Pontoons and bridges K	Total K
At 1 January 2012	4,655,131,617	267,984,207	4,923,115,824
Additions	2,880,314,088	95,806,443	2,976,120,531
Capitalisation	<u>(2,000,610,675)</u>	<u>(55,641,954)</u>	<u>(2,056,252,629)</u>
At 31 December 2012	5,534,835,030	308,148,696	5,842,983,726
Additions	4,497,932,517	87,749,442	4,585,681,959
Capitalisation	<u>(449,292,807)</u>	<u>(5,548,617)</u>	<u>(454,841,424)</u>
At 31 December 2013	<u>9,583,474,740</u>	<u>390,349,521</u>	<u>9,973,824,261</u>

	2013 K	2012 K
<b>10. Trade and other receivables</b>		
Amounts advanced to contractors and suppliers	1,466,451,660	1,124,313,003
Amounts receivable from Ministry of Transport, Works, Supply and Communication	-	8,728,465
Amounts receivable from National Roads Fund Agency (NRFA)	2,246,270,324	797,824,787
Special imprest	1,816,265	2,379,638
Salary advances	6,163,107	1,626,178
Other debtors	796,041	147,055
Less: Provision for bad and doubtful debts	<u>(1,307,122)</u>	<u>(1,307,122)</u>
	<u>3,720,190,275</u>	<u>1,933,712,004</u>
<b>11. Cash and cash equivalents</b>		
Bank balances	32,756,811	43,630,620
Petty cash	13,008	15,817
	<u>32,769,819</u>	<u>43,646,437</u>
<b>12. Trade and other payables</b>		
Amounts payable to contractors	1,760,207,688	563,501,390
Retention payable	612,384,123	367,605,897
Provisions and accruals	118,211,099	62,525,168
Sundry creditors	<u>86,076,277</u>	<u>78,258,421</u>
	<u>2,576,879,187</u>	<u>1,071,890,876</u>

Amounts payable to contractors include a judgement debt of K133,665,023 payable to J J Lowe following judgement on 4 November 2011 for J J Lowe to be paid US\$24,440,423 and K1,686,738 in respect of various contracts. Although the debts are likely to be assumed by the Ministry of Finance, provisions have been made in the books of the Road Development Agency.

## Notes to the Financial Statements - 31 December 2013 (continued)

### 13. Financial instruments

#### Financial assets

The Agency's principal financial assets are bank balances and cash and trade debtors. The Agency maintains its bank accounts with banks of high credit standing. Trade debtors carrying amounts is net of appropriate allowances for estimated irrecoverable amounts.

#### Financial liabilities

The Agency's financial liabilities are employee liabilities and trade and other accounts payable. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Accounts payable are stated at their nominal value.

#### (a) Price risk

##### (i) Currency risk

The Agency is exposed to currency risk as it holds foreign currency denominated assets and liabilities.

##### (ii) Interest rate risk

Financial assets are not exposed to the risk that their value will fluctuate due to changes in market interest rates.

#### (b) Credit risk

##### (i) Trade debtors

The Agency's management believes that the credit risk of trade debtors is medium.

##### (c) Liquidity risk

The Agency is not believed to be exposed to significant liquidity risk, being inability to sell financial assets quickly at close to their fair value.

##### (d) Fair values

At the reporting date the carrying values of financial instruments reported in the financial statements approximate their fair value.

	2013 K	2012 K
14. <b>Related party transactions</b>		
The following transactions were carried out with related parties:		
(i) <i>Key management compensation</i>		
Salaries and other short term benefits	<u>6,322,506</u>	<u>4,505,191</u>
(ii) <i>Directors' remuneration</i>		
Fees for service as directors	<u>199,344</u>	<u>24,354</u>
(iii) <i>Loans to directors</i>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements - 31 December 2013 (continued)

### 14. Related party transactions (continued)

(iv) The following business transactions were undertaken with a related party.

	2013 K	2012 K
Acamms Lodge	<u>162,082</u>	<u>-</u>

### 15. Contingent liabilities

There are contingent liabilities in respect of various legal claims made against the Agency amounting to K136.779 million (2012 – K222.315 million). There is also a contingent liability in the form of interest payable to contractors for delayed payment of certified works amounting to K72.452 million (2012 – K2.527 million).

### 16. Capital commitments

As at 31 December 2012, the Agency had entered into a number of contracts for works. Capital expenditure contracted for at the reporting date but not recognised in the financial statements is as follows:

	2013 K	2012 K
Roads and bridges	<u>5,697,239,689</u>	<u>6,968,919,101</u>

The Agency is certain that all such commitments will be fully financed from Government grants through the National Roads Fund Agency and from cooperating partners.

### 17. Currency re-denomination

On 1 January 2013, the Zambian Kwacha was re-denominated. The re-denomination entailed that all balances carried forward after 31 December 2012 were converted into the re-denominated currency by dividing the nominal value of the existing currency by a multiplicand of one thousand.

### 18. Comparative figures

The comparatives have been rebased by dividing the nominal value of the existing currency by a multiplicand of one thousand and have been restated where necessary to afford comparability.

### 19. Events subsequent to the reporting date

There has not arisen since the reporting date any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Agency, to affect substantially the operations of the Agency, the results of those operations or the state of affairs of the Agency in subsequent financial years.

## Detailed Analysis of Income

### for the year ended 31 December 2013

#### SCHEDULE 1

	2013 K	2012 K
<b>Income</b>		
Amortisation of capital grants	463,663,933	431,957,829
Project grants from National Roads Fund Agency (NRFA)	143,287,737	70,350,031
Revenue grants from GRZ	84,001,004	77,693,574
	<u>690,952,674</u>	<u>580,001,434</u>
<b>Other income</b>		
Abnormal load fees	2,066,136	1,325,280
Billboards	239,714	164,174
Equipment hire	-	-
Interest income	10,198	60,498
Liquidated damages	5,618,525	1,661,202
Other	551,373	488,538
Private Public Partnership	5,200	35,383
(Loss)/profit on disposal of property, plant and equipment	(29,375)	47,331
Rental income	94,050	348,725
Road infringement charges	31,404	10,483
Quarry royalties	1,608,290	193,772
Soil testing analysis fees	403,590	134,680
Routeway inspection fees	2,223,276	1,414,110
Tender document sales	1,885,487	808,046
Weighbridge fines	22,600	-
	<u>14,730,468</u>	<u>6,692,222</u>
<b>Total income</b>	<u>705,683,142</u>	<u>586,693,656</u>



## Detailed Analysis of Administration Costs for the year ended 31 December 2013

### SCHEDULE 2

	2013 K	2012 K
Accommodation and meals	3,037,044	2,068,424
Audit fees:		
- Payments for 2011	-	146,342
- Provision for current year	424,212	338,604
Bank charges	239,819	196,928
Board expenses	304,968	48,367
Civil maintenance	693,121	303,838
Cleaning materials and toiletries and sanitary services	246,031	70,358
Computer expenses	168,009	382,271
Consultancy	-	145,000
Depreciation	463,663,933	431,957,829
Electricity, water and sewerage	189,760	143,342
Equipment service and repair	94,886	114,725
Exchange losses	574	10,154
Insurance	1,372,565	728,624
Interest on long outstanding contractor debts	932,514	4,472,026
Internet services	245,457	246,071
Laboratory reagents and chemicals	-	20,000
Labour Day celebrations	259,353	282,786
Legal fees	274,273	835,706
Miscellaneous expenses	-	6,526
Motor vehicle expenses	5,087,105	3,875,310
Newspapers	54,608	37,801
Office beverages and refreshments	198,287	72,340
Other costs	159,297	274,437
Printing and stationery	1,613,236	1,490,719
Provision for bad and doubtful debts	-	482,864
Public relations and advertising	3,040,463	1,643,761
Recruitment costs	298,829	381,080
Rent collection costs	10,004	31,794
Routeway inspection costs	716,386	392,970
Security services	1,063,829	428,126
Staff costs	142,492,569	73,914,527
Staff training	6,943,791	7,214,538
Staff Welfare	74,890	-
Subscriptions	302,257	141,690
Office Rentals	1,120,379	-
Telephone and postage	443,922	381,086
Tender Committee allowances	214,624	82,439
Travelling expenses	518,046	402,689
Miscellaneous expenses	158,921	-
Workshops and seminars	621,008	529,258
	<u>637,278,970</u>	<u>534,295,350</u>

## Detailed Analysis of Routine Repairs, Maintenance Works and Project Related Costs

for the year ended 31 December 2013

SCHEDULE 3

	2013 K	2012 K
Environmental costs	2,079,109	860,094
Project procurement costs	10,030,663	4,504,566
Routine maintenance – bridges and pontoons	-	9,801
Routine maintenance – roads	35,469,913	20,326,721
Routine maintenance – funded by PPP	-	-
Routine maintenance – force accounts	40,268,968	33,823,898
Supervision expenses – roads and bridges	8,523,688	7,307,662
Supervision expenses – routine maintenance	919,779	418,317
Technical assistance and other consultancy costs	1,528,990	15,182,955
Pave Zambia 2000 costs	332,835	-
Road Tolling costs	1,703,004	-
Information & Communication Technology costs	515,305	-
Legal costs and Arbitration awards	32,109,211	-
	<u>133,481,465</u>	<u>82,434,014</u>





**Road Development Agency**

Headquarters

P.O. Box 50003, LUSAKA

Tel: 211 253801/253002/253088