ROAD DEVELOPMENT AGENCY

2021 ANNUAL REPORT

Table of Contents

LIST OF ACRONYMS

7NDP	Seventh National Development Plan
AfDB	African Development Bank
C400	Copperbelt 400 Project
CA	Concession Agreement
CFI	Contractor Financed Initiative
CML	Central Materials Laboratory
CRN	Core Road Network
DBSA	Development Bank of Southern Africa
DMMU	Disaster Management and Mitigation Unit
DNPW	Department of National Parks and Wildlife
EBC	Exim Bank of China
EIB	European Investment Bank
EU	European Union
GED	Groupe Europeén de Development
GRZ	Government of the Republic of Zambia
IRCP	Improved Rural Connectivity Project
JICA	Japanese International Cooperation Agency
L400	Lusaka 400 Project
LRAs	Local Road Authorities
LZ8000	Link Zambia 8000
MIHUD	Ministry of Infrastructure, Housing and Urban Development
MoFNP	Ministry of Finance and National Planning
NCC	National Council for Construction
NAPSA	National Pension Scheme Authority
NRFA	National Road Fund Agency
OPRC	Output and Performance Based Road Contracts
OVP	Office of the Vice President
PPPs	Public Private Partnerships
PZ2000	Pave Zambia 2000
RDA	Road Development Agency
RTSA	Road Transport and Safety Agency
RMS	Road Maintenance Strategy
RSAWP	Road Sector Annual Work Plan
SADC	Southern African Development Community
TMD	Trunk, Main and District
VRS	Vendor Rating System
VOC	Vehicle Operating Costs

EXECUTIVE SUMMARY

The Annual Report presents the performance of the Road Development Agency (RDA) for the calendar year 2021. Since its establishment in 2006, the Agency has continued to contribute to the social and economic development of Zambia.

The RDA commenced its operations in 2006 and is responsible for the care and maintenance of the entire classified road network of 67,671 kilometres and the bridges and culverts. However, owing to the vast size of the network and limited resources, the RDA concentrated its efforts on a rationalised network of 40,454 kilometres deemed as the Core Road Network (CRN). The CRN is defined as the "the barest minimum network which when improved will spur economic development and contribute to poverty reduction."

This Annual Report presents activities within the framework of the Agency's mandate.

During the period under review, the RDA carried out activities that included construction, upgrading, rehabilitation and maintenance of roads and bridges. Other pertinent activities implemented involved road and bridge asset management; designing traffic capacity movements; design reviews; environmental management; construction materials testing; engineering studies, research and development, among others.

The RDA executed road infrastructure projects in accordance with the approved 2021 Road Sector Annual Work Plan (RSAWP) and continued with the supervision and monitoring of the Link Zambia 8000 as well as other major rehabilitation projects. Construction of the Toll Plazas and the Pave Zambia 2000 were the other projects undertaken during the period under review.

Under the Link Zambia 8000, a total of forty (40) contracts were active during the period under review. However, due to insufficient funds and lack of budget provisions, there was slow progress even though the RDA had earlier re-scoped twenty-five (25) road projects from bituminous standard to all weather gravel road standard under the Link Zambia 8000 programme.

A total of 115 kilometres was re-scoped to gravel standard on the Nchelenge-Chiengi, the Samfya-Kasaba via Lubwe and the Nseluka-Kayambi-Chozi road projects. At the end of 2021, a cumulative total length of 841 kilometres out of the length of 5,241 kilometres of roads contracted under the Link Zambia 8000 Programme, had been surfaced to bituminous standard, representing a cumulative physical progress of approximately sixteen percent (16%). A total value of K14.3 billion had been certified to date since the inception of the programme.

For the major rehabilitation and reconstruction projects, a total of 184.45 kilometres of TMD roads were surfaced during the period under review. This was achieved mainly on the Kafue to Mazabuka and the Chinsali to Nakonde roads rehabilitation projects. The total cumulative average physical progress at the end of 2021 stood at 34.17% out of the 5,375 kilometres contracted out on various roads. A total of K39.6 million worth of works was certified during the year under review.

The RDA continued with the construction and rehabilitation of the following major bridges: Mbesuma, Solwezi and Kafue Hook. An amount of K164.7 million was certified during 2021 bringing the cumulative certified amount since 2014, to K3.25 billion for major bridges.

A key milestone in 2021 under the bridge programme was the opening of the Kazungula Bridge to traffic and the operationalisation of the One Stop Border Post (OSBP) facilities following the commissioning on 10th May 2021.

The Agency had a total number of 502 on-going Routine Maintenance Contracts in all the Provinces valued at K1.04 billion and covering a total distance of 15,537.84 kilometres for both paved and unpaved roads, against the Strategic Plan Target of 10,000 kilometres.

To support the strategic objective of improving the Road Asset Management, the Agency through the Regional Offices, carried out road and bridge maintenance/response to emergency works through the Force Account. As at 31st December 2021 the Agency had undertaken works under the Force Account works totalling K853,012,404.70 and out of this amount only K279,012,404.70 had been disbursed leaving an outstanding amount of K574,621,408.58 payable to the contractors.

OUR MANDATE

The RDA was established by the Public Roads Act No. 12 of 2002 with the following specific functions:

"To provide for the care, maintenance and construction of public roads in Zambia; to regulate maximum weights permissible for transmission on roads; and to provide for matters connected with and incidental to the foregoing".

The Agency is also mandated under the Tolls Act No.14 of 2011 to administer and implement the National Road Tolling Programme (NRTP). In this regard, on 1st September 2015, the RDA appointed the National Road Fund Agency (NRFA) as a Lead Tolls Agent through the provisions of the Tolls Act.

The functions of the Agency under the Tolls Act are to:

(a) Regulate the operation and maintenance of Toll roads;

(b) Monitor compliance of concessionaires with the terms and conditions of concession agreements;

(c) Advise the Minister on the design, construction, safety, regulation, operation and maintenance of toll roads; and

(d) Perform such other function as may be conferred by, or under, this Act or any other law.

PRINCIPAL FUNCTIONS

The principal functions of the RDA are to plan, manage and coordinate the entire road network in Zambia with the following specific functions:

I. Carry out routine and emergency maintenance of public roads;

II. Conduct such studies as it may consider necessary for the development maintenance, and improvement of the road network in Zambia;

III. Advise road authorities regarding the construction, rehabilitation, and maintenance of roads under their jurisdiction;

IV. Provide guidance and technical assistance to road authorities;

V. Receive and consider reports from road authorities on their activities and prepare quarterly and consolidated annual reports;

VI. Recommend to the Minister the appointment of any person or institution as a road authority;

VII. Prepare and review terms of reference and guidelines for road authorities including budget guidelines;

VIII. Review from time to time the status of road authorities and recommend appropriate action to the Minister;

IX. Making recommendations in relation to siting of buildings on roadsides;

X. In consultation with the National Road Fund Agency, recommend to the Minister funding for the development of new roads;

XI. In consultation with the owners of property served by an estate road and the National Road Fund Agency, determine the proportion of the cost of construction and maintaining an estate road to be borne by such owners;

XII. Prepare and award contracts and certifying works for public roads;

XIII. Review design standards and classification of roads and traffic signs;

XIV. Plan and coordinate the road network in the country;

XV. Enforcing axle load control; and

XVI. Carry out any other activities relating to roads which are necessary or conducive to the performance of its functions under the Act.

OUR VISION, OUR MISSION, CORE VALUES

OUR VISION

A sustainable fit-for-purpose road infrastructure in Zambia

OUR MISSION

To provide sustainable road infrastructure for connectivity and accessibility to spur socio-economic growth

CORE VALUES

- Transparency
- Accountability
- Equity
- Integrity
- Innovation
- Excellence
- Environmentalism

BOARD OF DIRECTORS CHAIRPERSON'S FOREWORD

It is my pleasure, on behalf of the Board of Directors, to present the Road Development Agency (RDA) Annual Report for the year ended 31st December 2021.

During the period under review, the RDA undertook various strategic activities and programmes aimed at improving road and bridge infrastructure in Zambia.

Cognizant of the role the Agency plays in enhancing the socio-economic development in the country, the RDA continued implementing key road and bridge projects such as the Link Zambia 8000, National Road Tolling Programme (NRTP), Improved Rural Connectivity Project (IRCP), the ACROW Bridge programme and the Zambia Township Road Project (ZTRP).

The Board of Directors that was appointed on 14th May 2021 had their term of office terminated on 23rd September 2021. On 24th December 2021, a new Board of Directors was appointed by the Minister of Infrastructure, Housing and Urban Development, Hon. Eng. Charles L. Milupi, as provided for under the Public Roads Act Number 12 of 2002, for a period of three (3) years.

The appointing authority has prodded the Board of Directors to ensure that the operations of the Agency in its quest to provide a sustainable fit-for-purpose road infrastructure in Zambia were within the confines of three parameters of project implementation, namely; right price, delivery to specified quality and timeliness.

To reduce pressure on the constrained treasury, the Government through the Agency during the period under review continued to explore Public Private Partnerships (PPPs) financing option for key projects. In this regard, Government through the RDA actively pursued the development of projects such as the Kasomeno-Mwenda road and bridge project and the Western Trade Facilitation Routes inclusive of Resettlement Scheme and Border facilities.

In respect of the Kasomeno-Mwenda road and Bridge project, the RDA signed a Concession Agreement with Groupe Europeén de Development (GED) Projects Africa Zambia Limited for the Financing, Design, Build, Operate and Tolling of the Kasomeno to Kasenga to Chalwe to Mwenda Road Project in Luapula province at an estimated cost of US$180 million and a concession period of 25 years.

On the development of the Western Trade Facilitation Routes inclusive of Resettlement Scheme and Border facilities, the Government through the Office of the Vice President (OVP) and the Ministry of Finance and National Planning (MoFNP), signed a Concession Agreement with Nkhulu Zambia Limited on 10th August 2021. The OVP signed as the contracting authority and the Ministry of Infrastructure, Housing and Urban Development (MIHUD), through the RDA as the implementing Agency.

The scope of this project includes: Financing, Design, Build or Rehabilitation, Operate and Transfer of approximately 1,400 kilometres of roads to international bituminous standard, including approximately 500 kilometres resettlement roads to bituminous standards, a bridge at Shangombo and Border facilities at Sikongo and Shangombo.

Other project components includes revamping, development and industrialisation of existing ninety-three (93) Resettlement Schemes and development of new Resettlement Schemes countrywide.

It is envisaged that when implemented, the two projects will unlock untapped potential in various social and economic sectors such agriculture, tourism, manufacturing and mining.

The RDA is desirous to support all segments of the economy in order to stimulate growth in the productive sectors and will continue to execute its mandate of rehabilitating, constructing and maintaining public roads.

The Agency in 2022 will continue implementing road and bridge projects in order to improve the general condition of the Core Road Network (CRN). Emphasis shall also be placed on road maintenance to ensure that our roads attain their design life spans.

In order to attain the vision of the New Dawn Government in the road sector for the next five years, the RDA has embarked on developing the 2022-2026 Strategic Plan and is desirous of commencing the comprehensive Third Phase of the Road Sector Investment Programme (RoadSIPIII).

The Strategic Plan will define the objectives and framework for the formulation of actions and evaluation of outcomes. Further, the Plan will provide a framework for developing, implementing and monitoring projects and programmes that are critical to the achievement of the Government Policy in the road sector.

In conclusion, I want to thank the road users for the continued patience, support and feedback. I wish to assure all stakeholders of our commitment to improving the national road network in order to facilitate economic development in the country.

ENG. MULCHAND KUNTAWALA
CHAIRPERSON - BOARD OF DIRECTORS
ROAD DEVELOPMENT AGENCY

DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT

I am delighted to share with you the Road Development Agency (RDA) Annual Report with audited Financial Statements for the year ended 31st December 2021.

The RDA continued to perform its function as outlined in the Public Roads Act Number 12 of 2002 and the Tolls Act Number 14 of 2011.

I wish to thank the outgoing Board of Directors whose tenure of office came to an end on 23rd September 2021 and welcome the newly appointed Board of Directors led by Eng. Mulchand Kuntawala.

During the period under review, the Agency undertook various projects and programmes in line with the 2019-2021 Strategic Plan anchored on six Strategic Objectives namely, to improve in the areas of the Road Asset Management, Road Infrastructure, Stakeholder Management, Financial Management and Capacity, Operational Processes and Procedures and Human Resource.

The Agency continued to implement the Link Zambia 8000 programme, and a total of 40 contracts were active under the programme in 2021. However, due to financial challenges in previous years, the Agency re-scoped 25 road projects from bituminous to all weather gravel road standard in 2020.

At the end of 2021, the cumulative total length of roads under the Link Zambia 8000 programme that were surfaced to bituminous standard stood at 841 kilometres representing a cumulative physical progress of approximately 16 percent.

For the major rehabilitation and reconstruction projects, 184.45 kilometres of TMD roads were surfaced to bituminous standard during the period under review. The total cumulative average physical progress at the end of 2021 stood at 34.17%.

Notable among these projects were the 68.42 kilometres bituminous surface under the contract for construction of the Chinsali - Nakonde (T2) road rehabilitation project and 26.60 kilometres bituminous surface on the contract for the rehabilitation of road T1, between Chikankata Turn-off to Mazabuka General Hospital.

In its quest to implement a resource mobilization strategy for projects, the Agency was leading the implementation of the rehabilitation of 164.6 kilometres of the Mpika to Chinsali Road with support from the European Investment Bank (EIB) and the European Union (EU). The cost estimate for the project following the design review exercise was updated to be Euro 182.5 million.

The contract between the EIB and Roughton International Consultants for the Technical Advisor (TA) on the project was signed on 15th June 2020, and the services commenced on 14th June 2021. The TA has since mobilised and was reviewing critical path items such as the resettlement and environmental reports prior to the commencement of the procurement process.

The Kazungula Bridge and One-Stop-Border Post (OSBP) facilities which were a joint project between the Government of the Republic of Botswana and the Government of the Republic of Zambia were commissioned on 10th May 2021, making it a landmark development not only in Zambia and Botswana but the region at large.

The Kazungula Bridge which lies on the border between the two countries on the North-South Corridor (NSC), is a vital trade route in SADC for countries including Zambia and Botswana. Other beneficiaries to the corridor include Tanzania, Malawi, Zimbabwe, DRC, South Africa, Namibia and Mozambique.

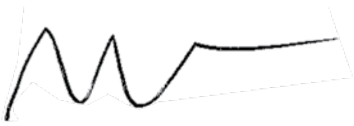
Meanwhile, the RDA targeted to construct and install one hundred thirty-one (131) modular steel panel ACROW Bridges country-wide during the period 2019 to 2021 in line with the Agency's Strategic Plan. In trying to achieve the aforementioned target, the RDA facilitated the procurement process for the various phases of the ACROW Bridge Project. Participation in the respective tenders was reserved for Zambian owned firms registered with the National Council for Construction (NCC).

During the period under review, works had commenced on four contracts in Eastern, Northern and Muchinga Provinces. Lunkhwakwa Bridge had been completed and launched in Eastern Province.

The recorded progress on various projects in 2021 was not achieved without challenges, delayed payments, outbreak of COVID-19 Pandemic and above normal rainfall were some of the notable factors that affected the progress on most of the projects.

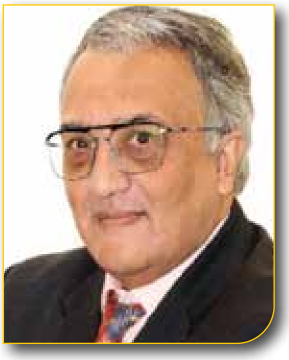
In conclusion, I would like to thank all our stakeholders that we closely worked with in 2021 that included the Government, Engineering Institution of Zambia (EIZ), Local Road Authorities, National Medium and Small-Scale Contractors, the Truckers Association of Zambia, Zambia Women in Construction, Association of Consulting Engineers, Zambia Institute of Architects, Quantity Surveyors Registration Board, Road Users, Media, Road Sector Agencies, Traditional Leaders and Cooperating partners among others.

I am therefore, honoured to report on the performance of the Agency for the year 2021 in line with the RDA's mandate.



ENG. GEORGE MANYELE
DIRECTOR AND CHIEF EXECUTIVE OFFICER
ROAD DEVELOPMENT AGENCY

RDA BOARD OF DIRECTORS



ENG. MULCHAND KUNTAWALA
BOARD CHAIRPERSON

ENG. ERASMUS M. CHILUNDIKA
VICE BOARD CHAIRPERSON

MS. NAMWAKA NACHILONGO
BOARD MEMBER

MR. MULILO D. KABESHA SC
BOARD MEMBER

MRS. NGOZA C. MUNTHALI
BOARD MEMBER

ENG. CLIVE KHAN
BOARD MEMBER

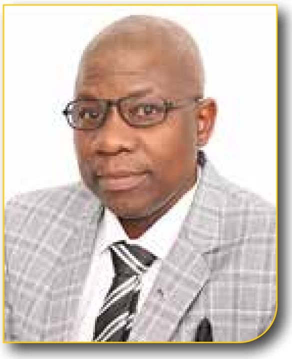
MR. MUSOKOTWANE SICHIZUWE
BOARD MEMBER

ENG. WALLECE MUMBA
EX OFFICIO

MR. GLADWELL BANDA
EX OFFICIO

ENG. GEORGE MANYELE
DIRECTOR & CEO/BOARD SECRETARY

RDA EXECUTIVE MANAGEMENT



ENG. GEORGE MANYELE
DIRECTOR AND CHIEF EXECUTIVE OFFICER

ENG. GRACE MUTEMBO
DIRECTOR - PLANNING AND DESIGN

ENG. JOSEPH MWINGA
ACTING DIRECTOR - CONSTRUCTION AND REHABILITATION

ENG. JAIROS MHANGO
ACTING DIRECTOR - ROAD MAINTENANCE

ENG. GODFREY SONGEYA
ACTING DIRECTOR-COMMERCIAL AND TECHNICAL SERVICES

MRS. HONEYCHILE C. TYETYE
ACTING DIRECTOR-FINANCE

MR. DENSTONE MUKUKU
DIRECTOR - AUDIT AND RISK ASSURANCE

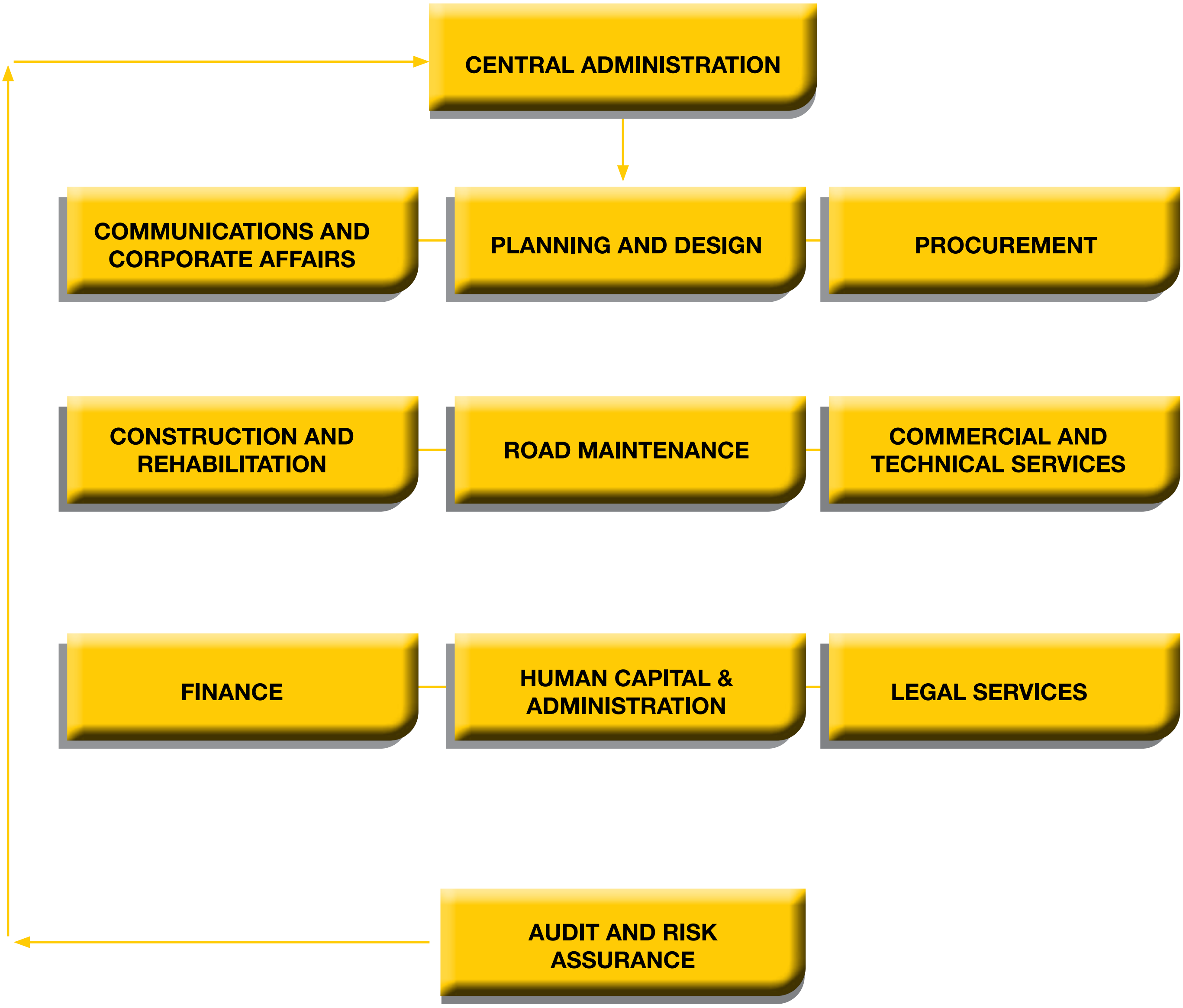
MS. BUEENDO NYAMA
ACTING DIRECTOR-HUMAN CAPITAL AND ADMINISTRATION

MR. ANTHONY MULOWA
ACTING DIRECTOR-COMMUNICATIONS AND CORPORATE AFFAIRS

MS. CHITI KABWE
ACTING DIRECTOR-LEGAL SERVICES

ENG. CHILUFYA MWENYA
ACTING DIRECTOR-PROCUREMENT

DEPARTMENTS



SECTION 1

FINANCIAL AND PROGRAMME PERFORMANCE

1.1 FINANCIAL PERFORMANCE

1.1.1 Implementation of the 2021 Annual Work Plan

The road fund is managed by the National Road Fund Agency (NRFA) on behalf of the Road Sector Agencies. The NRFA is mandated to administer and manage resources for road works and services. The resources include local funding from the GRZ in the form of Road Tolls, Fuel Levy and other Road User funding and funding from Multilateral Development Banks (MDBs) such as the World Bank, European Investment Bank (EIB), Exim Bank of China (EBC), African Development Bank (AfDB) and various Cooperating Partners such as the European Union (EU) and the Japanese International Cooperation Agency (JICA) among others.

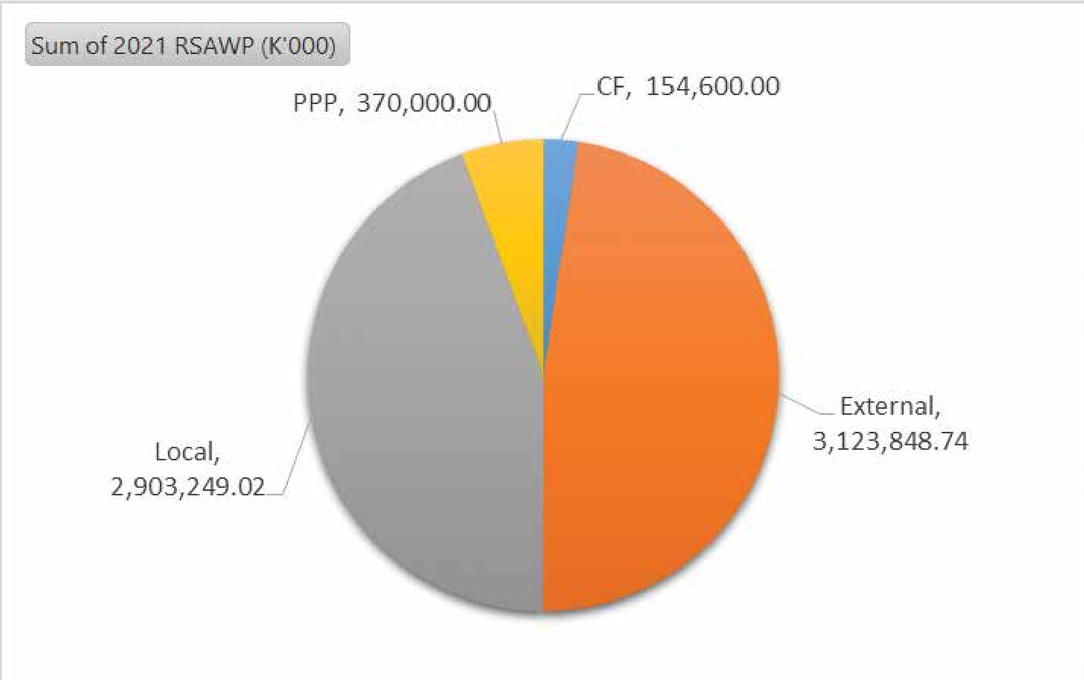


Figure 1: 2021 RSAWP Funding by Source

The 2021 RSAWP had a total budget of **K6.55 billion** comprising **48%** external financing (Loans and Grants), **44%** from local resources in the form of direct GRZ funding from the Treasury and the Road Fund, **2 %** Contractor Facilitated Initiative (CFI) and **6%** Public Private Partnership (PPP).

SECTION 2

OUR ROAD NETWORK

2.1 ZAMBIAN ROAD NETWORK

2.1.1 Gazetted and Core Road Network

The total Gazetted Road Network in Zambia is 67,671 kilometres of which 40,454 kilometres comprises the Core Road Network (CRN) which is defined as *"the barest minimum network which when improved will spur economic development and contribute to poverty reduction".* The CRN consists of Trunk, Main and District (TMD), Urban and Primary Feeder roads as shown in **Table 1**.

Table 1: Core and Non-Core Road Network in Zambia

Type of Road	Length (Km)	Paved (Km)	% Paved	Responsibility
Core Road Network				
Trunk (T)	3,116	3,024	97.05%	RDA
Main (M)	3,701	2,885	77.95%	RDA
District (D)	13,707	2,111	15.40%	RDA
Urban	5,597	2,055	36.72%	RDA
Primary Feeder Roads (PFR)	14,333	32	0.22%	RDA/LRAs
Sub Total	**40,454**	**10,107**	24.98%	
Estimated Non-Core Road Network				
Secondary Feeder Roads (SFR)	10,060			RDA/LRAs
Tertiary Feeder Roads (TFR)	4,424			RDA/LRAs
NATIONAL Park Roads	6,607			RDA/DNPW
Community Roads	5,000			RDA/LRAs
Other Roads	1,126			RDA/LRAs
SUB-Total	**27,217**			
Total	**67,671**			

The RDA has delegated management of some roads to Local Road Authorities (LRAs) and the Department of National Parks and Wildlife (DNPW) in accordance with the Public Roads Act.

2.1.2 Road Reserve Management

The cases of infringements and encroachments on the road reserve have been increasing over the years which has resulted in the increase in the cost of road construction. These encroachments and infringements have also resulted in poor road environments, congestion and increased road safety hazards. The period under review saw the development of road Access Management Guidelines which are intended to be used to effectively manage the road reserve. The Access Management Guidelines were drafted with input from all key stakeholders which include property owners and developers, service providers (utility companies, mobile telecommunication companies etc.), surveyors and planners. Furthermore, the Agency undertook road reserve inspections in all provinces to ensure developers applying to infringe the road reserve undertake their activities in line with the guidelines provided at the time of application.

SECTION 3

2021 OUTPUT

3.1 PLANNING, DESIGN, RESEARCH AND DEVELOPMENT

The RDA undertook various interventions on roads and bridges, such as rehabilitation, upgrading works, routine maintenance, emergency works, spot improvement, periodic maintenance and reconstruction works.

3.1.1 Review of Zambian Standard Guidelines

Under this strategy, several activities had been planned for the 2021-2022 period. These included the following:

3.1.1.1 Updating Design Standards

To achieve the target of reviewing the Zambian Standard Guidelines, the process to procure services to update the Zambian design standards for pavement, geometric and bridge design was started. However, procurement of this activity was not finalised during the period under review due to funding constraints.

3.1.1.2 Review Environmental and Social Guidelines

During the period under review, the Agency reviewed and updated the Procedures Manual for Environmental and Social Management in the Road Sector with input from key stakeholders.

3.1.1.3 Development of Climate Resilient Infrastructure Standards and Codes

During the period under review, the RDA had oversight on the project for Development of Climate Resilient Infrastructure Standards and Codes for the road transport sector in Zambia.

This Nordic funded project was aimed at systematically integrating climate change adaptation and resilience consideration throughout the transport sector design and management process in Zambia at practical and policy level as well as capacity development of road transport sector stakeholders.

The project also aimed at developing climate-resilient infrastructure standards and norms, which were to be incorporated into all relevant documents, construction and maintenance guidelines and tools. The contract was signed on 20thJune 2017, at a contract sum of **€3.9 million** and the consultant, Messrs. NTU International commenced services on 14th July 2017, with a project duration of 48 months. The project had five (5) major activities namely:

1. Vulnerability Assessment;
2. Training;
3. Policy;
4. Technical (Development of Norms and a standards); and
5. Institutional Arrangements and Cooperation for the Adoption and Implementation of Road Norms and Standards.

The project was successfully completed in December 2021.

3.1.2 Consultancy Services for the Development of a Strategic Road Sector Investment Programme III (ROADSIP III)

The RDA engaged a consultant to develop a Strategic Road Sector Investment Programme III (ROADSIP III) Bankable Document under the Chinsali-Nakonde Road rehabilitation project (North-South Corridor). This was an African Development Bank funded project in which the engaged Consultant, Messrs. LEA Associates South Asia PVT Limited (India) in association with Iliso Consulting (Zambia) Limited, was required to develop a budget and financing strategy for the Road Sector Projects and Programmes that would constitute a 12-year Road Sector Investment Programme III.

The Plan was presented to the Ministry of Finance and the Committee of Ministers on 2nd and 8th September 2020 respectively. The consultant submitted the Final Investment Plan in October 2020. The Plan was also submitted to the African Development Bank (AfDB) on 17th December 2020 in fulfilment of the Loan Agreement between the Government of the Republic of Zambia (GRZ) and AfDB. The outcome from the report was that currently, the Road Sector had contract commitments amounting to **US$4.4 billion** and a debt of **US$600 million**. The Plan was estimated at a total cost of **US$4.3 billion** with projected Road User funding at **US$2.8 billion**, leaving a deficit/financing gap of **US$1.5 billion**. In the period under review, the Plan was shared with the Ministry of Housing and Infrastructure Development (MHID) and Ministry of Transport and Communications (MTC) transmission to Cabinet for final approval.

3.1.3 Rehabilitation of 164.6km of the Mpika to Chinsali road

The Agency undertook the procurement process for the rehabilitation of 164.6 kilometres of the Mpika to Chinsali Road with support from the European Investment Bank and the European Union. The cost estimate for the project following the design review exercise was updated to be **€182.5 million**. The contract between the EIB and Messrs. Roughton International consultants for the Technical Advisor (TA) on the project was signed on 15th June 2020 and the services commenced on 14th June 2021.

Review of critical path items such as the resettlement and environmental reports prior to the commencement of the procurement of works was done during the period under review. Technical solicitation documents were also prepared during the period under review which await the Bank's "No Objection" prior to advertisement of the same.

3.1.4 Promotion and Implementation of Public Private Partnerships (PPPs)

The Government of the Republic of Zambia through the RDA in furtherance of the policy of the development of road transport infrastructure in Zambia by means of Public Private Partnerships (PPPs) commenced the process to engage Concessionaires to undertake Design, Finance, Build, Operate and Transfer of highly trafficked roads in Zambia. The target of the RDA for the period 2019 to 2021 was to implement at least one PPP project. The RDA was in the process of negotiating with proponents on four major projects. Notable achievement in meeting the aforementioned target included the Kasomeno-Mwenda PPP project. Progress made on the implementation of the PPP projects was as follows:

3.1.4.1 Kasomeno to Mwenda Road

The RDA signed a Concession Agreement with Messrs Groupe Européen de Development (GED) Projects Africa Zambia Limited on 5th August 2016 for the Financing, Design, Build, Operate and Tolling of the Kasomeno to Kasenga to Chalwe to Mwenda road Project (85km) in Luapula Province under the PPPs Model at an estimated cost of **US$180 million** and a concession period of twenty five (25) years. This road project was initiated following an unsolicited proposal submitted by Messrs. GED Projects Africa Zambia Limited to undertake the project in 2012. The Senior Lenders for the project were the Development Bank of Southern Africa (DBSA). Funding for the development components of the project had been agreed between DBSA, Duna Azphalt and GED Projects Africa Zambia Limited.

GED submitted details for two consulting firms towards the appointment of an Independent Engineering Firm as enshrined in the Concession Agreement.

3.1.4.2 World Bank Support under Global Infrastructure Facility for PPPs

The Ministry of Housing and Infrastructure Development (MHID) in February 2021, requested the Ministry of Finance to liaise with the World Bank with the possibility of funding a viability study for the implementation of PPP projects on the Zambian Road Network. The World Bank discussed the Government's request for assistance on the PPP road model and had agreed to fund the request under the World Bank Global Infrastructure Facility.

Table 2 below provides details of roads that had been considered for this study with support under the World Bank Global Infrastructure Facility.

Table 2: Roads to be considered for Assessment under the PPP Model

No	Road Code	Description	Classification	Length (lan)	ADT
1	T00l	Lusaka to Ndola Road	Trunk	321	
2	T002	Chilanga to Chirundu Road	Trunk	136	1,395
3	T003	Ndola to (via Chingola) Kasumbalesa Road	Trunk	156	5,500
4	T004	Kenneth K. Airport to Chongwe to Luangwa Bridge Road	Trunk	57	3,500
5	M020	Mazabuka to Landless Corner Road bypassing Lusaka	Main	118	310
6	Various	Lusaka Ring Road	Various	173	
7	D271	Solwezi to Kipushi Road	District	109	15
8	M4/M5	Ndola to Mufulira to Mokambo Road	Main	80	1,075
9	D301	Kaoma to Kasempa Road	District	205	67
10	M0l0	Livingstone to Sesheke Road	Main	180	l,59
11	T00l	Kafue Turnpike to Livingstone Road	Trunk	400	2,900
12	T002	Kapiri Mposhi to Nakonde Road	Trunk	800	2,085
		Total		**2,735**	

The objective of the study was to provide recommendations for Government to decide on the most appropriate option to manage the roads to be assessed.

During the period under review, a Technical Committee comprising different experts from key stakeholder Departments/Organizations was formed to assist with the viability assessment study.

3.1.4.3 Chingola to Mutanda via Solwezi Road

During the 5th Special meeting of the PPP Council of Ministers held on 13th May 2021, the Concession Agreement (CA) for the above project was approved. Subsequently, as per procedure regarding the Government agreements, the CA was cleared by the Attorney General for execution. Following conclusion of the above approval processes, the Hon. Minister of Finance, the RDA Management and the concessionaire Messrs. Bert Pave and Maintenance Limited signed the approved CA on 14th May 2021.

It was envisaged that works would commence after attaining financial closure.

3.1.4.4 Ndola to Kasumbalesa Road project

On the Ndola to Kasumbalesa road project, the negotiations with Messrs. Zamtoll Zambia Limited could not result in an agreement as talks with the Private Party (PP) had reached a deadlock.

3.1.4.5 Development of the Western Trade Facilitation Routes inclusive of Resettlement Scheme and Border Facilities

The Government of the Republic of Zambia (GRZ) through the Office of the Vice President (OVP) and the Ministry of Finance and National Planning (MoFNP) signed a Concession Agreement with Messrs. Nkhulu Zambia Limited on 10th August 2021. The OVP signed as the Contracting Authority and the Ministry of Housing and Infrastructure Development, through the RDA as the Implementing Agency.

The scope of this project includes Design, Build and/or Rehabilitation, Operate and Transfer of approximately 1,400 kilometres of roads to international bituminous standard, approximately 500 kilometres resettlement roads to bituminous standard, one major bridge (Shangombo Bridge) and Border Facilities at Sikongo and Shangombo Borders with Angola, as well as the Katima Mulilo Border with Namibia. The scope also includes revamping, development and industrialisation of existing ninety-three (93) Resettlement Schemes and development of new ones countrywide including the ZANAP Farm No. 10660 held under Certificate Title No 57202 in Sesheke District, Western Province.

The specific road segments and related infrastructure under consideration include:

1. Tapo - Kalabo - Sikongo - Angola Border Road (125km);
2. Sioma – Shang'ombo Road (175km);
3. Lufwanyama - Kankolonkolo - Kasempa Road (255km);
4. Kasempa - Kaoma Road - Luampa Junction Road (280km);
5. Luampa Junction - Machile - Simungoma Road (340km);
6. Livingstone - Katima Mulilo Road (225km);
7. Resettlement Roads (minimum of 500km);
8. Shang'ombo Bridge (approx. 8.5km);
9. Sikongo Border Post and Trade Hub;
10. Shang'ombo Border Post and Trade Hub; and
11. Katima Mulilo Border Post and Trade Hub.

One of the conditions precedents stated in clause 5.6 of the Concession Agreement required the parties to undertake a joint Existing Asset Inspection. In view of the foregoing, during the period under review, a site visit was undertaken by the implementing Agency to inspect the selected Existing Assets and identify utilities within the Right of Way.

3.1.4.6 Unsolicited Proposals

In addition to these projects, several firms expressed interest to partner with the Government. A total of twenty-one (21) firms expressed interest to partner with the Government through the RDA for the development of various roads using the PPP/Unsolicited approach during the period under review. Among these, included the, Lusaka to Ndola, Mumbwa to Kasempa, Kasempa to Kaoma, Serenje to Nakonde roads. The unsolicited proposals underwent preliminary evaluations to determine their compliance with the requirements as stipulated by the Law. The interested firms which had submitted Expression of Interests had been advised to submit detailed proposals for consideration in line with the provisions of Section 42 of the PPP Act No. 14 of 2009.

3.1.5 Road Safety

In order to enhance road safety on the network, the RDA undertook the following activities:

3.1.5.1 Baseline Study

The RDA had a target of 80% of ensuring that Urban and Trunk, Main and District roads were compliant to the National Road Safety Guidelines by 2021. As a starting point, the Agency developed a baseline compliance checklist in order to measure the current compliance levels.

The higher order roads (Trunk and Main Roads) and those recently rehabilitated were found to be compliant to the National Road Safety Guidelines as they had the requisite signs and markings as highlighted in the National Guidelines on Road Traffic Signing. A serious challenge faced was the rampant vandalism of installed signs and other safety features on the roads.

3.1.5.2 Joint Road Safety Infrastructure Inspections

The Agency during the period under review undertook road safety inspections on the various classes of the roads countrywide. The cumulative number of inspections from 2020 was twenty-four (24) at the time of reporting reflecting a 100% achievement. The under listed seven (7) roads inspections were undertaken during the period under review:

- RSI No. 18- Road Safety Inspection of the Munali- Great East Road Traffic Circle;
- RSI No. 19- Road Safety Inspection of the Munali- Great East Road Flyover Bridge;
- RSI No. 20- Road Safety Inspection of the various roads in Northern Province (M1- Kasama- Mbala and D1- Mbala- Nakonde);
- RSI No. 21- Road Safety Inspection of IRCP Project Roads in Senga Hill/ Mungwi;
- RSI No. 22- Road Safety Inspection of IRCP Project Roads in Luwingu;
- RSI No. 23- Road Safety Inspection of the Rehabilitated portion of the T1 between Turnpike and Mazabuka; and
- RSI No. 24- Road Safety Inspection of the portion of the T1 between Mazabuka and Livingstone.

3.1.5.3 Consultancy Services for the provision of Road Safety Inputs for the Chinsali-Nakonde road Rehabilitation Project

The Contract was signed on 18th September 2019 with M/s. NTU International at a total contract sum of **US$ 829,876.00** and **K187,800.00**. The services commenced on 3rd October 2019 and were scheduled to be complete by 3rd October 2022. The contract has five (5) key inputs: Road Safety Education and Publicity Campaign; First Responder Training; Rescue Operations Training; Procurement of Rescue Operations Equipment and Road Safety Audits.

During the period under review, M/s. NTU International held stakeholder meetings regarding the Road Safety Education and Publicity Campaigns with the aim of developing suitable road safety educational materials. The consultant procured and delivered various Medical and Crush Extraction Equipment intended to be used for the First Responder and Rescue Operations Trainings slated for the first quarter of 2022.

3.1.5.4 Installation of Road Signs on Trunk Main and District roads (TMDs)

As part of the Strategic Objective to improve Road Asset Management, the RDA was implementing a programme to install one thousand (1,000) road signs on TMDs to enhance implementation of the National Road Safety Guidelines. The Agency concluded the procurement of these road signs in the fourth quarter of 2020 and the installation of these were completed during the period under review.

3.1.6 Research and Development

To enhance cost-effectiveness on a whole life cycle basis, current investment in the road infrastructure development demands efficient and modern fit-for-purpose tools for planning, design, construction, quality control and management. The RDA is committed to undertaking various research related activities aimed at improving Road Asset Management which include in-house research studies and studies initiated through collaboration with local and international stakeholders and local universities. The objective is to advance scientific and technical engineering-knowledge through evidence-based research and applying research-outcomes to provide cost effective and sustainable solutions to the sector.

The Agency through a Memorandum of Understanding (MoU) signed on 26th February 2021 continued to work with Lafarge Zambia Limited to advance research-based programmes involving various technologies for improved and cost-effective concrete roads construction and maintenance. The programme considered for implementation was the piloting of construction of a two (2) kilometres section of concrete road in Lusaka.

The Agency continued to receive expressions of interest from various manufacturers and promoters of different non-conventional products and technologies intended for use in the construction and maintenance of roads. During the period under review, the Agency received an expression of interest from TIGAR, the promoters of Rock Cracking Agent and a presentation was made. The promoter was given the RDA guidelines for further engagement. Meanwhile, the Agency continued to monitor the Sprayco Armaseal trial section, a road surface preservation product, on Mazabuka -Monze Road whose performance was still intact.

The Agency continued to pursue research and development activities including the progression of the in-house research project on the premature pavement failures of paved roads in a quest to counter challenges being faced in the implementation and maintenance of road construction projects in Zambia.

The major output of this study was the development of database of modes of premature-pavement failures and adoption of remedial measures at the planning, implementation and policy levels. The aim was to identify the failure mechanisms and causes of premature pavement failures and make appropriate recommendations aimed at reducing such failures on future projects. The works on this project were substantially complete and presentation of the outcomes would be done in the first quarter of 2022.

3.1.7 Operations of the Central Material Laboratory

The RDA operates the Central Materials Laboratory (CML) which undertakes materials testing, quality control testing and other related investigations on road projects managed by the Agency. The

CML undertook a total of eighteen (18) quality control activities on RDA projects and also raised **K288,401.00** from testing services provided to other clients.

3.1.7.1 Development of the laboratory procedures manual

The RDA concluded the drafting of the Laboratory Procedures Manual during the period under review. The document is intended to be used for the day to day management of the Laboratory.

3.1.7.2 Conducting joint proficiency testing

During the period under review, two (2) proficiency testing activities were undertaken with collaborating laboratories.

3.2 PROCUREMENT

The Agency worked within the provisions of the Public Procurement Act No.8 of 2020 and the Public Procurement Regulations of 2011 in all procurement activities for works, goods and services.

3.2.1 Works

Twenty-one (21) works tenders were invited between 1st January 2021 and 31st December 2021.

Thirteen (13) works contracts valued at **K894,717,217.67** were awarded during the period under review from procurements that had commenced in and before 2021.

3.2.2 Consultancy Services

Twenty-three (23) procurement processes were commenced between 1st January 2021 and 31st December 2021.

Five (5) consultancy services contracts totaling **K24,808,031.77** and **US$1,236,575.00** were awarded in 2021 from procurements that had commenced before and in 2021.

3.2.3 Goods and Non-Consulting Services

Five (5) formal procurement processes for goods and non-consulting services were commenced between 1st January 2021 and 31st December 2021. No contract was awarded from formal procurement processes for goods and non-consulting services.

However, forty-nine (49) goods and services contracts (purchase orders) totaling **K7,738,550.15** and **US$191,432.61** were executed through simplified bidding procedures.

3.3 CONSTRUCTION, UPGRADING AND REHABILITATION WORKS

The RDA had been undertaking various construction and rehabilitation projects on the public road network. The section below describes the activities undertaken in 2021.

3.3.1 Construction and Rehabilitation of roads and bridges

During the period under review, the RDA continued with supervision and monitoring of the Link Zambia 8000, the Pave Zambia 2000 and other rehabilitation projects. However, due to continued cash-flow challenges affecting the Government funded projects, most of these projects recorded minimal to no progress.

3.3.2 Link Zambia 8000 Programme

The GRZ through the RDA initiated the Link Zambia 8000 programme in 2012. This ambitious programme is an accelerated road construction activity aimed at transforming Zambia from a landlocked country into a land-linked country in Southern Africa. The programme involves upgrading to bituminous standard of approximately 8,000 kilometres of roads thereby linking Districts and Provinces throughout Zambia. A total of forty (40) contracts covering 4,838 kilometres were active under the programme during the period under review. However, due to financial challenges the Agency in 2020 re-scoped twenty-five (25) road projects from bituminous standard to all weather gravel road standard under this programme. This re-scoping exercise involved changing the scope of works of twenty-five (25) projects from upgrading to bituminous standard to upgrading the roads to all weather gravel standard. A total of 115 kilometres was completed to all weather gravel standard under the Nchelenge-Chiengi, the Samfya-Kasaba via Lubwe and the Nseluka to Kayambi to Chozi road projects.

Despite the re-scoping of projects under this programme, very little progress was attained owing to financial challenges and hence only 9.72 kilometres of surfacing works to bituminous standard were completed during the period under review compared to the 2.78 kilometres achieved in 2020.

This increase was attributed to works executed under the upgrading of 131 kilometres of D096 Samfya to Kasaba road via Lubwe in Luapula Province.

Works progress continued to be affected by the financial constraints that the country experienced in previous years and the outbreak of the COVID-19 Pandemic impacted the progress negatively. At the end of 2021, a cumulative total length of 841 kilometres out of the length of 5,241 kilometres of roads contracted under the link Zambia 8000 Programme, were surfaced to bituminous standard, representing a cumulative physical progress of approximately 16 %. A total sum of **K14.3 billion** was certified at the time of reporting.

i. Major Road Rehabilitation

During the period under review, the RDA continued with the implementation of the rehabilitation of TMDs. The total contracted length at the end of 2021 stood at 5,375 kilometres. A total of **K39.6 million** worth of works was certified for payments during 2021 contributing to the cumulative certified figure since 2014 of **K14.8 billion**. A total number of 184.54 kilometres was worked on during the year comprising 97.64 kilometres completed to bituminous standard while 86.9 kilometres to all weather gravel standard. Delayed payments had impacted negatively on the progress accounting for the slow progress on these projects.

ii. Major Bridges and other Civil Works Projects

During the period under review, the RDA continued with implementation of the Mbesuma and Kafue Hook Bridge projects among others. A total of **K164.7 million** was certified for works undertaken during 2021 contributing to the cumulative certified figure of **K3.25 billion** since 2014. Delayed payments impacted negatively on the progress accounting for the slow progress on these projects.

In 2021, the following Bridges were among the projects that were also handled.

a. Kazungula Bridge Project – Southern Province

The Kazungula Bridge is a joint project between the Government of the Republic of Botswana and the Government of the Republic of Zambia. The Southern African Development Community (SADC) Secretariat, in accordance with the SADC Protocol 2000, has the lead role in fostering closer cooperation among parties to implement the project. The project lies on the border between the two countries on the North-South Corridor (NSC) and is a vital trade route in SADC for countries including Zambia and Botswana. Other beneficiaries to the corridor include Tanzania, Malawi, Zimbabwe, DRC, South Africa, Namibia and Mozambique. Construction of the bridge was completed on 5th September 2020. The bridge and the OSBP facilities were commissioned on 10th May 2021 and are operational.

Figure 2: Kazungula Bridge

b. Rehabilitation of the 270m Kafue Hook Bridge – Western Province

The contract for the rehabilitation of 270 metres Hook Bridge was signed with Messrs. China Henan International Group of Company (CHICO) at a revised contract sum of **K151.04 million**. The project commenced on 13th March 2015 and was scheduled to be completed in June 2021. However, due to fiscal challenges, the project was rescheduled for completion in 2022.

Figure 3: Kafue Hook Bridge

c. Construction of the Mwami One Stop Border Post (OSBP) Works Package 2 - Zambia OSBP Facilities – Eastern Province

The contract for the construction of the Mwami One Stop Border Post was signed with Messrs. China State Construction Engineering Corporation Ltd at a contract sum of **K143.40 million**. Works commenced on 5th December 2018 and were completed in July 2021.

Figure 4: Mwami One Stop Border Post in Chipata

iii. Major Projects

Under major rehabilitation and reconstruction projects, **184.54 kilometres** of TMD roads were surfaced during the period under review. The total cumulative average physical progress at the end of 2021 stood at **34.17%.** A total value of **K39.6 million** works were certified during the year under review. Delayed payments, outbreak of COVID-19 Pandemic and above normal rainfall affected most of the projects. Below are the specific projects which recorded progress during 2021:

a. Bituminous Paved road projects

i. 41.57 kilometres of bituminous surfacing under the contract for construction of the Chinsali-Nakonde (T2) road rehabilitation project, Chinsali-Nakonde road: Lot 1 Chinsali-Isoka road section (Km 0+000 to Km 103).

ii. 26.85 kilometres of bituminous surfacing under the contract for construction of the Chinsali -Nakonde (T2) road rehabilitation project, Chinsali-Nakonde road: Lot 2 Isoka-Nakonde road section (Km 103 to Km 210).

iii. 1 kilometre of bituminous surfacing under the contract for the rehabilitation of Section 100-168 (68 kilometres) Chingola-Solwezi (T005) road on the Copperbelt and North-Western Provinces Lot 3.

iv. 0.42 kilometre of bituminous surfacing on the contract for rehabilitation of road T1, section between Turnpike-Chikankata Turnoff (38.5Km), Lot 1 (Package 4 - North South Corridor).

v. 26.60 kilometres of bituminous surfacing on the contract for the rehabilitation of road T1, section between Chikankata Turn-off to Mazabuka General Hospital (Km 33.5), Lot 2 (Package 4) North-South Corridor.

vi. 1.20 kilometre of bituminous surfacing on the contract for the Upgrading to bituminous Standard of approximately 55 kilometres roads in Chongwe District, Lusaka Province of Zambia.

b. Gravel road projects

i. 23.10 kilometres of gravel surfacing on the re-scoped contract for the upgrading to bituminous standard of the Petauke to Chilongozi road in Eastern Province - Lot 1.

ii. 45.80 kilometres of gravel surfacing on the re-scoped contract for the upgrading to bituminous standard of the Petauke to Chilongozi road in Eastern Province Lot 2 (Sandwe Gate to Msoro to Mambwe).

iii. 18 kilometres of the Mbala to Kawimbe on National Feeder Roads - The Output and Performance-Based Road Contract for Design, Rehabilitation, Improvement, Routine and Periodic Maintenance of Approximately 3,017 kilometres of roads in Central, Copperbelt, Northern, North-Western and Western Provinces of Zambia – Phase 2.

Figure 5: Feeder Road works

iv. Under the Pave Zambia 2000 project, no physical progress was achieved in any of the ten (10) Provinces due to project funding limitations.

3.3.3 Sub-Contracting

Sub-contracting is generally defined as the practice of assigning or outsourcing part of the obligations and tasks under a contract to another party known as a Sub-contractor. Even though the Sub-contractor is involved in the execution of part of the contract, it is the main contractor that is ultimately responsible and liable to the contracting authority for the proper execution of a contract.

The Government of the Republic of Zambia (GRZ) in 2012 introduced a twenty percent mandatory Sub-contracting Policy in order to enhance the capacities and participation of local contractors in the construction sector. The **20%** Sub-contracting Policy was applicable to all civil and road works exceeding **K30 million**, as contracts below this threshold were already reserved for citizen-owned, citizen-influenced and citizen empowered companies in line with the Citizen Economic Empowerment (Preferential Procurement) Regulations of 2011.

Since the introduction of this Policy, the RDA in 2012 developed Modalities and Guidelines which were reviewed in 2015, for the implementation of the Policy.

The specific objectives of the Sub-contracting Policy are to:

1. Empower Zambian-Citizen owned construction firms;
2. Create sustainable local contracting capacity; and
3. Upgrade Zambian-Citizen owned companies and firms from NCC Grade 6 through to Grade1.

The following were the prequalification requirements for participation in the 20% Sub-contracting:

1. More than 50% Zambian shareholding;
2. The applicant must be duly registered with the National Council for Construction (NCC) with Category “R” for General Roads and Earthworks; and
3. Priority was given to Sub-contractors domiciled within the project area unless otherwise due to other reasons.

In 2021, the RDA continued with the implementation of this Sub-contracting Policy. To date, the RDA has registered over **2,363** Sub-contractors seeking to be nominated on various road construction activities. A total of over **1,097** successful applications had so far been nominated for possible engagement under various on-going road projects. During the period under review, Sub-contractors were only nominated to projects in the first quarter as the Agency was awaiting new guidelines and modalities from the NCC following the enactment of the new Zambia Public Procurement Authority (ZPPA) Act No. 8 of 2020 and the NCC Act No.10 of 2020. Further, a number of projects had stalled due to financial constraints. As at the end of the period under review, **318** Sub-contractors were engaged and working on various projects at a total contract sum of **K600 million** as shown in **Table 3** below:

Table 3: Progress on 20 percent Sub-contracting

Cumulative applications to date	2,363
Total nominations to date	1097
Nominations in 3rd quarter 2021	0
Number in 4th quarter of engaged subcontractors	318
Value of currently engaged Sub-contractors	**K600,002,067.66**

Further, the number of Sub-contractors earmarked for Sub-contracting was too high to be absorbed by the limited number of running road projects. The implementation of the 20% Sub-contracting Policy had been constrained by the following challenges:

- Lack of funding on most of the projects where the Sub-contractors had been nominated;
- Resistance by main Contractors to Sub-contract works;
- Limited financial and technical capacity of the Sub-contractors; and

- Lack of binding regulations and statutes on the 20% Sub-contracting Policy.

  This had led to non-compliance by some main contractors. However, the Sub-contracting Policy had been strengthened by the following Acts:

  - The new NCC Act no. 10 of 2020 provides for penalties to main contractors who fail to Sub-contract works; and
  - The new Public Procurement Act No. 8 of 2020 which was effected on 16th April 2021, requires a "foreign bidder or suppliers to Sub-contract a percentage of the total value of the procurement".

Nomination of Sub-contractors to various projects was temporarily halted until the NCC concluded the new guidelines and the associated Statutory Instrument (SI) following the enactment of the new Zambia Public Procurement Authority (ZPPA) Act No. 8 of 2020 and the NCC Act No.10 of 2020.

3.4 ROAD MAINTENANCE AND EMERGENCY WORKS

3.4.1 Implementation of the Revised Road Maintenance Strategy

In line with the Revised Road Maintenance Strategy of setting a pathway for the provision of maintenance activities on the Core Road Network, the Agency had been implementing the Strategy in 2021 through the Road Maintenance Programmes aimed at meeting the set targets in line with the Seventh National Development Plan. Notable progress in the year 2021 included:

- Routine Maintenance on TMDs covering a distance of 15,538 kilometres against the set target of 10,000 kilometres;
- Progress on the Periodic Maintenance of TMDs of 18 kilometres against the set target of 23 kilometres;
- Progress of 1,203 kilometres on feeder roads rehabilitation/maintenance against the set target of 200 kilometres;
- Progress of 1.0 kilometre on urban roads against the set target of 60 kilometres; and
- Carrying out various Force Account maintenance activities through the regional offices.

3.4.2 Maintenance and Emergency Works on our Road Network

The Maintenance of road and bridge infrastructure is vital as it ensures sustainability of these structures. The Agency's maintenance activities are classified under the following categories:

a. Routine Maintenance: Works applied on road/ drainage structures in good and fair condition in order to preserve the road/drainage structure asset by keeping it in a maintainable condition. The scope of work encompasses, among others: pothole patching, vegetation control, line marking and drainage works;

b. Periodic Maintenance: These are works carried out after a specified maintenance period had been attained, once in seven years and include works such as gravelling, resealing, overlaying and line markings;

c. Force Account Works: These are in-house works and usually small projects carried out by the Agency through the regional offices;

d. Emergencies: These are unplanned works carried out in reaction to adverse weather conditions that disrupt the road network with related infrastructure such as culverts, bridges and embankments; and

e. Bridge Maintenance: These are repair works on bridges.

Figure 6: Msuzi bridge rehabilitation works

3.4.3 Road Maintenance Projects

During the year under review, there were 502 contracts under road maintenance that the Agency undertook.

3.4.4 Routine Maintenance of Trunk, Main and District Roads (TMDs)

The Agency had **502** on-going Routine Maintenance Contracts in all the Provinces valued at **K1.04 Billion** and covering a total distance of **15,538 kilometres** of both paved and unpaved roads in the year under review. This was against the Strategic Plan Target of **10,000 kilometres** and was a decrease from the status in 2020 when the Agency had **517** on-going Routine Maintenance Contracts in all the Provinces valued at **K1.15 billion** and covering a total distance of **15,970 kilometres.** The reduction was as a result of some contracts being completed.

3.4.5 Completed Road Projects under Periodic Maintenance

One periodic maintenance project (Linda–Kafue Estate Road) was substantially completed in 2021 while seven (7) other periodic maintenance projects were on-going.

3.4.6 On-Going Road Projects under Periodic Maintenance

There were seven periodic maintenance road projects that were being undertaken by the Agency during the period under review.

Table 4: Periodic maintenance road projects

S/N	PROVINCE	ROAD
1.	Northern	Kasama - Chambeshi Lot 2
2.	Lusaka	Kafue including U8 Chanyanya
3.	Lusaka	Kamilulu - Luangwa Bridge (T4)
4.	Southern Province	Livingstone – Sesheke (Lot 2)
5.	Luapula	Mansa - Musaila (T2 Junction)
6.	Luapula	Mansa – Chembe (M3)
7.	Eastern	Katete - Chanida (T6)

The cumulative progress on Periodic Maintenance projects from 2019 to 2021 was 51 kilometres against the Strategic Plan target of 23 kilometres. The overall progress on Periodic Maintenance projects stood at 237.10 kilometres against total length of 1,148 kilometres.

3.4.7 Urban Roads Projects

During the period under review, three urban roads projects were on-going in Lusaka, Copperbelt and Central Provinces. These were the L400 Phase III, Zambia Township Roads (Lot 1) and Kabwe Urban Roads projects.

The overall progress on urban roads projects stood at 511 kilometres against a total length of 493 kilometres.

3.4.8 Feeder Roads

During the period under review, there were a number of feeder roads projects being undertaken under three categories, namely: (a) Feeder roads contracts under GRZ / KfW financing, (b) Feeder roads projects as Output and Performance Based Road Contracts under World Bank funding and (c) Spot Improvement Works as Force Account / Routine Maintenance projects carried out by the Regional offices and /or contractors.

The GRZ funded Feeder roads projects were:

(i) Nalolo Feeder roads in Western Province;
(ii) Agricultural Feeder roads projects in Mungwi and Kaputa in Northern Province;
(iii) Lukulu Pontoon Access road and landing bay in Western Province; and
(iv) Vyamba – Chinakila in Northern Province.

There was one KfW funded project (M11 - Ngabo Musemu Road) in Namwala in Southern Province.

There were seven OPRC projects under World Bank funding in Central, Eastern, Northern and Luapula Provinces.

A total of 1,202.58 kilometres of feeder roads were maintained of which 643 kilometres was on OPRCs and 559 kilometres was on Force Account / Routine Maintenance Spot Improvements. There was no progress under the GRZ / KfW funded projects. The cumulative progress on feeder roads projects from 2019 to 2021 was 2,140.78 kilometres against the Strategic Plan Target of 200 kilometres. The overall progress on Feeder Roads projects was 2,426.58 kilometres against the total programmed length of 4,314.18 kilometres.

3.4.9 Installation of Road Signs on TMDs

As part of the Strategic Objective to improve Road Asset Management, the Agency undertook a programme to install 1,000 road signs on TMDs to enhance implementation of the National Road Safety Guidelines. A total of 750 road signs were installed on TMDs in 2021. The total number of road signs installed on TMDs from 2019 to 2021 stands at **1,517** against the targeted **1,000** road signs. The total number of road signs installed on all roads (including urban and rural roads) from 2019 to 2021 stood at **4,799**.

3.5 BRIDGES / EMERGENCIES / FORCE ACCOUNT WORKS

3.5.1 Bridge Routine Maintenance on the CRN

During 2021, the Agency, under the JICA- TCP II, continued to implement the roll-out programme of Bridge Routine Maintenance. Three (3) Contracts for Bridge Routine Maintenance had been awarded in Northern, Southern and Copperbelt Provinces on which works had commenced. Ten percent progress had been recorded on the contracts in Southern and Northern Provinces while works were yet to commence in Copperbelt Province. The three contracts involve Routine Maintenance of thirty-four (34) bridges against the Strategic Plan target of fourteen (14) bridges.

3.5.2 Repair of Bridges on the CRN

The Agency, under JICA support, facilitated the preparation of documents for pilot bridge repair projects in Western and Lusaka Provinces (Katima Mulilo, Luena and Rufunsa bridges). The tender process was recommenced in the first quarter of 2021 and the evaluation process was concluded. Awarding of the contract was being finalised with the ZPPA.

Bilateral meetings for maintenance of Chirundu bridge had stalled due to financial constraints.

3.5.3 ACROW Bridge Project

The RDA had a target to construct and install 131 modular steel panel bridges country-wide during the period 2019 to 2021 in line with the Agency's Strategic Plan.

In order to achieve the aforementioned target, the RDA continued with the procurement process for the various phases of the ACROW Bridge Project.

Under Phase one (1), a contract was signed for ten (10) bridges while Phase two (2) comprised twelve (12) contracts of which ten (10) had been signed with the remaining two (2) tenders expected to be signed once funds were available. Phase three (3) comprised ten (10) contracts out of which eight (8) had been awarded and two (2) signed. Phase four (4) comprised seventeen (17) contracts of which one (1) had been awarded and all the other tenders planned to be awarded once funds were made available.

As at the end of 2021, the status of the various procurement was as shown in **Table 5** below:

Table 5: ACROW Bridge awarded Contractors and Provinces

No	Province	Lot	Bridges	No. of Contracts	Contractor	Contract Sum (K)
1	Eastern	Lot 1	10	1	Sunshare Construction Limited	59,113,293.53
2	Luapula	Lot 1	7	3	Shachitari Contractors Limited	67,845,346.36
		Lot 3	5		Nakangea Construction Limited	84,178,400.16
		Lot 2	2		JAMCHO Trading Limited	25,073,060.52
3	Muchinga	Lot 1	5	3	Buildcon Construction	69,524,182.69
		Lot 5	2		Gilgal G.C Logistics	12,750,000.00
		Lot 3	4		Vibrant Construction & General Supply	77,441,684.61
4	Central	Lot 1	5	1	MNS Global Limited	57,126,750.39
5	Northern	Lot 4	2	5	FEDPA Limited	10,100,000.45
		Lot 5	1		Lwenshi	5,417,010.80
		Lot 7	2		Jeetech	21,413,837.23
		Lot 9	3		Paumwaka Agencies	17,630,685.20
		Lot 1	8		Claycrete Zambia Ltd.	73,862,276.45
6	North Western	Lot 13B	1	3	Lwenshi	5,415,451.00
		Lot 12A	2		Muco Trading Ltd	10,158,922.00
		Lot 14	3		FEDPA Limited	19,847,157.16
7	Lusaka	Lot 2	2	1	GM enterprises Limited	10,683,764.32
Total			**64**	**17**		**627,581,822.87**

3.6 General Force Account Works

To support the Strategic objective of improving the Road Asset Management, the Agency carried out road and bridge maintenance/response to emergency works under the Force Account through the regional offices. As at 31st December 2021 the Agency had works in progress with a total value of **K853,633,813.28**. However, out of this amount only **K279,012,404.70** had been released leaving an outstanding amount of **K 574,621,408.58.**

The major challenges in undertaking these works were:

- Inadequate funding; and
- The volume of the Force Account work per Region had increased over the years and this had resulted in challenges related in the capacity of the Regions to handle these works.

3.6.1 Emergencies under Force Account / Contract

The RDA carried out several emergency works either under Force Account or on Contract. The emergency works were part of the Strategic Objective of improving the Road Asset Management and were meant to mitigate against any potential damage to infrastructure that was likely to cause disruptions on the road network, especially during the rainy season.

During the period under review, the RDA Regional offices, undertook assessment of vulnerability of bridges and culverts washed away during the 2020/2021 rainy season. This was a preparedness measure whose estimated cost of attending to all vulnerable crossings was **K217 million.**

Notable progress included the Emergency maintenance works on M12 Chipata – Lundazi road where more than 70 % progress had been achieved on the Msuzi and Lundazi bridges.

Most of the contracts under Emergency Works had little progress due to poor project funding.

3.6.2 Progress of Toll Plaza Construction Works under Force Account

As part of the Strategic Objective to improve road infrastructure through implementation of the Master Plan on the Construction of Toll Plazas, the RDA had been carrying out Construction of Toll Plazas under Force Account to meet the Strategic Target of Commissioning at least five Toll Stations from 2019 to 2021.

During the year 2021, one Toll Plaza (The Sabina Toll Plaza) was commissioned bringing the total number of Toll Plazas to date to 17 (out of a total number of 18). The total number of Toll Plazas commissioned from 2019 to 2021 was seven against the Strategic Plan Target of five. The outstanding Toll Plaza to be constructed was Bahati in Luapula Province.

3.7 AXLE LOAD CONTROL

The enforcement of Axle Load Control is done by the use of fixed and mobile weighbridges. The objective of Axle Load Control Unit is twofold:

i. To protect public roads from damage caused by overloaded vehicles; and
ii. To reduce the risks of traffic accidents on public roads caused by over- dimensional vehicles.

3.7.1 Fixed Weighbridge Statistics

During the year under review, a total of **575,195** HGVs were weighed at our Weighbridge Stations across the country and **14,367** HGVs were found overweight as shown in Table 6 below. In 2020 **622,414** HGVs were recorded and **11,526 HGVs** were recorded as being overweight.

Table 6: Comparison of vehicle statistics captured at Weighbridges in 2021 and 2020

2021 Traffic Statistics				2020 Traffic Statistics			
Month	No. of Weighed Vehicles	No. of overloaded Vehicles	% Compliance	Month	No. of Weighed Vehicles	No. of overloaded Vehicles	Percentage Compliance
January	42,043	1,147	97.27	January	35,36	530	99.99
February	33,065	1,045	96.84	February	44,250	796	99.98
March	38,007	1,085	97.15	March	48,442	785	99.98
April	46,123	1,148	97.51	April	40,358	813	97.99
May	48,717	1,233	97.47	May	39,481	931	97.64
June	48,253	1,247	97.42	June	50,469	1,030	97.85
July	54,072	1,357	97.49	July	59,645	1,036	98.26
August	46,486	1,089	97.66	August	67,855	1,162	98.29
September	52,422	1,081	97.94	September	66,698	1,440	97.84
October	56,799	1,383	97.57	October	58,403	962	99.98
November	56,843	1,363	97.60	November	63,407	1,074	99.98
December	52,365	1,189	97.98	December	48,045	967	99.98
Total	**575,195**	**14,367**	**97.50**	**Total**	**622,414**	**11,526**	**98.14**

It should be noted that the compliance percentage indicated in **Table 6** is only for traffic which was captured at the weighbridges and does not represent the countrywide overloading status.

3.7.2 Abnormal Loads

Table 7 below shows the number of abnormal loads in 2021 as compared to 2020. The increase was attributed to the increase in demand for abnormal machinery by companies in the Congo DR for the new copper mining projects.

Table 7: Abnormal Loads captured at all Weighbridges in 2021 and 2020

Month	Abnormal Loads -2021	Abnormal Loads - 2020
Jan	412	564
Feb	649	640
March	514	641
April	593	272
May	625	396
June	813	489
July	527	527
August	568	568
September	580	580
October	624	675
November	663	750
December	485	485
Total	**7053**	**5427**

Axle Load Fines and fees

During the period under review, fines and abnormal load application fees amounting to **K45,078,908.01** were collected compared to **K45,008,987.10** collected in the previous year, as shown in **Table 8** below.

Table 8: Fines collected in 2021 and 2020

ALCU UNIT SECTIONS	2020 K	2021 K
Fixed Weighbridge	20,218,634.53	20,166,475.36
Mobile weighbridge	5,021,380.87	4,220,852.55
Abnormal load compensation	13,270,269.20	12,292,343.90
Abnormal Load Inspection fees	759,720.00	1,717,626.00
Abnormal Load Processing fees	5,721,802.50	6,663,370.20
RTSA Vehicle certification	17,180.00	18,240.00
Total	**45,008,987.10**	**45,078,908.01**

SECTION 4

4.1 IMPLEMENTATION OF THE COMMUNICATION STRATEGY

As part of the Agency's drive to improve brand visibility and enhance awareness among its stakeholders, various activities were undertaken. The activities undertaken were supportive efforts to promote and sensitise all stakeholders on all aspects of the Agency's programmes with a focus on the mandate of the RDA.

4.1.1 Increasing awareness levels

The Agency had taken full advantage of Zambia's vibrant newspaper industry, which were a major medium of publicity and read by many of the Agency's target audiences. The print media coverage had been through the publishing of news statements, interviews and feature articles on different aspects of the RDA.

4.1.2 Media tours

The public is one of the key stakeholders for the Agency. Through stakeholder mapping, the public expects the RDA to: Provide accurate and unbiased information on road development; report on success of projects; report on challenges faced in implementation of projects and sensitization on various issues related to roads.

During 2021, the following media tours were undertaken highlighting the status of road and bridge infrastructure projects countrywide:

In **Quarter one**, two media tours were conducted covering Southern, Muchinga, Northern and Central Provinces, against the planned four tours;

In **Quarter two**, two media tours of road and bridge projects were conducted covering Eastern and Southern Provinces against the planned four tours;

In **Quarter three**, four media tours were conducted covering Central, Muchinga, Northern, Luapula, Copperbelt and Eastern Provinces; and

In **Quarter four** one media tour covering Western and Southern provinces was undertaken against the planned four tours.

4.1.3 Television Programmes-MY ROAD

''MY ROAD'' is a weekly television production produced and aired every Thursday at 21:30 hrs on ZNBC TV 1. The programme is used for disseminating information to the public covering different topical issues about the RDA. 30 documentaries were produced and aired in 2021 against a target of 48.

4.1.4 Improve Stakeholder Management

The following were the organisations engaged, activities undertaken and agreements signed during the period under review:

4.1.4.1 The Zambia Police Service (ZPS)

During the engagement with the Inspector General of Police, RDA proposed that the Police Service should in future provide input in road designs by suggesting where the Service would be mounting check points or roadblocks. This would help avoid situations where appropriate concrete pavements for police checkpoints are constructed but not used by ZPS.

When motor vehicles stop at check points and roadblocks, they exert more pressure on the road, a situation that increases rutting on the highway. An example is Lusaka's Kabangwe area on the Great North Road, the RDA constructed a concrete pavement area specifically designed to accommodate a check point, however, it had been observed that the check point had been moved from the place that was purposely designed for such an activity.

The meeting also delved on matters pertaining to the protection of road assets such as road furniture. It is envisaged that with more collaboration, damage to road infrastructure will be reduced.

4.1.4.2 National Water Supply and Sanitation Council (NWASCO)

During the engagement, the RDA called for closer working relationships with all water utility firms in the country in view of increased damage to roads during laying or repairing of water pipes by water utility companies. NWASCO regulates all water utility companies in Zambia.

Figure 7: The RDA Director and CEO Eng. George Manyele (third from left) during a tour of Zambia Railways Limited facilities.

4.1.4.3 Zambia Railways Limited (ZRL)

During the engagement with ZRL, the RDA called for increased collaboration with ZRL in order to transform Zambia into a regional transport hub. It was noted that the two organizations should create a network platform that would help promote linkages between rail and road transport. The meeting also called for operationalization of the 2018 Statutory Instrument (SI) that compels 30% of heavy cargo to be moved by rail.

4.1.4.4 MoU with Zambia Correctional Service (ZCS)

As part of stakeholder management, the Department spearheaded and coordinated activities leading to the successful signing of a Memorandum of Understanding (MoU) by the RDA and National Road Fund Agency (NRFA) with the Zambia Correctional Service (ZCS).

The MoU was signed on 22nd April 2021, designating ZCS as a Local Road Authority for the purposes of carrying out road rehabilitation and maintenance works on the primary and feeder road network in Central Province. The ZCS will rehabilitate and maintain the roads in Central Province for five years.

4.1.4.5 Stakeholder engagement on overloading on the Copperbelt

The Agency during the period under review held a stakeholder engagement in Ndola to discuss matters pertaining to the overloading of heavy-duty motor vehicles on the Copperbelt.

The engagement was aimed at coming up with ways to curb the increasing trend of overloading on public roads.

4.1.4.6 Bilateral agreement with Botswana to operationalise Kazungula OSBP

The Agency facilitated the event leading to the signing of the bilateral agreements on 27th April 2021, by the then Commerce Minister Hon. Christopher Yaluma and Botswana Minister of Finance Hon. Peggy Serame, to pave way for the operationalization of the One Stop Border Post facilities in Kazungula and Kasane.

This was key to ensuring that operations at the OSBP started immediately after the commissioning of the Kazungula Bridge by the Heads of State of Zambia and Bostwana.

4.1.4.7 Stakeholder engagement over Billboards

The RDA was among stakeholders that met in Lusaka to discuss safety matters around outdoor advertising during the period under review. The meeting also collectively looked at measures to develop long term solutions that would not only ensure the safety of communities but guarantee a win-win solution for all parties involved.

This was in the wake of a number of billboards that had been reported to have collapsed. The forum was organized by the Zambia Institute of Marketing (ZIM).

4.1.4.8 Government Relations

The Government of the Republic of Zambia is the principal stakeholder of the Agency. During the period under review, the commissioning of the Kazungula Bridge and One Stop Border Post facilities was held on 10th May 2021. The event was graced by the then President of the Republic of Zambia Mr. Edgar Lungu and his Botswana counterpart Mr. Mokgweetsi Masisi who officiated at the colourful event. The event was also witnessed by the President of the Democratic Republic of Congo, Mr. Félix Tshisekedi in his capacity as the African Union Chairperson, the President of the Republic of Mozambique who is also Southern African Development Community (SADC) Chairperson Mr. Filipe Jacinto Nyusi and the President of Zimbabwe Dr. Emmerson Mnangagwa.

SECTION 5

5.1 AUDIT AND RISK ASSURANCE

5.1.1 Assurance and Consulting Activities

During the year under review, the Agency conducted audits of assurance and consultancy in nature targeted at the core and support of business processes.

5.1.2 Performance under Assurance Activities

Twenty-four (24) planned Assurance and five (5) Consultancy and adhoc auditable units were planned for in 2021. As at 31st December 2021, twenty-seven (27) auditable units representing 93% of Assurance and Consultancy works were completed as highlighted in **Table 9**.

Table 9: Summary of Consultancy and Assurance activities executed in 2021

Activity	Annual Plan	Actual	% Achievement
Works projects	21	16	76
Support processes	3	3	100
Consultancy activities	5	5	100
Adhoc activities	0	3	
Total Executed	**29**	**27**	**93**

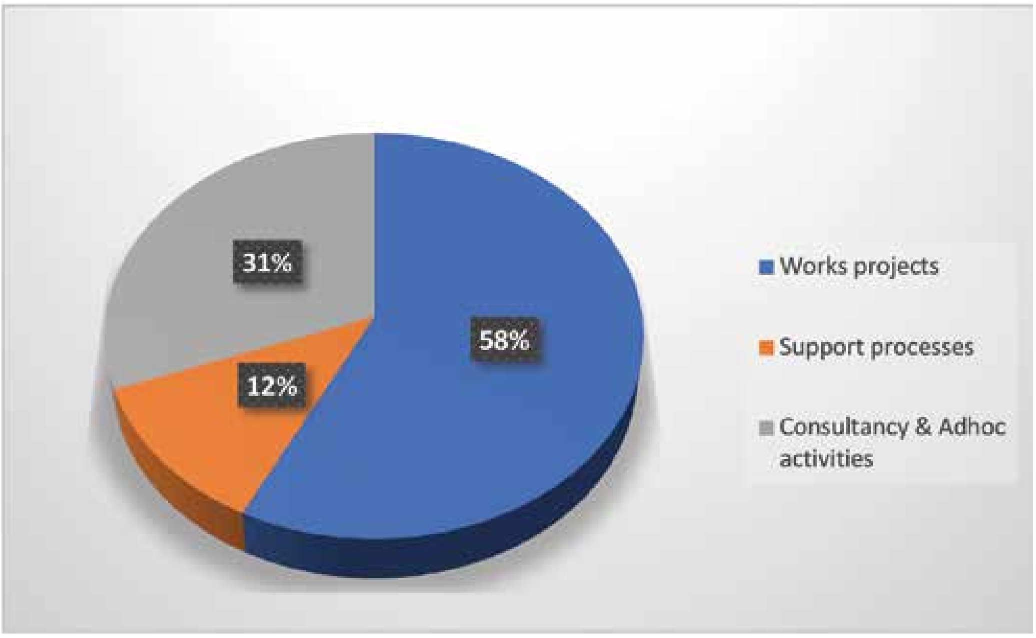


Figure 8: Audit Coverage in 2021

5.1.3 Consultancy Services and Investigations

The Department of Internal Audit and Risk Assurance continued to provide special consulting and investigation services to Management in addition to attending various Management committee meetings and project verifications as observers. These activities were intended to add value and improve corporate governance, risk management, and control processes without assuming management responsibility.

The Internal Audit Directorate is committed to contributing to the strengthening of the governance structure of the Agency while maintaining the appropriate role and responsibilities of management for internal controls.

5.2 STRENGTHEN MONITORING AND EVALUATION MECHANISMS

5.2.1 Enhance Monitoring and Evaluation

5.2.1.1 Vendor Rating

During the period under review, the Agency conducted Vendor Rating exercise on three (3) projects against the planned twelve (12) projects. Follow-up monitoring was done to track progress on the major findings affecting the performance of the projects to enhance continuous improvement of vendors engaged by the Agency in road projects.

5.2.1.2 Quality inspections of two force accounts projects in Central province

The Agency undertook monitoring inspections on three (3) Force Account projects against the planned four (4). These three (3) projects in the Lusaka Province were:

(i) Repair of Michael Malima Footbridge in Kasisi of Chongwe District;
(ii) Proposed gravelling of access roads in Kanyama Constituency; and
(iii) Proposed gravelling of access roads in Barlastone in Lusaka.

5.3 DEVELOPMENT OF THE MONITORING AND EVALUATION (M&E) SYSTEM

Messrs ADA Consultants Inc. of Canada, a firm engaged to develop a Monitoring and Evaluation System for the Agency, completed the final Report on the Results Management Framework (RMF), submitted the socio-economic baseline report, finalised the Monitoring and Evaluation (M&E) Plan as well as conducted the first follow-on midterm study on the Chinsali-Nakonde road rehabilitation project. Some selected members of staff from the Agency involved in the project planning and implementation of projects were trained in the use of the M&E software using online platforms.

In addition, the consultant of the Nacala Road Development Project Phase IV (Mwami/Mchinji Zambian Side One-Stop Border Post) finalised the socio-economic household baseline report as well as the Monitoring and Evaluation Plan, which detailed how data at the project level was to be collected for each indicator. The Agency approved both the Baseline Report and the M&E Plan during the period under review.

5.4 INTEGRATION OF TOTAL QUALITY MANAGEMENT IN OPERATIONAL PROCESSES

5.4.1 Collaboration with KAIZEN Institute of Zambia: The RDA in collaboration with the KiZ developed the design and specifications for 5S implementation through Kaizen Management System (KMS). The objective of the KMS is to enhance 5S implementation through a comprehensive approach.

5.4.2 KAIZEN Management System: To strengthen the implementation of the Agency-wide 5S Policy, a workshop was conducted by KAIZEN Institute of Zambia on KAIZEN Management System for both Senior and Middle Management staff. Two model areas comprising the Department of Finance and Procurement were created to implement and document 5S best practices with a view of replicating these practices across all the Departments.

5.4.3 Cost Control and Management: During 2021, the RDA continued updating construction rates of the different types of roads, on a quarterly basis, using first principle and produced unit rates of each pay item and the cost per kilometre.

5.4.4 Monitor and Evaluate Contractor's Claim: During the period under review, the Agency reviewed, and adjudicated contractor's claims as requested by implementing Departments.

SECTION 6

6.1 LEGAL SERVICES AND HUMAN CAPITAL ADMINISTRATION

6.1.1 LEGAL AND BOARD AFFAIRS

6.1.1.1 Court and Arbitration Proceedings

A total of thirty-one (31) court and arbitration cases were dealt with by the Agency during 2021.

6.1.1.2 Kazungula Bridge Authority Legislative Framework Committee

A fourteen (14) Member Committee comprising of officers from various institutions was selected to review the Draft Bill on the establishment of the Kazungula Bridge Authority. Members held a workshop from 20th December 2021 to 24th December 2021 to develop a Draft Bill.

During the workshop, comments from stakeholders were considered and a Draft Bill was promulgated. Various concerns were raised on the Draft Bill which were presented to the RDA Management for review.

6.1.1. 3 Board Matters

The three-year tenure of the Board came to an end on 4th March, 2021 and a new Board of Directors was unveiled on 14th May 2021.

Following the unveiling of the Board, the three (3) Committees of the Board, namely the Finance, Technical and Human Capital and Administration Committees held their ordinary meetings which considered the activities for the 1st and 2nd Quarters.

On 23rd September 2021, the RDA Board was dissolved and on 24th December 2021 a new Board of Directors was appointed by Hon. Eng. Charles L. Milupi, the Minister of Infrastructure, Housing and Urban Development.

6.2 HUMAN CAPITAL AND ADMINISTRATION

6.2.1 HUMAN CAPITAL

6.2.1.1 Staff Establishment

As at 31st December 2021, the Agency's approved staff establishment was 732, of which 412 were filled up leaving a balance of 320 vacancies. This represented a recruitment rate of 56.3%.

Table 10: Staff establishment by category and sex

No	Category	Male	Female	Total
1	Executive Management	2	1	3
2	Management	83	31	114
3	Unionised	227	68	295
	TOTAL	**312**	**100**	**412**

A number of vacancies were created in the year under review as a result of terminations of contracts, non-renewal of contracts, resignations and deaths.

6.2.1.2 Staff Training and Development

The Agency continued to invest in the skills and talent development of its employees through training and development interventions. During this period, however, several costs-saving measures were implemented which affected the planned activities.

In terms of long-term training programmes, the Agency continued to support members of staff who were undertaking long term courses. During the period under review, a total of three (3) employees were on long term courses; two (2) employees were on study leave and one (1) was on distance learning. By the end of the period, one (1) employee had successfully completed the studies.

SECTION 7

2021 RDA FINANCIAL STATEMENTS
Financial Statements for the year ended
31st December 2021

Road Development Agency

Financial Statements for the year ended
31 December 2021

MPH Chartered Accountants

Road Development Agency
Financial Statements for the year ended 31 December 2021

Contents **Pages**

Road Development Agency

Financial Statements for the year ended 31 December 2021

Report of the members

The members of the Board submit their report on the activities for the year ended 31 December, 2021.

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. Review of activities

The Agency was allocated grant income from the Government of the Republic of Zambia (GRZ) of **K117,926,364** for the year ended 31 December 2021 (2020: K117,994,435) of which **K117,926,364** (2020: K88,494,475) was received. The excess of expenditure over income for the year ended 31 December 2021 amounted to K738, 271, 146 (2020: Surplus of K981,421,049).

Business address	Plot 33 Corner Government/Fairley Roads Ridgeway Lusaka
Postal address	P.O Box 50003 Lusaka Zambia

3. Impact of Covid-19

The outbreak of the COVID-19 pandemic and the Public health regulations adopted by the government in Zambia to mitigate its spread continued to impact the Agency. These measures include restrictions on travel and the movement of people, and other limitations on the conduct of business such as rotation of staff and requiring employees to work from home. This has continued to negatively impact the pace of implementation of projects as both employees of the Agency and contractors have been constrained by the new public health regulations.

As the COVID-19 pandemic duration is uncertain, the Board has endeavored to ensure that the operations of the Agency are sustained in the 'new normal' environment. So far there has not been a significant adverse impact on funding to the Agency as a result of the pandemic.

4. Events subsequent to the reporting date

As at the date of signature of these financial statements, there were no material facts or circumstances that have occurred between the accounting date and the date of approval of the financial statements which may require adjustment to or disclosure in these financial statements.

Road Development Agency
Financial Statements for the year ended 31 December 2021

Report of the members *(continued)*

5. Members and Secretary

The Members of the Board and the Secretary during the year under review were as follows:

	Date retired
Mr. Samuel Mukupa	21 September 2021
Mr. Dingles Yamfya Mukanga	21 September 2021
Mr. Mutaba Andrew Mwali	21 September 2021
Mr. Charles Mushota	21 September 2021
Dr. Emmanuel Mulenga Pamu	21 September 2021
Dr. Bishop Edward Chomba	21 September 2021
Mr. Misheck Lungu	21 September 2021
Mrs. Nelly Namwila	21 September 2021
Mr. Filipo Zulu	21 September 2021
Mr. Gladwell Banda	21 September 2021
Mr. Wallece Mumba	21 September 2021
Mr. Matthew Ngulube	21 September 2021
Mr. Likando Kalaluka S.C	21 September 2021
Mr. Fresco Mumbi	21 September 2021
	Date appointed
Eng. Mulchand Kuntawala	24 December 2021
Eng. Erasmus M. Chilundika	24 December 2021
Mr. Mulilo D. Kabesha S.C	24 December 2021
Mrs. Namwaka Nachilongo	24 December 2021
Mr. Sichizuwe Musokotwane	24 December 2021
Mrs. Ngoza C. Munthali	24 December 2021
Mr. Gladwell Banda	24 December 2021
Eng. Wallece Mumba	24 December 2021
Eng. George Manyele	24 December 2021

6. Management

Management of the Agency during the year were as follows:

		Date retired
Eng. William Mulusa	- Director - Construction and Rehabilitation	24 November 2021
Eng. Wesley Kaluba	- Director - Commercial and Technical Services	29 August 2021
Eng. Dickson Ndhlovu	- Director - Road Maintenance Initiative	24 November 2021
Eng. Kapembwa Mulenga	- Director - Finance	24 November 2021
Mr. Bernard Malama	- Acting Director - Audit and Risk Assurance	29 February 2021

Road Development Agency

Financial Statements for the year ended 31 December 2021

Report of the members *(continued)*

6. Management (*continued*)

Mr. Titus Chansa	- Director – Procurement	24 November 2021
Mrs. Mukupa K. Musonda	- Director – Legal	15 November 2021
Mr. Elias Mwila	- Director - Human Capital and Administration	15 November 2021
Mr. Masuzyo Ndhlovu	- Director- Communications and Corporate Affairs	24 November 2021
		Date appointed
Eng. George Manyele	- Director and Chief Executive Officer	29 October 2020
Eng. Grace Mutembo	- Director - Planning and Design	2 November 2020
Mr. Denstone Mukuku	- Director - Audit and Risk Assurance	1 March 2021
Eng. Joseph Mwiinga	- Acting Director - Construction and Rehabilitation	25 November 2021
Eng. Godfrey Songeya	- Acting Director - Commercial and Technical Services	20 September 2021
Eng. Jairos M'hango	- Acting Director - Road Maintenance Initiative	25 November 2021
Mrs. Honeychile C. Tyetye	- Acting Director - Finance	25 November 2021
Eng. Chilufya Mwenya	- Acting Director – Procurement	25 November 2021
Ms. Chiti Kabwe	- Acting Director – Legal	16 November 2021
Ms. Nyama Bueendo	- Acting Director - Human Capital and Administration	16 November 2021
Mr. Anthony Mulowa	- Acting Director- Communications and Corporate Affairs	25 November 2021

7. Employees

The monthly average number of persons employed by the Agency during the year was 460 (2020: 454). The total remuneration paid to employees by the Agency was K197,384,953 (2020: K212,143,404).

8. Donations

The Agency made donations during the year amounting to K NIL (2020: K4,000).

9. Health

The Agency has policies and procedures to safeguard the occupational health, safety and welfare of its employees.

10. Capital expenditure

Capital expenditure during the year amounted to K17,987,004 (2020: 45,755,301). In the opinion of the Board, the fair value of the property and equipment is at least equivalent to their carrying amounts.

11. Capital work-in-progress

Capital work-in-progress additions during the year amounted to K3,025,004,469 (2020: K5,492,539,703). In the opinion of the Board, the fair value of capital work-in-progress is not less than the amounts at which they are included in the financial statements.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Report of the members *(continued)*

12. Going concern

The financial statements have been prepared on a going concern basis, which assumes the Agency will be able to realize its assets and settle its liabilities in the normal course of business for the foreseeable future.

The Agency's non-current assets of K41,034 million (2020: K39,503 million) are largely road and bridge infrastructure which significantly contribute to facilitating the movement of goods and services in the Zambian economy. The Agency is set up under an Act of Parliament and is overseen by the Government. Liquidation of the Agency can therefore only be sanctioned by an Act of Parliament. Liquidation of the Agency is thus highly unlikely in the short to medium term.

The Agency's current assets of K14,992 million are exceeded by its current liabilities of K15,654 million at 31 December 2021. The current liabilities of K15,654 million (2020: K18,328 million) include deferred income (grant capital) of K1,492 million (2020: K1,436 million). The deferred income (grant capital) is expected to be recognized as income in the statement of comprehensive income in subsequent financial years.

The accumulated funds of the Agency at 31 December 2021 were in deficit to the extent of K1,406 million (2020: K668 million).

By order of the Board.
Agency Secretary
Lusaka ....

Date: 08 | 11 | 2022 ....

Road Development Agency
Financial Statements for the year ended 31 December 2021

Members' responsibilities in respect of the preparation of financial statements

The Members of the Board ("the Board") are responsible for the preparation of financial statements for each financial period that present fairly the state of affairs of the Agency and its financial activities for that period. In preparing the financial statements, the Board is required to:

(a) design, implement and maintain internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement;
(b) select suitable accounting policies and then apply them consistently; and
(c) make judgments and accounting estimates that are reasonable and prudent in the circumstances.

The Board is also responsible for ensuring that the Agency keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Agency. It is also responsible for safeguarding the assets of the Agency, and taking reasonable steps for the prevention and detection of fraud and other irregularities. The independent external auditors, MPH Chartered Accountants, have audited the financial statements and their report is shown on pages 6 to 9.

The Board is also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability for assets, and to prevent and detect material misstatements. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of duties.

In our opinion the financial statements are drawn up so as to present fairly the financial activities of the Agency for the year ended 31 December 2021 and its financial position as at that date, and have been prepared in accordance with International Financial Reporting Standards.

Approval of the financial statements

The financial statements of the Agency as indicated above and set out on pages 10 to 60 were approved on 08/11/2022 and were signed by:

....	....
Board Chairperson	**Chief Executive Officer**

MPH Chartered Accountants
Plot 4434A, Kumoyo Road, Longacres
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Lusaka, Zambia

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Nkana East
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Independent Auditor's Report

To the Members of Road Development Agency

Report on the financial statements

We have audited the financial statements of the Road Development Agency ("the Agency"), which comprise the Statement of Financial Position as at 31 December 2021, and the Statement of Comprehensive Income, the Statement of Changes in Accumulated Funds and the Statement of Cash Flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements give a true and fair view of the financial position of the Agency as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

Included in Capital Work in Progress in the financial statements is a sum of K11,573,829,908 representing projects that have stalled and are in various states of repair. An impairment review was not undertaken to determine the extent to which the projects are impaired and therefore the appropriate impairment charge to be recognised in the income statement.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Agency in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA)*, and we have fulfilled our other ethical responsibilities in accordance with IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty related to Going Concern

We draw attention to Note 1.1 in the financial statements. The Agency has over the last six years experienced liquidity constraints and minimal growth in grant income resulting in recurring excesses of expenditure over income which led to negative reserves. As stated in Note 1.1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Agency's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty related to Going Concern section, we have determined the matters described below to be a key audit matters to be communicated in our report.

"Leading the way"

Partners Hastings Mtine | Larry N. Phiri | Hampande Hachongo

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Website: www.mphzm.co.zm

Independent Auditor's Report *(continued)*

Receivables

At 31 December 2021, the Agency's net receivables were K14,314,093,917 (2020: K20,603,085,902). The receivables are in respect; of amounts advanced to contractors and suppliers, amounts receivable from National Road Fund Agency (NRFA) and staff loans and advances (note 11).

Key audit matter *Existence and recoverability of receivables*	**Our response**
The Agency's receivables include balances that may be irrecoverable.	Our audit procedures in respect to the existence and valuation of receivables included, among others: • Assessing the existence of the receivables through direct confirms of the balances with debtors. • For balances not confirmed alternative procedures were employed. These included review of receipts from debtors after the reporting date or in the absence of receipts, supporting documents giving rise to the debtors' balances. • Assessing the recoverability of the debt. • Review of the impairment methodology and its appropriateness as a basis for determination of the impairment charge. We found disclosures in respect of the receivables in notes 11 and 16 to be appropriate.

Trade and other payables

At 31 December 2021, the Agency's trade and other payables were K14,116,431,136 (2020: K16,854,983,004). The key payables are in respect of amounts payable to contractors, retention payables, interest payable to contractors and provisions in respect of ligation (note 13).

Key audit matter *Completeness and accuracy of payables*	**Our response**
The Agency's payables may be incomplete or be inaccurate.	Our audit procedures in respect to the completeness and accuracy of payables included, among others: • Review of responses from circularization of payables' balances for completeness and accuracy. • Review of post year end payments where balances were not confirmed. • Review of reconciliations between balances confirmed and those held in the books. • Considered documentation supporting existence (where confirmation and post year end receipts tests failed). • Review of the reconciliations of the payables' ledger. • Analytical review of the relationship between the net payables by NRFA and the receivable from NRFA. • Re-computation of interest payables and review of litigation status.

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Independent Auditor's Report *(continued)*

Key audit matter (continued)	Our response (continued)
Completeness and accuracy of payables	We found disclosures in respect of the payables in note 13 to be appropriate.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management and those charged with governance are responsible for assessing the Agency's ability to continue as a going concern, disclosing , as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor`s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor`s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the organisation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report *(continued)*

Auditor`s Responsibilities for the Audit of the Financial Statements (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The Directors are responsible for the other information included in the Annual Report. Other information includes the Directors' Report and Supplementary Information set out on pages 61 to 63. Our opinion on the financial statements does not cover other information and we do not express an audit opinion thereon. Our responsibility is to read the other information and consider whether the information therein is materially consistent with the financial statements. If based on our work, we conclude that there is a material misstatement, we are required to report that fact. We have nothing to report in this regard.

Report on other legal and regulatory requirements

In accordance with the Public Roads Act No. 12 of 2002, we report that, in our opinion, the required accounting records, and other records relating to the Agency's accounts have been properly kept in accordance with the Act.

MPH

MPH Chartered Accountants

8/11/2022
Lusaka, Zambia

Hampande Hachongo (AUD/F000186)
Partner

Road Development Agency

Financial Statements for the year ended 31 December 2021

Statement of Comprehensive Income

	Notes	2021 K	2020 K
Revenue			
Income	4	**2,673,830,842**	2,474,191,095
Staff costs	5(a)	**(197,384,953)**	(212,143,404)
Administrative expenses	5(b)	**(2,458,587,457)**	(1,963,085,848)
Routine repairs, maintenance works and project related costs	5(c)	**(1,567,941,401)**	(1,034,244,882)
Deficit before finance income		**(1,550,082,969)**	(735,283,039)
Finance income	5(d)	**811,811,823**	1,716,704,088
Excess of expenditure over income		**(738,271,146)**	981,421,049
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**(738,271,146)**	981,421,049

The accounting policies and notes on pages 14 to 60 are an integral part of these financial statements.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Statement of Financial Position

	Notes	2021 K	2020 K
Assets			
Non-Current Assets			
Property, plant and equipment	7	**12,915,881,268**	13,560,898,429
Capital work-in-progress	8	**28,117,794,673**	25,942,424,781
Intangibles	9	**1**	34
		41,033,675,942	39,503,323,244
Current Assets			
Inventory	10	**633,951,085**	645,997,253
Trade and other receivables	11	**14,314,093,917**	20,603,085,902
Cash and bank balances	12	**43,736,017**	78,110,091
		14,991,781,019	21,327,193,246
Total Assets		**56,025,456,961**	60,830,516,490
Accumulated Funds and Liabilities			
Accumulated funds		**(1,406,253,211)**	(667,982,065)
Non-Current Liabilities			
Terminal benefits	14(a)	**227,129,469**	238,715,284
Gratuity benefits	14(b)	**10,759,938**	9,672,771
Deferred income (capital grants)	15	**41,540,174,677**	42,922,127,724
Total-Non-Current Liabilities		**41,778,064,084**	43,170,515,779
Current Liabilities			
Deferred income (capital grants)	15	**1,491,839,010**	1,435,829,259
Trade and other payables	13	**14,116,431,136**	16,854,983,004
Terminal benefits	14(a)	**22,232,357**	8,943,059
Gratuity benefits	14(b)	**23,143,585**	28,227,454
Total Current Liabilities		**15,653,646,088**	18,327,982,776
Total Liabilities		**57,431,710,172**	61,498,498,555
Total Accumulated Funds and Liabilities		**56,025,456,961**	**60,830,516,490**

The financial statements set out on pages 1 to 60, which have been prepared on a going concern basis, were approved on ......08/11/22...... and were signed by:

.... **Board Chairperson**

.... **Chief Executive Officer**

The accounting policies and notes on pages 14 to 60 are an integral part of these financial statements.

Road Development Agency
Financial Statements for the year ended 31 December 2021

Statement of Changes in Accumulated Funds

	Accumulated funds
	K
Balance at 1 January 2020	**(1,649,403,114)**
Excess of income over expenditure for the year	981,421,049
At 31 December 2020	**(667,982,065)**
Balance as at 1 January 2021	**(667,982,065)**
Excess of expenditure over income for the year	(738,271,146)
At 31 December 2021	**(1,406,253,211)**

Accumulated funds

The accumulated funds represent retained excess of expenditure over income for the current year and balances brought forward from previous years.

The accounting policies and notes on pages 14 to 60 are an integral part of these financial statements.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Statement of Cash flows

	Notes	2021 K	2020 K
Cash flows from operating activities			
Excess of income over expenditure for the year		**(738,271,146)**	981,421,049
Adjustments			
(Loss)/profit on disposal of plant and equipment	4.1	**3,910,122**	(5,208,143)
Finance income	5 (d)	**(811,811,823)**	(1,716,704,088)
Amortisation of capital grants	15	**(1,491,838,998)**	(1,435,829,259)
Depreciation	7	**1,491,838,964**	1,435,675,119
Amortisation	9	**34**	154,140
Operating cash flows before movements in working capital		**(1,546,172,847)**	(740,491,182)
Movements in working capital			
Decrease in inventories		**12,046,168**	1,532,907
Decrease/ (increase) in trade and other receivables		**3,670,891,800**	(8,392,806,780)
(Decrease)/ increase in trade and other payables		**(2,740,845,087)**	6,886,915,554
Interest received		**52,490**	85,543
Net cash out flows from operating activities		**(604,027,476)**	(2,244,763,958)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	**(17,987,004)**	(45,755,301)
Additions to capital work-in-progress	8	**(3,025,004,469)**	(5,492,539,703)
Proceeds from disposal of plant and equipment	4.1	**1,325,974**	6,266,961
Net cash out flows from investing activities		**(3,041,665,499)**	(5,532,028,043)
Cash flows from financing activities			
Capital grants received	15	**2,799,559,568**	5,875,297,700
Net cash from financing activities		**2,799,559,568**	5,875,297,700
Net decrease in cash and cash equivalents		**(846,133,407)**	(1,901,494,301)
Net exchange gain		**811,759,333**	1,716,618,545
Cash at the beginning of the year		**78,110,091**	262,985,847
Cash and cash equivalents at end of the year	12	**43,736,017**	78,110,091

The accounting policies and notes on pages 14 to 60 are an integral part of these financial statements.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Accounting Policies

1. The Road Development 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.

1.1 Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The Agency’s total assets of K56,025 million (2020: K60,831 million) are significant contributors to facilitating the movement of goods and services in the Zambian economy. Government has given no indication that any part of the Agency’s assets would be sold off or privatised. These, together with Government being the sole shareholder, and any liquidation of the Agency being a requirement by Act of Parliament, make the liquidation of the Agency highly unlikely.

The Agency’s current assets of K14,992 million are exceeded by its current liabilities of K15,653 million at 31 December 2021. The current liabilities of K15,653 million (2020: K18,328 million) include deferred income (grant capital) of K1,492 million (2020: K1,436 million). The deferred income (grant capital) is expected to be recognized as income in the statement of comprehensive income in the next financial year.

Trade and other payables have continued to be settled in the normal course of business and the Government of the Republic of Zambia, through the Ministry of Housing and Infrastructure Development has provided a letter of support to the Agency. The Ministry confirms that the Agency will continue to receive support from the Government of the Republic of Zambia.

Additional considerations

A letter of support was provided by the Government of the Republic of Zambia and in the past, the Government has on several occasions provided grant funding to the Road Development Agency. It is therefore expected that Government will continue to provide grant funding for the foreseeable future.

Furthermore, the Road Development Agency may not be placed under judicial management or in liquidation except by an act of Parliament (Public Roads Act No.12 of 2002). This is an implied guarantee from the Government.

The Members therefore support management’s assessment that the Road Development Agency will remain a going concern in the foreseeable future. The Members of Road Development Agency are fully aware of the solvency risk it faces in the long-term and is actively engaging with Government to resolve the matter.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Accounting Policies *(continued)*

2. Basis of preparation and accounting policies

Statement of compliance

The financial statements of the Agency have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the requirements of the Public Roads Act No.12 2002.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Functional and presentation currency

These financial statements are presented in Zambian Kwacha ("Kwacha"), which is the Agency's functional currency and presentation currency.

2.1 Revenue recognition

Revenue grants

Revenue grants represent funds received from the Government of the Republic of Zambia during the year. Income from the Government is recognised in the statement of comprehensive income when there is reasonable assurance that it will be received and the Agency will comply with the conditions associated with the grant.

Grants that compensate the Agency for expenses incurred are recognised in comprehensive income on a systematic basis in the same periods in which the expenses are recognised.

Capital grants

Government grants are initially recognised as deferred income at fair value if there is reasonable assurance that they will be received and the Agency will comply with the conditions associated with the grant; they are then recognised in comprehensive income as income on a systematic basis over the useful life of the asset to which they relate.

Other grants related to non-depreciable assets are credited to comprehensive income in the period in which they are received.

Other income

Other income comprises various fees earned during the normal course of business.

Gains and losses on disposal of assets

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the comprehensive income.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2.2 Property and equipment

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Agency's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and are ready for the intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is calculated to allocate the cost of property, plant and equipment on a straight-line basis over the expected useful lives of the assets concerned and is recognised in comprehensive income. The estimated useful lives of property, plant and equipment for the current and comparative years are as follows:

Item	*Rate*
Leasehold land and buildings	2%
Furniture and fittings	20%
Computers and office equipment	20%
Motor vehicles	20%
Plant and machinery	8.3%

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

(i) **Roads**

	Paved	Gravel	Earth
	%	%	%
Periodic maintenance	20	33.3	100
Rehabilitation	10	20	100
Construction	5	10	25

(ii) **Weighbridges and pontoons** 8%

Maintenance of the existing roads and bridges is conducted to prevent the deterioration of roads. It is conducted on a continuous basis and is treated as routine maintenance and is expensed in the year the works are carried out.

Capital work- in -progress is not depreciated.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2.2 Property and equipment (*continued*)

Capital work-in-progress

Recognition and measurement

Assets in the course of construction are recognised in the assets under capital work -in -progress account at the total cost incurred at the end of the financial year.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Assets recognised under capital work- in -progress are transferred to Property, plant and equipment on substantial completion.

Intangible assets

Recognition and measurement

Intangible assets that are acquired by the Agency and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on any internally generated goodwill and brands, is recognised in comprehensive income as incurred.

The estimated useful lives for the current and comparative years are as follows:

Computer software	33.3%

Amortisation

Items of plant and equipment are depreciated on a straight-line basis in comprehensive income over the estimated useful lives of each component.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted, if appropriate.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2.3 Impairment of tangible and other assets

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

At the end of each reporting period, the Agency reviews the carrying amounts of its tangible and other assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Agency estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised immediately in comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal on impairment loss is recognised immediately in comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.4 Leases

The Agency assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Agency as a lessee

The Agency applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Agency recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Agency recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2.4 Leases (*continued*)

i) Right-of-use assets (continued)

- Furniture and fixtures – 5 years
- Office Equipment -3.33 years
- Motor vehicles - 4 years
- Property – Lease term

If ownership of the leased asset transfers to the Agency at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Agency recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Agency and payments of penalties for terminating the lease, if the lease term reflects the Agency exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Agency uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Agency applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Agency as a lessor

Leases in which the Agency does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the Agency's statement of financial position when the Agency becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through comprehensive income) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through comprehensive income are recognised immediately in comprehensive income.

Recognition and initial measurement

Trade receivables, lease receivables and debt securities are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Agency becomes a party to the contractual provisions of the instrument. Financial assets (except for trade receivables without a significant financing component) or financial liabilities are initially measured at fair value plus or minus, for items not at fair value through comprehensive income (FVTPL), transaction costs that are directly attributable to their acquisition or issue. Trade receivables without a significant financing component are initially measured at the transaction price. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the Agency determines that the fair value at initial recognition differs from the transaction price, the Agency nevertheless recognises the financial instrument at its fair value and accounts for the difference at that date as follows:

- If the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a *Level 1 input*) or based on a valuation technique that uses only data from observable markets, the Agency recognises the difference between the fair value at initial recognition and the transaction price, also referred to as *"day 1 comprehensive income"* in Statement of Comprehensive Income on the fair value line.

- In all other cases, the Agency defers the *day 1 comprehensive income* on the statement of financial position in "Other financial assets". After initial recognition, the Agency recognises the deferred *day 1 comprehensive income* in Statement of Comprehensive Income- on the fair value line - only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability. Any amounts not recognised in Statement of Comprehensive Income before the date of maturity or derecognition of the financial instrument is recognised in Statement of Comprehensive Income on that date.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at either;
- (i) amortised cost,
- (ii) at fair value through other comprehensive income (FVTOCI) or
- (iii) at fair value through comprehensive income (Comprehensive Income).

Financial assets are not reclassified subsequent to their initial recognition unless the Agency changes its business model for managing financial assets, in which case all affected financial instruments are reclassified on the first day of the financial year following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL on initial recognition:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest (SPPI) on the principal amount outstanding.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2.5 Financial instruments (*continued*)

Recognition and initial measurement (continued)

The Agency’s financial assets measured at amortised cost include trade and other receivables, short-term deposits, and cash and cash equivalents. Cash and cash equivalents comprise cash at bank and on hand, and highly liquid instruments which are readily convertible to known amounts of cash within 90 days from the reporting date or date of acquisition, subject to an insignificant risk of change in value.

For the purposes of the statement of cash flows, cash and cash equivalents include bank overdrafts. A debt investment is measured at FVTOCI if it meets both of the following conditions and is not designated at FVTPL on initial recognition:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal plus interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Agency may irrevocably elect to present subsequent changes in the investment’s fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or at FVTOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Agency may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Agency makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level as this best reflects the way the business is managed and the information provided to management. The Agency considers the following sources of information in making the assessment:
- The stated policies and objectives of the portfolio and operation of these policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash out flows or realising cash flows through the sale of assets.
- How the performance of the portfolio is evaluated and reported to management.
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Agency’s continuing recognition of the assets. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Accounting Policies (*continued*)

Road Development Agency

Financial Statements for the year ended 31 December 2021

2.5 Financial instruments (*continued*)

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity and administrative costs), as well as a reasonable profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Agency considers the contractual terms of the instrument. The Agency also considers the following:

- Contingent events that could change the amount or timing of cash flows.
- Terms that may adjust the contractual coupon rate, including variable rate features.
- Prepayment and extension features.
- Terms that limit the Agency's claim to cash flows from specified assets (e.g. non-recourse features).

The assessment also includes whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par-amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Subsequent measurement and gains and losses

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in Comprehensive Income unless they are part of an effective hedge accounting relationship.
Financial assets at amortised cost	Subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in Comprehensive Income. Any gain or loss on derecognition is also recognised in Comprehensive Income.
Debt investment at FVTOCI	Subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in Comprehensive Income. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to comprehensive income.
Equity investment at FVTOCI	Subsequently measured at fair value. Dividends are recognised as income in comprehensive income unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income.

Road Development Agency

Financial Statements for the year ended 31 December 2021

2.5 Financial instruments (*continued*)

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or at FVTPL. A financial liability is classified as at FVTPL if it is held-for-trading, is a derivative or is designated as such on initial recognition. The Agency's financial liabilities measured at amortised cost include trade and other payables and accruals.

A financial liability may be designated at FVTPL on initial recognition if:

- the contract contains one or more embedded derivatives;
- such designation would eliminate an accounting mismatch that would otherwise arise from measuring assets and liabilities or recognising the gains or losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy and information about the group is provided internally on that basis to management.

Financial liabilities at FVTPL are measured at fair value and the net gains and losses, including any interest expense, are recognised in comprehensive income. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense, foreign exchange gains and losses, and gains or losses on derecognition are recognised in the Statement of Comprehensive Income under finance charges, except where they are capitalised to qualifying assets.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Recognition of credit losses no longer depends on the Agency first identifying a credit loss event. Instead the Agency considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.
In applying the forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).
- Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Under the general approach in IFRS 9, '12-month expected credit losses' are recognised for stage 1 – except for trade and lease receivables where the simplified approach is applied, and 'lifetime expected credit losses' are recognised for stages 2 and 3.

The Agency recognises loss allowances for expected credit losses (ECLs) on:

- Financial assets measured at amortised cost, which includes trade and lease receivables;
- Contract assets (as defined in IFRS 15 *Revenue from Contracts with Customers*); and
- Debt investments measured at FVTOCI, short-term deposits and bank balances.

Road Development Agency

Financial Statements for the year ended 31 December 2021

2.5 Financial instruments (*continued*)

Impairment of financial assets (continued)

Trade and other receivables

The Agency applies the simplified approach in IFRS 9 in measuring expected credit losses which uses a lifetime ECLs allowance for all trade and other receivables. To measure the ECLs; trade and other receivables are grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of customers over a one year period and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. This includes the customer's credit risk profile, including the general macroeconomic conditions as well as industry sector-specific conditions affecting the Agency's customers.

Investments in short-term deposits and bank balances

The Agency's short-term deposits and bank balances, which are carried at amortised cost are considered to have low credit risk, and the loss allowance recognised on these assets is therefore limited to 12-months ECLs. Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. If the Agency considers that credit risk on a financial instrument has increased significantly since initial recognition, the expected credit losses are estimated based on the lifetime ECLs.

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Agency compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In making this assessment, the Agency considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the outcome of the above assessment, the Agency presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Agency has reasonable and supportable information that demonstrates otherwise.

Event of default

The Agency considers any of the following as constituting an event of default:

- The debtor is more than 90 days past due.
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its credit obligations to the Agency in full, without recourse by the Agency to actions such as realising security (if any is held).

Road Development Agency
Financial Statements for the year ended 31 December 2021

Significant increase in credit risk (continued)

Credit-impaired financial assets
At each reporting date, the Agency assesses whether financial assets carried at amortised cost and debt securities at FVTOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on estimated future cash flows of the financial asset have occurred.
The evidence that a financial asset is credit-impaired includes observable data about any of the following events.

- Significant financial difficulty of the debtor or issuer.
- A breach of contract such as default.
- Restructuring of a debt, loan or advance on terms that the Agency would not otherwise consider.
- It is probable that the debtor will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security because of financial difficulties.

Measurement and recognition of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Agency in accordance with the contract and the cash flows that the Agency expects to receive) – calculated either on the 12-month or lifetime expected credit losses as applicable. Expected credit losses are discounted at the effective interest rate of the financial asset.

Presentation of allowance for expected credit losses

The Agency recognises an impairment gain or loss in the Statement of Comprehensive Income with a corresponding adjustment to the carrying amount of the financial asset through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI for which the loss allowance is recognised in other comprehensive income and accumulated in the investment valuation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition

Financial assets
The Agency derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Agency neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. The Agency may enter into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all the risks and rewards of the transferred asset. In these cases, the transferred assets are not derecognised.

Write-off

The gross carrying amount of a financial asset is written off or derecognised (either partially or in full) when all attempts to recover the outstanding amount have failed or there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. The amount written off is recognised as a reduction to the allowance for ECLs. Financial assets written off may still be subject to enforcement activities under the Agency's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the Statement of Comprehensive Income, as a reduction to the impairment loss for the period.

Accounting Policies (*continued*)

2.5 Financial instruments (*continued*)

Road Development Agency
Financial Statements for the year ended 31 December 2021
Derecognition

Financial liabilities
The Agency derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Agency also derecognises a financial liability when the terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in the Statement of Comprehensive Income under finance charges.

Derivative financial instruments and hedge accounting

The Agency does not enter into any derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks.

2.6 Provisions

Provisions are recognised when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that the Agency will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.7 Foreign currencies

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Zambian Kwacha (K).

Transactions and balances

In preparing the financial statements of the Agency, transactions in currencies other than the Agency's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Accounting Policies (*continued*)

2.7 Foreign currencies (continued)

Road Development Agency

Financial Statements for the year ended 31 December 2021

Exchange differences on monetary items are recognised in income or expenditure in the period in which they arise.

2.8 Retirement benefit obligations

The Agency`s staff are entitled to gratuity and other terminal benefits. The Agency`s retirement benefits other than NAPSA contributions are unfunded.

(i) *Defined benefit plan*

A defined benefit plan is a retirement benefit plan that is not a defined contribution plan.

The Agency`s benefits plan are a defined contribution plan.

(ii) *Defined contribution plan*

A defined contribution plan is a retirement benefit plan under which the Agency pays fixed contributions into a separate entity. The Agency has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Obligations for contributions to the defined contribution plan are recognised as an employee benefit expense in comprehensive income when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. However the Agency's current benefit plan is unfunded and no contributions are made into a separate entity.

The Agency and all its employees also contribute to the National Pension Scheme, which is a defined contribution scheme.

(iii) Short-term and long-term benefits

The cost of all short-term employee benefits, such as salaries, accumulated leave, bonuses, medical and other contributions, is recognised in income statement in the period in which the employee renders the related service.

The Agency's obligation in respect of long-term service benefits, other than pension plans and post-retirement medical benefits, is recognised in comprehensive income in the period in which the employee renders the related service.

(IV) *Termination benefits*

Termination benefits are payable when an employee's employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for these benefits. The Agency recognises termination benefits when it has demonstrated its commitment to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(V) *Gratuity*

For fixed term contract employees, a gratuity is payable at the end of the contract. Contract period is 3 years. Gratuity is expensed to comprehensive income in the period the service is rendered.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Accounting Policies (*continued*)

2.9 Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventory is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and costs incurred in bringing them to their existing location and condition.

2.10 Cash flow statement

For the purposes of the Statement of Cash flows, cash and cash equivalents mainly comprises of cash on hand, demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risks of changes in value.

2.11 Critical accounting estimates and judgments

Critical judgments in applying accounting policies

In the application of the Agency's accounting policies, which are described above, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the Directors have made in the process of applying the Agency's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Business model assessment

Classification and measurement of financial assets depends on the results of the 'Solely Payments of Principal and Interest' (SPPI) and the 'Business Model test'. The Agency determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed. The Agency monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Agency's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented

Calculation of loss allowance on receivables
When measuring credit losses the Agency uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Accounting Policies (*continued*)

2.11 Critical accounting estimates and judgments (*continued*)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Agency takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 16, and measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Estimates of asset lives, residual values and depreciation methods

The Directors review the estimated useful lives of property, plant and equipment at the end of each annual reporting period to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The Directors assign a residual value of nil as equipment is not held for trading and is normally scrapped.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2. 12 Application of new and revised International Financial Reporting Standards (IFRSs)

***2.12.1** New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements*

In the current year, a number of amendments to IFRSs and new Interpretations issued by the International Accounting Standards Board (IASB) have become effective and are mandatorily effective for an accounting period that begins on or after 1 January 2021. None of the amendments below have a significant impact on the Agency.

Standard	Subject of amendment	Effective date and impact
Interest Rate Benchmark Reform-Phase 2-Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments enable entities to reflect the effects of transitioning from bench mark interest rates, such as Interbank Offered Rates (IBORs) to alternative bench mark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.	1 January 2021. The amendment has had no immediate impact on the Agency.
IFRS 16. Covid-19- Related Rent Concessions beyond 30 June 2021	Covid-19 -Related Concessions Beyond 30 June 2021 extends the availability of the practical expedient for Covid-19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.	The amendment is effective for annual periods beginning on or after 1 April 2021.Earlier application is permitted. The amendment had no impact on the Agency.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Accounting Policies (*continued*)

2. 12 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

***2.12.2** New and revised IFRSs in issue but not yet effective*

At the date of authorisation of these financial statements, the Agency has not applied the following new and revised IFRS Standards that have been issued but are not yet effective. The Directors do not expect that the adoption of the Standards listed below will have a material impact on the financial statements of the Agency in future periods, except where indicated:

Standard	Subject of amendment	Effective date
Amendment to IFRS 4 - Extension of the temporary exemption from applying IFRS 9	The IASB deferred the effective date of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. As a consequence, the Board extended the expiry date in IFRS 4 for the temporary exemption from IFRS 9 by two years to annual periods beginning on or after 1 January 2023.The extension maintains the alignment between the expiry date of the temporary exemption and the effective date of IFRS 17	Annual reporting periods beginning on or after 1 January 2023.
Amendment to IAS 1- Classification of Liabilities as Current or Non-current — Deferral of Effective Date	The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specifically that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the counterparty of cash, equity instruments, other assets or services.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. The amendment will affect the Agency's classifications of liabilities as current on no-current.
Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2 - Making Materiality judgements - Disclosure of Accounting Policies	The amendments change the requirements of IAS 1 and are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted and is applied prospectively. The amendments will have an impact on the financial statements of the Agency.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors- Definition of Accounting Estimates	The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Accounting estimates are 'monetary amounts in financial statements that are subject to measurement uncertainty'. The standard now clarifies that; • A change in accounting estimate that results from new information or new developments is not a correction of an error. • The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from correction of prior period errors.	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.

Road Development Agency
Financial Statements for the year ended 31 December 2021
Accounting Policies (*continued*)

2. 12 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)
***2.12.2** New and revised IFRSs in issue but not yet effective(continued)*

Standard	Subject of amendment	Effective date and impact
Amendments to IAS 12 Income Taxes- Deferred Tax related to Assets and Liabilities arising from a single transaction.	The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. The amendment might impact the Agency.
Amendments to IAS 16 Property and Equipment- Proceeds before Intended Use	The amendments prohibit a Agency from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Agency is preparing the asset for its intended use. Instead, a Agency will recognize such sales proceeds and related cost in profit or loss.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendments could impact the Agency.
Amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets- Onerous Contracts- Cost of Fulfilling a Contract	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling the contract and the allocation of other costs that relate directly to fulfilling contracts. The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendments could impact the Agency.
Annual improvements to IFRS Standards 2018-2020- Amendments to IFRS 1, First -Time Adoption of IFRSs, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture	The annual improvements relate to four standards. *IFRS 1 First-Time Adoption of International Financial Reporting Standards* The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. *IFRS 9 Financial Instruments* The amendment clarifies that in applying the '10 per cent ' test to assess whether to derecognize a financial liability, an entity includes only fees paid or receivable between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. The amendment could impact the Agency.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Accounting Policies (*continued*)

2. 12 Application of new and revised International Financial Reporting Standards (IFRSs) (continued)

***2.12.2** New and revised IFRSs in issue but not yet effective (continued)*

Standard	Subject of amendment	Effective date and impact
	IAS 41 Agriculture The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in IFRS 13. To use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post tax cash flows and discount rates for the most appropriate fair value measurement.	No effective date applies. The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IFRS 3-Business Combinations- reference to the Conceptual Framework	The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework rather than the 1989 Framework. They also add to IFRS 3 a requirement that for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. The amendments also require that an acquirer does not recognize contingent assets acquired in a business combination.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 17 Insurance Contracts	The amendments address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date on the initial application of IFRS 17.	The amendments are effective for annual periods beginning on or after January 1, 2022.
Amendments to IFRS 10 and IAS 28	The amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction in a transaction with an associate or a joint venture that is accounted for using the equity method are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate of a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interest in the new associate or joint venture.	Effective date has not been set yet.

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements

	2021 K	2020 K

3. Revenue

Revenue represents amortisation of grants, capital and revenue grants received from the Government of the Republic of Zambia during the year.

4. Income

	2021 K	2020 K
Amortisation of capital grants	**1,491,838,998**	1,435,829,259
Project grant from National Roads Fund Agency (NRFA)	**1,041,565,172**	895,514,176
Revenue grants from GRZ	**117,926,364**	117,994,435
Other income	**22,500,308**	24,853,225
	2,673,830,842	2,474,191,095
4.1 (Loss)/Profit on disposal of assets		
Cash proceeds	**1,325,974**	6,266,961
Carrying amount	**(5,236,096)**	(1,058,818)
(Loss)/Profit on disposal	**(3,910,122)**	5,208,143

5. Expenditure

	2021 K	2020 K
(a) Staff costs		
Salaries	**144,870,619**	148,329,821
Gratuity and pension costs	**36,832,044**	43,189,480
Other costs	**15,682,290**	20,624,103
	197,384,953	212,143,404
(b) Administrative expenses		
Amortisation and depreciation (note 7 and 9)	**1,491,838,998**	1,435,829,259
Electricity, water and sewerage	**948,201**	907,501
Insurance	**2,445,513**	1,499,680
Other administration costs	**963,354,745**	524,849,408
	2,458,587,457	1,963,085,848
(c) Routine repairs, maintenance works and project related costs		
Environmental costs	**2,014,000**	4,751,763
Interest on long outstanding contractor debts	**725,890,519**	348,923,360
Routine maintenance - roads	**415,802,724**	404,915,408
Routine maintenance - bridges	**-**	491,840
Routine maintenance - force accounts	**67,302,802**	73,397,545
Supervision expenses - roads and bridges	**5,945,871**	7,239,114
Technical assistance and other consultancy costs	**57,325,724**	73,023,912
Legal costs and arbitration awards	**257,948,678**	89,117,753
Other costs	**35,711,083**	32,384,187
	1,567,941,401	1,034,244,882

Routine repairs, maintenance works and project related costs represent expenses directly associated with the care and maintenance and construction of public roads in Zambia and to regulate maximum weights permissible for transmission on roads.

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021 K	2020 K
5. Expenditure (*continued*)		
(d) Finance (cost)/income		
Interest income	**52,490**	85,543
Net foreign currency exchange (losses)/gains	**811,759,333**	1,716,618,545
Net finance (cost)/income	**811,811,823**	1,716,704,088

6. Taxation

The Agency is exempt from income tax under section 5 of the Income Tax Act CAP 323: Part 3 - Exempt organisations.

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

7. Property, plant and equipment

2021	Roads	Pontoons & bridges	Land & buildings	Weigh bridges	Motor vehicles	Plant and machinery	Computers and office equipment	Furniture and fittings	Total
Cost	K	K	K	K	K	K	K	K	K
At 1 January 2021	22,950,643,327	499,205,417	16,050,923	115,827,733	86,586,726	141,856,388	24,374,194	7,309,159	23,841,853,866
Additions	-	-	-	-	11,559,199	-	6,010,172	417,633	17,987,004
Adjustment	-	-	-	-	102,172	-	-	-	102,172
Capitalisation CWIP	834,070,893	-	-	-	-	-	-	-	834,070,893
Disposals	-	-	-	-	(11,102,996)	(15,294,520)	(222,894)	-	(26,620,410)
At 31 December 2021	23,784,714,220	499,205,417	16,050,923	115,827,733	87,145,101	126,561,868	30,161,472	7,726,792	24,667,393,525
Depreciation									
At 1 January 2021	9,766,649,875	281,283,182	3,757,295	69,929,699	66,441,719	62,467,700	23,445,570	6,980,397	10,280,995,437
Charge for the year	1,426,999,981	32,265,070	435,458	11,433,773	6,291,384	11,405,814	2,722,662	284,822	1,491,838,964
Adjustment	-	-	-	-	102,170	-	-	-	102,170
Disposals	-	-	-	-	(9,178,090)	(11,983,352)	(222,872)	-	(21,384,314)
At 31 December 2021	11,193,649,856	313,548,252	4,192,753	81,363,472	63,657,183	61,890,162	25,945,360	7,265,219	11,751,512,257
Carrying amounts									
At 31 December 2021	12,591,064,364	185,657,165	11,858,170	34,464,261	23,487,917	64,671,706	4,216,112	461,573	12,915,881,268
At 31 December 2020	13,183,993,452	217,922,235	12,293,628	45,898,034	20,145,007	79,388,688	928,624	328,762	13,560,898,429

Property, plant and equipment includes assets with a cost of K4, 728,671,249 which were fully depreciated as at 31 December 2021 (2020: K3, 330,637,321). Certain land and buildings are not held in the name of Road Development Agency. The adjustment of K102, 172 relates to a motor vehicle which was disposed of by way of a staff auction, but was not collected in the prior year. However during 2021, the employee reversed his decision to buy and the sale was reversed.

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

7. Property, plant and equipment (*continued*)

2020	Roads	Pontoons & bridges	Land & buildings	Weigh bridges	Motor vehicles	Plant and machinery	Computers and office equipment	Furniture and fittings	Total
Cost	K	K	K	K	K	K	K	K	K
At 1 January 2020	21,938,208,113	499,205,417	14,862,271	115,827,733	85,447,721	112,868,273	23,822,269	7,099,897	22,797,341,693
Additions	-	-	1,188,652	-	14,817,347	28,988,115	551,925	209,262	45,755,301
Capitalisation CWIP	1,012,435,214	-	-	-	-	-	-	-	1,012,435,214
Disposals	-	-	-	-	(13,678,342)	-	-	-	(13,678,342)
At 31 December 2020	22,950,643,327	499,205,417	16,050,923	115,827,733	86,586,726	141,856,388	24,374,194	7,309,159	23,841,853,866
Depreciation									
At 1 January 2020	8,400,676,731	245,508,119	3,321,837	58,495,926	69,269,700	51,765,183	22,182,795	6,679,552	8,857,899,843
Charge for the year	1,365,973,144	35,775,063	435,458	11,433,773	9,791,544	10,702,517	1,262,775	300,845	1,435,675,119
Disposals	-	-	-	-	(12,619,525)	-	-	-	(12,619,525)
At 31 December 2020	9,766,649,875	281,283,182	3,757,295	69,929,699	66,441,719	62,467,700	23,445,570	6,980,397	10,280,995,437
Carrying amounts									
At 31 December 2020	13,183,993,452	217,922,235	12,293,628	45,898,034	20,145,007	79,388,688	928,624	328,762	13,560,898,429
At 31 December 2019	13,537,531,382	253,697,298	11,540,434	57,331,808	16,178,021	61,103,090	1,639,474	420,345	13,939,441,851

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

8. Capital work in progress

	Roads	Bridges and pontoons	Buildings	Total
	K	K	K	K
As at 1 January 2020	20,231,724,843	1,229,859,049	736,400	21,462,320,292
Additions	4,950,000,428	542,539,275	-	5,492,539,703
Capitalisations	(1,012,435,214)	-	-	(1,012,435,214)
At 31 December 2020	24,169,290,057	1,772,398,324	736,400	25,942,424,781
As at 1 January 2021	**24,169,290,057**	**1,772,398,324**	**736,400**	**25,942,424,781**
Additions	**2,796,018,290**	**228,986,179**	**-**	**3,025,004,469**
Capitalisations	**(834,070,893)**	**-**	**-**	**(834,070,893)**
Adjustment	**(15,563,684)**	**-**	**-**	**(15,563,684)**
At 31 December 2021	**26,115,673,770**	**2,001,384,503**	**736,400**	**28,117,794,673**

The adjustment of K15.6 million was a correction of a prior year overstatement in CWIP which arose out of a misstatement of an exchange difference translation of K1 million and K14.5 million which was a reversal of a duplication in posting an interim payment certificate.

9. Intangibles

	Computer software
Cost	K
At 1 January 2020	12,436,534
Additions	-
At 31 December 2020	**12,436,534**
At 1 January 2021	12,436,534
Additions	-
At 31 December 2021	**12,436,534**
Amortisation	
At 1 January 2020	**12,282,360**
Charge for the year	**154,140**
At 31 December 2020	**12,436,500**
At 1 January 2021	**12,436,500**
Charge for the year	**33**
At 31 December 2021	**12,436,533**
Carrying amounts	
At 31 December 2021	**1**
At 31 December 2020	34

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021 K	2020 K
10. Inventory		
Raw materials	**35,937**	36,437
Finished pavers	**3,136,715**	3,526,143
Acrow bridges	**630,778,433**	642,434,673
	633,951,085	645,997,253
11. Trade and other receivables		
Amounts advanced to contractors and suppliers	**4,046,864,097**	6,082,934,600
Amount receivable from MIHUD	**29,494,538**	29,494,558
Amounts receivable from National Roads Fund Agency (NRFA)	**12,014,790,906**	15,299,263,812
	16,091,149,541	21,411,692,970
Less: impairment provision	**(1,791,525,512)**	(853,796,972)
Net trade receivables	**14,299,624,029**	20,557,895,998
Special imprest	**460,275**	881,763
Salary advances	**360,981**	479,901
Staff material loans	**6,956,500**	4,847,939
Staff receivables-motor vehicle disposals	**83,298**	492,729
Prepayments	**5,600**	16,910
Other debtors	**13,398,517**	13,381,608
Amounts payable to contractors in debit	**8,224,784**	37,442,517
National Roads Fund Agency (NRFA) other receivables	**15,113,288**	23,978,032
	44,603,243	81,521,399
Less impairment provision on other debtors	**(30,133,355)**	(36,331,495)
Net other debtors	**14,469,888**	45,189,904
	14,314,093,917	20,603,085,902
Movement in impairment provisions-trade debtors		
Balance at the beginning of the year	**853,796,972**	366,270,006
Provision for the year	**937,728,540**	487,526,966
Balance at 31 December	**1,791,525,512**	853,796,972
Movement in impairment provision-other debtors		
Balance at the beginning of the year	**36,331,495**	26,941,191
Impairment for the year	**(6,198,140)**	9,390,304
Balance at 31 December	**30,133,355**	36,331,495

The average credit period on trade receivables is 30 days. No interest is charged on outstanding trade receivables. The expected credit loss (ECL) is mainly based on the ageing of the receivables balance and historical experience. The receivables are assessed on an individual basis or grouped into homogenous groups and assessed for impairment collectively, depending on their significance. Moreover, trade receivables are written off on a case by case basis if deemed not to be collectable on the assessment of the underlying facts and circumstances.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021 K	2020 K

The Agency uses a provision matrix to measure the expected credit loss of receivables. Based on the environment in which the entity operates, management considers that the trade receivables are credit impaired if the payments are more than 90 days past due.

Receivables from employees

The receivables from employees are loans and advances that are recovered through the payroll. The loans and advances carry an interest charge of 0%. The loans and advances are given to employees as part of the Agency's conditions of service. The repayment terms vary based on the purpose of the loan or advance.

12. Cash and bank balances

Cash and cash equivalents include cash and cash held in the Agency's bank accounts. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the Statement of Financial Position as follows:

	2021 K	2020 K
Bank account balances	**43,727,521**	78,100,290
Cash in hand	**8,496**	9,801
At 31 December	**43,736,017**	78,110,091

Of which:

	2021 K	2020 K
Operating funds	**43,695,430**	78,069,504
Project funds	**40,587**	40,587
At 31 December	**43,736,017**	78,110,091

13. Trade and other payables

Trade payables consist of amounts payable to contractors and retentions. The carrying amounts equate fair value due to the low impact of discounting.

	2021 K	2020 K
Amounts payable to contractors	**10,123,359,568**	13,758,232,763
Retention payable	**1,918,918,695**	1,597,611,103
	12,042,278,263	15,355,843,866
Accruals- interest to contractors	**1,431,545,469**	1,095,061,797
Provisions-legal	**495,274,795**	247,137,957
Leave pay	**41,298,128**	41,609,115
Other payables	**201,068**	3,126
NAPSA	**46,327,339**	36,355,271
PAYE	**32,067,682**	36,878,218
VAT	**1,165,409**	1,932,892
Workers compensation	**920,239**	1,377,532
Sundry creditors	**25,352,744**	38,783,230
	14,116,431,136	16,854,983,004

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021 K	2020 K
14 (a) Terminal benefits		
At beginning of year	**247,658,343**	220,328,307
Charge for the year	**11,024,138**	29,307,072
Payments during the year	**(9,320,655)**	(1,977,036)
At 31 December	**249,361,826**	247,658,343
Non-current portion	**227,129,469**	238,715,284
Current portion	**22,232,357**	8,943,059
At 31 December	**249,361,826**	247,658,343
14. (b) Gratuity benefits		
At beginning of year	**37,900,225**	50,126,492
Charge for the year	**20,876,464**	13,590,336
Payments during the year	**(24,873,166)**	(25,816,603)
At 31 December	**33,903,523**	37,900,225
Non-current portion		
Current portion	**10,759,938**	9,672,771
At 31 December	**23,143,585**	28,227,454
	33,903,523	37,900,225

15. Deferred income (capital grants)

	2021 K	2020 K
Balance at beginning of year	**44,357,956,983**	39,918,488,542
Capital grants received (works)	**2,723,575,924**	5,228,285,954
Capital grants received (advance payments)	**61,740,032**	611,597,296
Capital grants received (operations)	**14,243,612**	35,414,450
Advance payment reversal	**(2,618,100,183)**	-
Revaluation adjustment	**(15,563,683)**	-
Amortisation of capital grants (note 7 and 9)	**(1,491,838,998)**	(1,435,829,259)
Balance at end of year	**43,032,013,687**	44,357,956,983

Capital grants are classified as current and non- current liabilities as shown below:

	2021 K	2020 K
Non-Current	**41,540,174,677**	42,922,127,724
Current	**1,491,839,010**	1,435,829,259
Balance at end of year	**43,032,013,687**	44,357,956,983

The advance payment reversal relates to an advance payment which was due to the contractor on the Lusaka to Ndola Dual Carriageway project of K2.618 billion (USD156 million). The contract for the Lusaka-Ndola dual carriageway self-terminated on May 31, 2021 due to failure by the Contractor to conclude the financing arrangements. The advance payment was subsequently not paid by the National Road Fund Agency (NRFA). The revaluation adjustment was a correction of prior year overstatement in CWIP which arose out of exchange difference translation.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021	2020
	K	K

16. Financial instruments - Risk management

The Agency has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk; and
- liquidity risk

Risk management framework

The Members have overall responsibility for the establishment and oversight of the Agency's risk management framework. The Agency's risk management policies are established to identify and analyse the risks faced by the Agency, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Agency's activities. The Members oversee how management monitors compliance with the Agency's risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks faced by the Agency.

Categories of financial instruments

The carrying amount of the Agency's financial instruments by classification is as follows:

Financial assets

	Notes	2021 K	2020 K
Cash and bank balances	12	**43,736,017**	78,110,091
Trade receivables	11	**16,091,149,541**	21,411,692,970
Special imprest	11	**460,275**	881,763
Salary advances	11	**360,981**	479,901
Staff material loans	11	**6,956,500**	4,847,939
Staff receivables-motor vehicle disposals	11	**83,298**	492,729
Prepayments	11	**5,600**	16,910
Other debtors	11	**13,398,517**	13,381,608
Amounts payable to contractors in debit	11	**8,224,784**	37,442,517
National Road Fund Agency (NRFA) other receivables	11	**15,113,288**	23,978,032
		16,179,488,801	21,571,324,460

Financial liabilities

	Notes	2021 K	2020 K
Amounts payable to contractors	13	**10,123,359,568**	13,758,232,763
Retention payable	13	**1,918,918,695**	1,597,611,103
Accruals- interest to contractors	13	**1,431,545,469**	1,095,061,797
Provisions-legal	13	**495,274,795**	247,137,957
Employee benefits	14	**283,265,349**	285,558,568
Leave pay	13	**41,298,128**	41,609,115
Other payables	13	**201,068**	3,126
NAPSA	13	**46,327,339**	36,355,271
PAYE	13	**32,067,682**	36,878,218
VAT	13	**1,165,409**	1,932,892
Workers compensation	13	**920,239**	1,377,532
Sundry creditors	13	**25,352,744**	38,783,230
		14,399,696,485	17,140,541,572

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

		2021	2020
		K	K

16. Financial instruments - Risk management (continued)

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Agency. The Agency has adopted a policy of only dealing with creditworthy counterparties and obtaining an advance payment, where appropriate, as a means of mitigating the risk of financial loss from defaults. Financial assets which potentially subject the Agency to concentrations of credit risk, consist principally of trade receivables and cash balances.

The Agency's exposure to credit risk is influenced mainly by individual characteristics of each customer or counterparty. The demographics of the Agency's customer base, including the default risk does not have a significant influence on credit risk. Geographically there is no concentration of credit risk.

No collateral is required in respect of financial assets. Management has a policy in place and the exposure to credit risks is monitored on an on-going basis.

The Agency holds security over its financial assets in respect of receivables from employees. The receivables from employees in respect of material loans are recoverable from source through payroll by the Agency over a period of 36 months for management and 48 months for the rest of the employees.

The Agency establishes an allowance for doubtful debts on a specific basis which represents its estimate of expected losses in respect of trade and other receivables. The Agency is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Based on historical information about default rates, management considers the credit quality of trade receivables that are not past due or impaired to be good. Financial assets which potentially subject the Agency to concentrations of credit risk, consist principally of trade receivables and cash balances.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Cash and cash equivalents	12	**43,736,017**	78,110,091
Trade and other receivables	11	**14,314,093,917**	20,603,085,902
		14,357,829,934	20,681,195,993

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021	2020
	K	K

16. Financial instruments - Risk management (*continued*)

(i) Credit risk management (*continued*)

Trade and other receivables

The Agency's maximum exposure to credit risk in respect of trade and other payables is analysed below:

	Note	2021	2020
Amounts advanced to contractors and suppliers	11	**4,046,864,097**	6,082,934,600
Amounts receivable from Ministry of Housing and Infrastructure	11	**29,494,538**	29,494,558
Amounts receivable from National Roads Fund Agency (NFRA)	11	**12,014,790,906**	15,299,263,812
Sub-total		**16,091,149,541**	21,411,692,970
Special imprest	11	**460,275**	881,763
Salary advances	11	**360,981**	479,901
Staff material loans	11	**6,956,500**	4,847,939
Staff receivables-motor vehicle disposals	11	**83,298**	492,729
Other debtors	11	**13,398,517**	13,381,608
Prepayments	11	**5,600**	16,910
Amounts payable to contractors in debit	11	**8,224,784**	37,442,517
National Roads Fund Agency (NRFA) other receivables	11	**15,113,288**	23,978,032
Sub total		**16,135,752,784**	21,493,214,369
Cash and bank balances	12	**43,736,017**	78,110,091
Sub total		**43,736,017**	78,110,091
Total		**16,179,488,801**	21,571,324,460

Ageing of trade receivables

The aging of trade receivables at the reporting date was:

	31 Dec 2021 Gross amount	**31 Dec 2021 Impairment**	**31 Dec 2021 Net amount**	31 Dec 2020 Gross amount	31 Dec 2020 Impairment	31 Dec 2020 Net amount
	K	**K**	**K**	K	K	K
Current	**-**	**-**	**-**	4,604,759,394	-	4,604,759,394
1-30	**11,606,575**	**(893,707)**	**10,712,868**	1,232,284,064	(94,981,000)	1,137,303,064
31-60	**47,881,305**	**(7,086,433)**	**40,794,872**	256,452,379	(37,917,421)	218,534,958
61-90	**208,373,402**	**(65,758,655)**	**142,614,747**	763,745,274	(68,695,262)	695,050,012
More than	**15,823,288,259**	**(1,717,786,717)**	**14,105,501,542**	14,554,451,859	(652,203,289)	13,902,248,570
	16,091,149,541	**(1,791,525,512)**	**14,299,624,029**	21,411,692,970	(853,796,972)	20,557,895,998

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

(i) Credit risk management (*continued)*

Expected credit loss assessment

The Agency uses a general approach to determine the expected credit losses on Government related receivables due to their sovereign nature. This is based on the Probability of Default (PD) and the Loss Given Default (LGD) of Government receivables. Based on Zambia's sovereign rating of B-, the Agency used PD and LGD rates of 11.87% and 24.65% (2020: 11.62% and 34%) respectively.

The following table provides information about the exposure to credit risk and ECLs for GRZ institutions' trade receivables as at 31 December.

31 December 2021

Probability of default	**Loss given default**	**Life expected loss rates**	**Gross carrying amount**	**Impairment los allowance**
11.87%	**25.27%**	**11.27%**	**16,091,149,541**	**1,791,525,512**

31 December 2020

Probability of default	Loss given default	Life expected loss rates	Gross carrying amount	Impairment los allowance
11.62%	34.00%	3.99%	21,411,692,970	853,796,972

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Expected credit loss assessment (continued)

Loss Allowance

31 December 2021	**Weighted average losses**	**Gross carrying amounts**	**Loss allowance**	**Credit impaired**
Current (not past due)	**-**	**-**	**-**	**No**
1 - 30 days past due	**7.7%**	**11,606,575**	893,707	**Yes**
31 - 60 days past due	**14.8%**	**47,881,305**	7,086,433	**Yes**
61 - 90 days past due	**31.6%**	**208,373,402**	65,758,655	**Yes**
More than 90 days	**10.9%**	**15,823,288,259**	1, 717,786,717	**Yes**
		16,091,149,541	**1,791,525,512**	

31 December 2020	**Weighted average losses**	**Gross carrying amounts**	**Loss allowance**	**Credit impaired**
Current (not past due)	-	4,604,759,394	-	No
1 - 30 days past due	7.7%	1,232,284,064	94,981,000	Yes
31 - 60 days past due	14.8%	256,452,379	37,917,421	Yes
61 - 90 days past due	9.0%	763,745,274	68,695,262	Yes
More than 90 days	4.5%	14,554,451,859	652,203,289	Yes
		21,411,692,970	853,796,972	

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Exposure to credit risk *(continued)*

Expected credit loss assessment (continued)

The following table provides information about the exposure to credit risk and ECLs for other receivables as a 31 December.

31 December 2021	**Weighted average losses**	**Gross carrying amounts**	**Loss allowance**	**Credit impaired**
Current (not past due)	**-**	**7, 282,893**	**-**	**No**
1 - 30 days past due	**-**	**465,863**	**-**	**No**
31 - 60 days past due	**-**	**-**	**-**	**-**
61 - 90 days past due	**-**	**-**	**-**	**-**
More than 90 days	**82%**	**36,854,487**	**30,133,355**	**Yes**
		44,603,243	**30,133,355**	

31 December 2020	**Weighted average losses**	**Gross carrying amounts**	**Loss allowance**	**Credit impaired**
Current (not past due)	-	940,693	-	No
1 - 30 days past due	97%	10,065,629	9,745,083	Yes
31 - 60 days past due	-	538,521	-	No
61 - 90 days past due	87%	2,681,084	2,326,209	Yes
More than 90 days	36%	67,295,472	24,260,202	Yes
		81,521,399	36,331,495	

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Financial risk management objectives

(ii) **Market risk**

The Agency's activities expose it primarily to the financial risk of changes in foreign currency exchange rates (see below). The Agency does not trade any derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including forward foreign exchange contracts to hedge the exchange rate risk.

There has been no change to the Agency's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

The Agency undertakes certain transactions dominated in foreign currencies. Hence, exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as approved by the Board.

Exposure to currency risk

The Agency incurs currency risk as a result of transactions in USD, EUR and GBP. The Agency ensures that the net exposure is kept to an acceptable level by transacting in foreign currencies at spot rate where necessary to address short term imbalances. The currency risk expressed in Kwacha at reporting date was as follows:

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Exposure to currency risk (continued)

December 2021	Note	K	USD Exposure	Pound Exposure	Euro Exposure	K Total
Financial assets						
Trade receivables	11	15,590,449,541	500,700,000	-	-	16,091,149,541
Special imprest	11	460,275	-	-	-	460,275
Salary advances	11	360,981	-	-	-	360,981
Staff material loans	11	6,956,500	-	-	-	6,956,500
Staff receivables-motor vehicles	11	83,298	-	-	-	83,298
Other debtors	11	13,398,517	-	-	-	13,398,517
Amounts payable to contractors in debit		8,224,784	-	-	-	8,224,784
National Roads Fund Agency (NFRA)	11	15,113,288	-	-	-	15,113,288
Prepayments	11	5,600	-	-	-	5,600
Cash and bank balances	12	43,670,114	65,903	-	-	43,736,017
		15,678,722,898	500,765,903	-	-	16,179,488,801
Financial liabilities						
Amounts payable to contractors	13	(6,985,800,814)	(3,024,136,699)	(516,725)	(112,905,330)	(10,123,359,568)
Retention payable	13	(1,918,918,695)	-	-	-	(1,918,918,695)
Accruals-interest to contractors	13	(1,431,545,469)	-	-	-	(1,431,545,469)
Provisions-legal	13	(495,274,795)	-	-	-	(495,274,795)
Terminal benefits	14(a)	(249,361,826)	-	-	-	(249,361,826)
Leave pay	13	(41,298,128)	-	-	-	(41,298,128)
Gratuity	14(b)	(33,903,523)	-	-	-	(33,903,523)
Other payables	13	(201,068)	-	-	-	(201,068)
NAPSA	13	(46,327,339)	-	-	-	(46,327,339)
PAYE	13	(32,067,682)	-	-	-	(32,067,682)
VAT	13	(1,165,409)	-	-	-	(1,165,409)
Workers compensation	13	(920,239)	-	-	-	(920,239)
Sundry creditors	13	(25,352,744)	-	-	-	(25,352,744)
		(11,262,137,731)	(3,024,136,699)	(516,725)	(112,905,330)	(14,399,696,485)
Net exposure		4,917,285,167	(3,024,070,796)	(516,725)	(112,905,330)	1,779,792,316

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Exposure to currency risk (continued)

December 2020		K	USD Exposure	EUR Exposure	K Total
Financial assets	**Note**				
Trade receivables	11	21,411,692,970	-	-	21,411,692,970
Special interest	11	881,763	-	-	881,763
Salary advances	11	479,901	-	-	479,901
Staff material loans	11	4,847,939	-	-	4,847,939
Staff receivables-motor vehicles	11	492,729	-	-	492,729
Other debtors	11	13,381,608	-	-	13,381,608
Amounts payable to contractors in debit	11	37,442,517	-	-	37,442,517
National Roads Fund Agency (NFRA)	11	23,978,032	-	-	23,978,032
Prepayments	11	16,910	-	-	16,910
Cash and bank balance	12	78,026,434	83,657	-	78,110,091
		21,571,240,803	83,657	-	21,571,324,460
Financial liabilities					
Amounts payable to contractors	13	(6,832,913,230)	(6,853,682,237)	(71,637,296)	(13,758,232,763)
Retention payable	13	(1,597,611,103)	-	-	(1,597,611,103)
Accruals-interest to contractors	13	(1,095,061,797)	-	-	(1,095,061,797)
Provisions-legal	13	(247,137,957)	-	-	(247,137,957)
Terminal benefits	14(a)	(247,658,343)	-	-	(247,658,343)
Leave pay	13	(41,609,115)	-	-	(41,609,115)
Gratuity	14(b)	(37,900,225)	-	-	(37,900,225)
Other payables	13	(3,126)	-	-	(3,126)
NAPSA	13	(36,355,271)	-	-	(36,355,271)
PAYE	13	(36,878,218)	-	-	(36,878,218)
VAT	13	(1,932,892)	-	-	(1,932,892)
Workers compensation	13	(1,377,532)	-	-	(1,377,532)
Sundry creditors	13	(38,783,230)	-	-	(38,783,230)
		(10,215,222,039)	(6,853,682,237)	(71,637,296)	(17,140,541,572)
Net exposure		11,356,018,763	(6,853,598,580)	(71,637,296)	4,430,782,887

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Exposure to currency risk (continued)

The following significant exchange rates were applied during the year:

	Spot rate at reporting date	
	2021	2020
USD	**16.69**	21.19
EUR	**18.82**	25.99
GBP	**23.34**	28.95

Sensitivity analysis

A 10 percent strengthening/weakening of the USD, GBP and EUR against the Kwacha at 31 December and vice versa would have increased accumulated funds and income expenditure by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Accumulated fund 100bp increase	Accumulated fund 100bp decrease	Income and expenditure 100bp increase	Income and expenditure 100bp decrease
31 December 2021				
USD	**(302,407,080)**	**302,407,080**	**(302,407,080)**	**302,407,080**
EUR	**(11,290,533)**	**11,290,533**	**(11,290,533)**	**11,290,533**
GBP	**(51,672)**	**51,672**	**(51,672)**	**51,672**

	Accumulated fund 100bp Increase	Accumulated fund 100bp decrease	Income and expenditure 100bp increase	Income and expenditure 100bp decrease
31 December 2020				
USD	(685,359,223)	685,359,223	(685,359,223)	685,359,223
EUR	(7,163,730)	7,163,730	(7,163,730)	7,163,730

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

(iii) **Interest rate risk**

The Agency is not exposed to interest rate risk on its bank accounts and does not hold any interest bearing financial instruments.

Interest rate risk management

The exposure to interest rate risk is reviewed regularly by management to align with interest rate reviews and defined risk appetite, by either positioning the statement of financial position or protecting interest expense through different interest rate cycles.

The Agency's exposure to interest rate is low as they do not have interest bearing borrowings and invest in fixed interest bearing investments.

(iv) **Liquidity risk management**

Liquidity risk is the risk that the Agency will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Agency`s approach to managing liquidity is to ensure as far as possible that it will have sufficient liquidity to meet its liabilities when they are due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Agency`s reputation.

The Agency aims to maintain a sufficient level of liquidity to meet its contractual repayments.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Agency's short, medium and long-term funding and liquidity management requirements. The Agency manages liquidity risk by maintaining adequate reserves, banking facilities, continuously monitoring forecast and actual cash flows, and matching the maturity profiles of financial assets and liabilities.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (continued)

The following table details the Agency's remaining period for contractual maturity of its non-derivative financial assets and liabilities. The table below has been drawn up based on the contractual maturities of the financial assets and liabilities.

Liquidity risk management

31 December 2021	Notes	1 to 3 months	3 months to 1 year	More than 1 year	Total
		K	K	K	K
Liabilities					
Amounts payable to contractors	13	-	10,123,359,568	-	10,123,359,568
Retention payable	13	-	1,918,918,695	-	1,918,918,695
Accruals- interest to contractors	13	-	1,431,545,469	-	1,431,545,469
Provisions-legal	13	-	495,274,795	-	495,274,795
Terminal benefits	14(a)	-	22,232,357	227,129,469	249,361,826
Leave pay	13	-	41,298,128	-	41,298,128
Gratuity	14(b)	-	23,143,585	10,759,938	33,903,523
Other payables	13	-	201,068	-	201,068
NAPSA	13	754,843	45,572,496	-	46,327,339
PAYE	13	3,341,525	28,726,157	-	32,067,682
VAT	13	-	1,165,409	-	1,165,409
Workers compensation	13	-	920,239	-	920,239
Sundry creditors	13	-	25,352,744	-	25,352,744
		4,096,368	14,157,710,710	237,889,407	14,399,696,485

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Liquidity risk management (continued)

31 December 2021	Notes	1 to 3 months	3 months to 1 year	More than 1 year	Total
		K	K	K	K
Assets					
Cash and bank balances	12	-	43,736,017	-	43,736,017
Trade receivables	11	-	16,091,149,541	-	16,091,149,541
Special imprest	11	460,275	-	-	460,275
Salary advances	11	360,981	-	-	360,981
Staff material loans	11	143,873	685,058	6,127,569	6,956,500
Staff receivables-motor vehicle disposals	11	83,298	-	-	83,298
Other debtors	11	-	13,398,517	-	13,398,517
Prepayments	11	5,600	-	-	5,600
Amounts payable to contractors in debit	11	-	8,224,784	-	8,224,784
NRFA other receivables	11	-	15,113,288	-	15,113,288
		1,054,027	16,172,307,205	6,127,569	16,179,488,801
Net exposure		(3,042,341)	2,014,596,495	(231,761,838)	1,779,792,316

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Liquidity risk management (continued)

	Notes	1 to 3 months	3 months to 1 year	More than 1 year	Total
31 December 2020		K	K	K	K
Liabilities					
Amounts payable to contractors	13	-	13,758,232,763	-	13,758,232,763
Retention payable	13	-	1,597,611,103	-	1,597,611,103
Accruals- interest to contractors	13	-	1,095,061,797	-	1,095,061,797
Provisions-legal	13	-	247,137,957	-	247,137,957
Terminal benefits	14(a)	-	8,943,059	238,715,284	247,658,343
Leave pay	13	-	41,609,115	-	41,609,115
Gratuity	14(b)	-	28,227,454	9,672,771	37,900,225
Other payables	13	-	3,126	-	3,126
NAPSA	13	-	36,355,271	-	36,355,271
PAYE	13	-	36,878,218	-	36,878,218
VAT	13	-	1,932,892	-	1,932,892
Workers compensation	13	-	1,377,532	-	1,377,532
Sundry creditors	13	-	38,783,230	-	38,783,230
		-	16,892,153,517	248,388,055	17,140,541,572

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Liquidity risk management (continued)

	Notes	1 to 3 months	3 months to 1 year	More than 1 year	Total
		K	K	K	K
31 December 2020					.
Assets					
Cash and bank balances	12	-	78,110,091	-	78,110,091
Trade receivables	11	-	21,411,692,970	-	21,411,692,970
Special imprest	11	-	881,763	-	881,763
Salary advances	11	-	479,901	-	479,901
Staff material loans	11	-	-	4,847,939	4,847,939
Staff receivables-motor vehicle disposals	11	-	-	492,729	492,729
Other debtors	11	-	13,381,608	-	13,381,608
Prepayments	11	-	16,910	-	16,910
Amounts payable to contractors in debit	11	-	37,442,517	-	37,442,517
National Road Fund Agency (NRFA) other receivables	11	-	23,978,032	-	23,978,032
		-	21,565,983,792	5,340,668	21,571,324,460
Net exposure		-	4,673,830,276	(243,047,388)	4,430,782,888

Fair value measurements

The information set out below provides information about how the Agency determines fair values of various financial assets and financial liabilities.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Stock Exchange).
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 — Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Agency considers relevant and observable market prices in its valuations where possible.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Fair value measurements (continued)

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period. The Members consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

		2021		2020	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		K	K	K	K
Cash and bank balances	12	**43,736,017**	**43,736,017**	78,110,091	78,110,091
Trade receivables	11	**16,091,149,541**	**16,091,149,541**	21,411,692,970	21,411,692,970
Special imprest	11	**460,275**	**460,275**	881,763	881,763
Salary advances	11	**360,981**	**360,981**	479,901	479,901
Staff material loans	11	**6,956,500**	**6,956,500**	4,847,939	4,847,939
Staff receivables-motor vehicle disposals	11	**83,298**	**83,298**	492,729	492,729
Other debtors	11	**13,398,517**	**13,398,517**	13,381,608	13,381,608
Prepayments	11	**5,600**	**5,600**	16,910	16,910
Amounts payable to contractors in debit	11	**8,224,784**	**8,224,784**	37,442,517	37,442,517
National Road Fund Agency (NRFA) other receivables	11	**15,113,288**	**15,113,288**	23,978,032	23,978,032

Road Development Agency
Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

16. Financial instruments- Risk management (*continued*)

Fair value measurements (continued)

	Note	2021 Carrying amount	2021 Fair value	2020 Carrying amount	2020 Fair value
Financial liabilities					
Amounts payable to contractors	13	**10,123,359,568**	**10,123,359,568**	13,758,232,763	13,758,232,763
Retention payable	13	**1,918,918,695**	**1,918,918,695**	1,597,611,103	1,597,611,103
Accruals- interest to contractors	13	**1,431,545,469**	**1,431,545,469**	1,095,061,797	1,095,061,797
Provisions-legal	13	**495,274,795**	**495,274,795**	247,137,957	247,137,957
Terminal benefits	14(a)	**249,361,826**	**249,361,826**	247,658,343	247,658,343
Leave pay	13	**41,298,128**	**41,298,128**	41,609,115	41,609,115
Gratuity	14(b)	**33,903,523**	**33,903,523**	37,900,225	37,900,225
Other payables	13	**201,068**	**201,068**	3,126	3,126
NAPSA	13	**46,327,339**	**46,327,339**	36,355,271	36,355,271
PAYE	13	**32,067,682**	**32,067,682**	36,878,218	36,878,218
VAT	13	**1,165,409**	**1,165,409**	1,932,892	1,932,892
Workers compensation	13	**920,239**	**920,239**	1,377,532	1,377,532
Sundry creditors	13	**25,352,744**	**25,352,744**	38,783,230	38,783,230

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021 K	2020 K

17. Related party transactions

The Agency undertakes to disclose the nature of related party relationships, and types of transactions necessary for the understanding of the annual financial statements.

In the context of the Agency, related party transactions include any transactions carried out with any of the following:

- Government ministries and parastatals;
- Board members; and
- Key management personnel.

The transactions to be reported are those that affect the Agency in making financial and operating decisions.

i) Transactions during the year

(a) Revenue grants received from related parties

	2021 K	2020 K
National Road Fund Agency	**1,041,565,172**	895,514,176
Ministry of Housing and Infrastructure Development	**117,926,364**	117,994,435
	1,159,491,536	1,013,508,611

Government grant represents funds receivable from Government in respect of grant income allocation for the year.

(b) Compensation of Directors and key Management personnel

The remuneration of Directors and members of key Management is determined by the Board having regard to funding and market trends.
The remuneration of the Board and key members of Management during the year was as follow:

	2021 K	2020 K
Salaries and other short term benefits to management	**10,548,475**	10,548,475
Directors' remuneration	**1,273,732**	1,664,790

Road Development Agency

Financial Statements for the year ended 31 December 2021

Notes to the Financial Statements *(continued)*

	2021 K	2020 K
17. Related party transactions (*continued*)		
(ii) Balances due to/from related parties		
(a) Balances due from the National Road Fund Agency (NFRA)	**12,029,904,194**	15,323,241,844
(b) Balances due (to)/from key members of Management:		
• Loans due from key Management personnel	**1,102,525**	409,390
• Gratuity and leave due to key Management personnel	**4,559,436**	4,154,044

18. Contingent liabilities

As at 31 December 2021, there were contingent liabilities in respect of various legal claims made against the Agency amounting to K334 million (2020: K679 million). These amounts are not recognised in the financial statements as Management has assessed that there is a low risk of the matters being decided against the Agency.

19. Capital commitments

As at 31 December, 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:

Roads and bridges	**338,962,595**	6,173,117,798

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.

20. Events after the reporting date

As at the date of signature of these financial statements, there were no material facts or circumstances that have occurred between the accounting date and the date of approval of the financial statements which may require adjustment to or disclosure in these financial statements. In November 2021 there was a change in key management, which resulted in the former employees bringing litigation against the agency.

Road Development Agency

Financial Statements for the year ended 31 December 2021

Appendix 1: Detailed Statement of Comprehensive income

	2021 K	2020 K
Income		
Amortisation of capital grants	**1,491,838,998**	1,435,829,259
Project grant from National Roads Fund Agency (NRFA)	**1,041,565,172**	895,514,176
Revenue grants from GRZ	**117,926,364**	117,994,435
	2,651,330,534	2,449,337,870
Other income		
Abnormal load fees	**7,356,364**	5,907,967
Bill boards	**1,812,240**	2,066,880
Equipment hire	**16,200**	37,250
Profit on disposal of plant and equipment	**-**	5,208,143
Liquidated damages	**800,762**	1,023,260
Private Public Partnership	**205,544**	40,517
Rental income	**134,000**	209,260
Road infringement charges	**2,480,184**	1,933,610
Quarry royalties	**5,617,645**	2,665,368
Soil testing analysis fees	**295,166**	323,250
Routeway inspection fees	**1,446,900**	901,456
Tender document sales	**1,717,120**	2,707,830
Other	**618,183**	1,828,434
Total other income	**22,500,308**	24,853,255
Total income	**2,673,830,842**	2,474,191,095

Road Development Agency
Financial Statements for the year ended 31 December 2021

Appendix 1: Detailed Statement of Comprehensive income *(continued)*

	2021 K	2020 K
Expenditure		
Accommodation and meals	**2,587,266**	2,296,550
Audit fees	**307,441**	528,708
Bank charges	**224,021**	193,138
Board expenses	**1,635,395**	5,569,855
Civil maintenance	**910,838**	360,191
Cleaning materials and toiletries and sanitary services	**587,920**	582,402
Computer expenses	**80,068**	80,688
Amortisation of intangible assets	**34**	154,140
Depreciation	**1,491,838,964**	1,435,675,119
Electricity, water and sewerage	**948,201**	907,501
Equipment service and repair	**422,351**	499,638
Insurance	**2,445,513**	1,499,680
Internet services	**511,353**	565,601
Legal fees	**223,483**	133,750
Loss on disposal of plant and equipment	**3,910,122**	-
Motor vehicle expenses	**8,326,197**	8,050,871
Newspapers	**7,000**	50,034
Office beverages and refreshments	**594,046**	323,314
Other costs	**93,733**	142,827
Printing and stationery	**2,999,066**	1,326,333
Bad debt charge	**931,530,400**	496,917,269
Public relations and advertising	**2,045,093**	1,478,283
Recruitment costs	**23,519**	136,905
Rent collection costs	**27,175**	37,732
Routeway inspection costs	**159,889**	232,581
Security services	**2,824,303**	2,717,176
Staff costs	**197,384,953**	212,143,404
Staff training	**1,070,057**	454,719
Staff welfare	**1,018,468**	678,773
Subscriptions	**446,335**	463,058
Office rentals	**108,259**	57,900
Telephone and postage	**293,395**	358,829
Travelling expenses	**2,955**	26,107
Miscellaneous expenses	**87,888**	41,744
Workshops and seminars	**296,709**	544,432
	2,655,972,410	2,175,229,252

Road Development Agency

Financial Statements for the year ended 31 December 2021

Appendix 1: Detailed Statement of Comprehensive income (continued)

	2021 K	2020 K
Detailed analysis of routine repairs, maintenance works and project related costs		
Environmental costs	**2,014,000**	4,751,763
Interest on long outstanding contractor debts	**725,890,519**	348,923,360
Project procurement costs	**3,013,232**	4,053,731
Routine maintenance - roads	**415,802,724**	404,915,408
Routine maintenance - bridges	-	491,840
Routine maintenance - force accounts	**67,302,802**	73,397,545
Supervision expenses - roads and bridges	**5,945,871**	7,239,114
Supervision expenses - routine maintenance	**839,965**	1,141,533
Suspension, Idle time & Demobilisation	**28,665,534**	25,247,475
Technical assistance and other consultancy costs	**57,325,724**	73,023,912
Pave Zambia 2000 costs	-	3,500
Road tolling costs	**2,000**	-
Information and communication technology costs	**3,190,351**	1,937,948
Legal costs and arbitration awards	**257,948,679**	89,117,753
	1,567,941,401	1,034,244,882

The Regional Manager RDA – Lusaka Region Plot No. 1612 Sheki Sheki Road P.O Box 30918 LUSAKA Tel: 211 241765	Road Development Agency Head Quarters P.O. Box 50003, LUSAKA Tel: 211 253801/254838/253088 Email: RDA_HQ@roads.gov.zm		The Regional Manager RDA – Copperbelt Region Plot 4084, Mosi - O – Tunya Road P.O Box 71517 NDOLA Tel: 212 650264/650497
The Regional Manager RDA - Central Region Plot 486, Buntungwa Road P.O Box 80180 KABWE Tel: 215 222263/224662	The Regional Manager RDA – North Western Region Former Roads Department next to ESCO, Independence Road P.O Box 110094 SOLWEZI Tel: 218 821196	The Regional Manager RDA – Luapula Region PACU Building, Mansa – Kawamb-wa Road P.O Box 710007 MANSA Tel: 212 821702/821973	The Regional Manager RDA – Northern Region Plot 2847, Mukulumpe Road, Central Town P.O Box 410720 KASAMA Tel. 214 221290/230046
The Regional Manager RDA – Muchinga Region Plot ZD 160, Chama Complex Nambuluma Road CHINSALI Tel: 04 565088	The Regional Manager RDA – Eastern Region PWD Building, Umodzi Highway Private Bag 18 CHIPATA Tel: 216 221033/ 222026	The Regional Manager RDA – Western Region Plot 164, Mongu – Senanga Road Private Bag Mongu MONGU Tel: 222036	The Regional Manager RDA – Southern Region Plot 1313, KAPONDO STREET MOCHIPAPA CHOMA Tel: 260213221610