



ROAD DEVELOPMENT AGENCY

# 2022 ANNUAL REPORT





# TABLE OF CONTENTS

<b>LIST OF ACRONYMS</b> .....	<b>iii</b>
<b>EXECUTIVE SUMMARY</b> .....	<b>iv</b>
<b>OUR MANDATE</b> .....	<b>v</b>
<b>PRINCIPAL FUNCTIONS</b> .....	<b>v</b>
<b>BOARD OF DIRECTORS CHAIRPERSON’S FOREWORD</b> .....	<b>vii</b>
<b>DIRECTOR AND CHIEF EXECUTIVE OFFICER’S STATEMENT</b> .....	<b>viii</b>
<b>RDA BOARD OF DIRECTORS</b> .....	<b>ix</b>
<b>EXECUTIVE MANAGEMENT</b> .....	<b>x</b>
<b>RDA DEPARTMENTS</b> .....	<b>xi</b>
<b>SECTION 1</b> .....	<b>1</b>
<b>1.0 FINANCIAL AND PROGRAMME PERFORMANCE</b> .....	<b>1</b>
<b>1.1 FINANCIAL PERFORMANCE</b> .....	<b>1</b>
1.1.1 Implementation of the 2022 Road Sector Annual Work Plan (RSAWP) .....	1
<b>SECTION 2</b> .....	<b>2</b>
<b>2.0 ZAMBIAN ROAD NETWORK</b> .....	<b>2</b>
2.1.1 Gazetted and Core Road Network .....	2
<b>SECTION 3</b> .....	<b>4</b>
<b>3.1 PLANNING, DESIGN, RESEARCH AND DEVELOPMENT</b> .....	<b>4</b>
<b>3.2 PROCUREMENT</b> .....	<b>8</b>
<b>3.3 CONSTRUCTION, UPGRADING AND REHABILITATION WORKS</b> .....	<b>9</b>
3.3.1 Link Zambia 8000 Programme .....	10
3.3.2 Major Road Rehabilitation .....	10
3.3.3 Major Bridges and other Civil Works Projects .....	11
3.3.4 Achievements .....	12
3.3.5 Termination of Stalled Projects .....	14
3.3.6 Sub-Contracting .....	14
3.3.7 Outlook for 2023 .....	14
<b>3.4 ROAD MAINTENANCE AND EMERGENCY WORKS</b> .....	<b>14</b>
3.4.1 Implementation of the Revised Road Maintenance Strategy .....	14
3.4.2 Road Maintenance Projects .....	14
3.4.3 Routine Maintenance of Trunk, Main and District Roads .....	14

3.4.4 Ongoing Road Projects under Periodic Maintenance .....	14
3.4.5 Urban Roads Projects .....	15
3.4.6 Feeder Roads .....	15
3.4.7 Installation of Road Signs on TMDs.....	15
<b>3.5 BRIDGES WORKS .....</b>	<b>15</b>
<b>3.6 EMERGENCIES UNDER FORCE ACCOUNT/CONTRACT .....</b>	<b>16</b>
<b>3.7 AXLE LOAD CONTROL.....</b>	<b>16</b>
<b>SECTION 4 .....</b>	<b>21</b>
<b>4.1 IMPLEMENTATION OF THE COMMUNICATION STRATEGY .....</b>	<b>21</b>
4.1.1 Media Tours.....	21
4.1.2 Television Programmes .....	21
4.1.3 Stakeholder Management .....	21
<b>4.2 GOVERNMENT RELATIONS .....</b>	<b>24</b>
4.2.1 Commissioning of Mumbwa Weighbridge .....	24
<b>SECTION 5 .....</b>	<b>25</b>
<b>5.1 AUDIT AND RISK ASSURANCE.....</b>	<b>25</b>
5.1.1 Assurance and Consulting Activities .....	25
5.1.2 Performance under Assurance Activities.....	25
5.1.3 Consultancy Services and Investigations .....	26
<b>5.2 MONITORING AND EVALUATION.....</b>	<b>26</b>
5.2.1 Vendor Rating .....	26
5.2.2 Development of the Monitoring and Evaluation System.....	27
5.2.3 Cost Control and Advice.....	27
5.2.4 Monitoring and Evaluating Contractors' Claims .....	28
<b>SECTION 6 .....</b>	<b>29</b>
<b>6.1 LEGAL SERVICES.....</b>	<b>29</b>
<b>6.2 HUMAN CAPITAL .....</b>	<b>30</b>
6.2.1 Staff Establishment.....	30
<b>SECTION 7 .....</b>	<b>32</b>
<b>2022 RDA FINANCIAL STATEMENTS .....</b>	<b>32</b>

## 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 Européen de Development
GRZ	Government of the Republic of Zambia
IRCP	Improved Rural Connectivity Project
JICA	Japan 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
MLGRD	Ministry of Local Government and Rural Development
MTL	Ministry of Transport and Logistics
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
RSASP	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 2022. Since its establishment, the RDA has continued to contribute to the socio-economic development of Zambia through the execution of its mandate as enshrined in the Public Roads Act No. 12 of 2002 as amended.

The RDA commenced its operations in 2006 and its functions are 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 RDA is responsible for the entire classified road network of 67,671 kilometres, including bridges and culverts. Owing to scarce resources, the Agency mostly concentrates 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 socio-economic development and contribute to poverty reduction.”

In 2022, the RDA carried out activities in accordance with the approved 2022 Road Sector Annual Work Plan (RSAWP) and these included upgrading, construction, rehabilitation and maintenance of roads and bridges. Other key activities implemented involved designing of traffic capacity movements; design reviews; research and development; road and bridge asset management; environmental management; construction materials testing and engineering studies, supervision and monitoring of projects, which mainly included Force Account Projects and the Improved Rural Connectivity Project (IRCP), among others.

Rehabilitation works on the Chinsali to Nakonde Road were underway during 2022 and 38.7 kilometres surfacing to asphalt standard was achieved on Lot 1 (Chinsali to Isoka) of the project. Under Lot 2, (Isoka to Nakonde), 44.5 kilometres surfacing to

asphalt standard was attained. Cumulatively, the rehabilitation of 170 kilometres of the total 210 kilometres of the project has been completed. On the Mongu to Limulunga Road rehabilitation works, 11 kilometres out of the total 14.4 kilometres were achieved in 2022.

The RDA has been rehabilitating feeder roads under the Improved Rural Connectivity Project (IRCP). The project aims at rehabilitating 4,300 kilometres of feeder roads to all-weather gravel standard in all the ten (10) Provinces of Zambia. So far, 1,544 kilometres of feeder roads have been rehabilitated to all-weather gravel standard.

In 2022, there were eleven (11) Output Performance Road Contracts (OPRC) projects under the IRCP in Central, Eastern, Northern, Luapula, Southern, North-Western and Muchinga Provinces covering a total distance of 2,921 kilometres and valued at K1.66 billion.

The Agency made headways in attracting the Private Sector in the development of road infrastructure under the Public-Private Partnership (PPP) Framework and signed a Concession Agreement (CA) with Messrs. Turbo Kachin-Investment Consortium (TIC) for the Design, Finance, Build, Operation, Maintenance and Transfer of 35 kilometres of the T3 mining transportation channel of the Kasumbalesa to Chingola Road on 31<sup>st</sup> October 2022.

Meanwhile, as at 31<sup>st</sup> December 2022, rehabilitation works of the 270 metres Kafue Hook Bridge whose works commenced on 13<sup>th</sup> March 2015 were substantially completed.

With regards to routine maintenance, the Agency had two hundred and one (201) ongoing routine maintenance contracts in all the Provinces valued at K481 million and covering a total distance of 5,951 kilometres for both paved and unpaved roads in 2022.



## OUR MANDATE

The RDA was established by the Public Roads Act No. 12 of 2002 and as amended by Act No. 9 of 2022 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 1<sup>st</sup> 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 Tolloed 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.

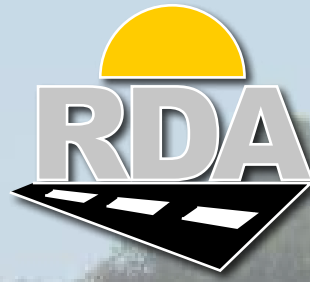
## PRINCIPAL FUNCTIONS

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. Make recommendations in relation to siting of buildings on roadsides;
- x. In consultation with the National Road Fund Agency (NRFA), 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 NRFA, 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. Enforce 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

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



I am delighted, on behalf of the Board of Directors to present the Annual Report for the Road Development Agency (RDA), for the year ended 31<sup>st</sup> December 2022.

The Agency in 2022 continued with its mandate of construction, rehabilitation and maintenance of public roads with focus on working within the confines of the Government's directive of procuring goods, services and works at the right price, delivery to specified quality and timelines.

The economic challenges that the Country has been experiencing did not spare the Agency, thereby, resulting in delayed payments of Interim Payment Certificates (IPCs) to contractors and consultants. This situation ultimately affected the progress on some projects. Therefore, in order to align with the Government's direction of debt restructuring, the RDA in consultation with key

stakeholders started the process of terminating projects that had stalled over time. Meanwhile, to create an impact on project implementation, the strategic direction during 2022 singled out some key projects and dedicated consistent funding to ensure that the projects were completed.

Notwithstanding the financial challenges experienced in 2022, the Agency attained some milestones in the upgrading, rehabilitation and maintenance of some of the key road links. Among the major projects which recorded substantial progress were the rehabilitation of the Kafue Hook Bridge, rehabilitation of the Solwezi Weighbridge, construction of the Mongu to Limulunga Road and construction of the Lundazi and the Msuzi Bridges. Further, progress was recorded on the Chinsali to Nakonde Road and cumulatively, 170 kilometres out of 210 kilometres has been rehabilitated.

To actualise plans for the increased construction of roads using concrete, the RDA in 2022 advertised the pilot project for the detailed engineering designs and construction of rigid pavement on 7 kilometres of the Chibuluma Road in Kitwe on the Copperbelt Province. Another rigid pavement project is earmarked for construction on 5 kilometres of Mwembeshi Road in Lusaka's industrial area. Consequently, in an effort to bring together industry experts and other stakeholders involved in cement and concrete technologies, for knowledge sharing and networking, the RDA organised a symposium dubbed "Sustainable Infrastructure Development using Cement and Concrete Technologies".

In 2023, focus will be on completing and commissioning key road and bridge projects to improve connectivity and reduce transportation costs. The Strategic Plan covering the period 2022-2026, which has been aligned to the Eighth National Development Plan (8NDP) will be launched during the third quarter of 2023.

The Board would like to express its appreciation to the Government and all stakeholders for the support rendered to the Agency, which enabled us to implement our mandate. Further, appreciation is extended to the Acting Director and Chief Executive Officer, Management and members of Staff of the RDA for their continued dedication in achieving the objectives of the Agency.

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

## DIRECTOR AND CHIEF EXECUTIVE OFFICER'S STATEMENT



I am pleased to share with you the Annual Report for the Road Development Agency (RDA) for the year ended 31<sup>st</sup> December 2022.

The Agency is committed to contributing to the socio-economic development of the Country, through the provision of an efficient road network. This commitment was demonstrated in 2022 through the continued implementation of various road infrastructure programmes and projects.

Among the rehabilitation projects that were ongoing in 2022, was the rehabilitation of the Chinsali to Nakonde Road, Mongu to Limulunga Road, rehabilitation of the Kafue Hook, Lundazi and Msuzi Bridges and the roll-out of the Improved Rural Connectivity Project (IRCP). Additionally, during 2022, there were four (4) road contracts under periodic maintenance and two hundred one (201) road contracts under routine maintenance.

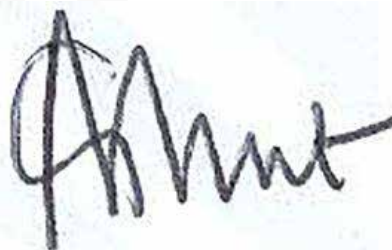
Furthermore, the Agency implemented the ACROW Bridge Project through Force Account and in collaboration with the Zambia National Service (ZNS) and Zambia Army. To this effect, the Lunchu ACROW Bridge was installed in Kapiri-Mposhi District of Central Province. Two (2) out of the targeted one hundred and thirty-one (131) ACROW Bridges have so far been installed leaving one hundred twenty-nine (129) earmarked for installation in succeeding years.

The construction of the Mwami One-Stop Border Post (OSBP) in Eastern Province whose works commenced on 5<sup>th</sup> December 2018 were completed and the facility commissioned on 7<sup>th</sup> December 2022 by His Excellency, the President of the Republic of Zambia, Mr. Hakainde Hichilema and his Malawian counterpart His Excellency, Dr. Lazarus Chakwera.

Meanwhile, the Agency, continued to explore the Public-Private Partnerships (PPP) financing option for key projects and made progress on one critical road link, namely the Chingola to Kasumbalesa Road, as the Concession Agreement (CA) was signed for the project.

Negotiations had also advanced on the Lusaka-Ndola dual carriageway works under the PPP Model. Additionally, in 2022, the Agency floated ten (10) tenders for viability studies for undertaking PPP projects on various sections of the road network.

We extend our gratitude to all our stakeholders who closely worked with the Agency. These included the Government, Local Road Authorities, the Truckers Association of Zambia, National Medium and Small-Scale Contractors, Zambia Women in Construction, Engineering Institution of Zambia (EIZ), Association of Consulting Engineers of Zambia, Zambia Institute of Architects, Quantity Surveyors Registration Board, Road Users, the Media, Road Sector Agencies, Traditional leaders and Cooperating partners among others.



**ENG. GRACE MUTEMBO**

ACTING 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 DIRECTOR



**MR. MULILO D. KABESHA SC**  
BOARD DIRECTOR



**DR. NGOZA C. MUTHALI**  
BOARD DIRECTOR



**ENG. CLIVE KHAN**  
BOARD DIRECTOR



**MR. MUSOKOTWANE SICHIZUWE**  
BOARD DIRECTOR



**ENG. WALLECE MUMBA**  
EX OFFICIO



**ENG. ALINANI MSISYA**  
EX OFFICIO



**ENG. GRACE MUTEMBO**  
ACTING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER



# EXECUTIVE MANAGEMENT



**ENG. GRACE MUTEMBO**  
ACTING DIRECTOR AND CHIEF EXECUTIVE OFFICER



**ENG. LAZARUS NYAWALI**  
ACTING 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



**MR. ANTHONY MULOWA**  
ACTING DIRECTOR - COMMUNICATIONS AND CORPORATE AFFAIRS



**MS. CHITI KABWE**  
ACTING DIRECTOR - LEGAL SERVICES

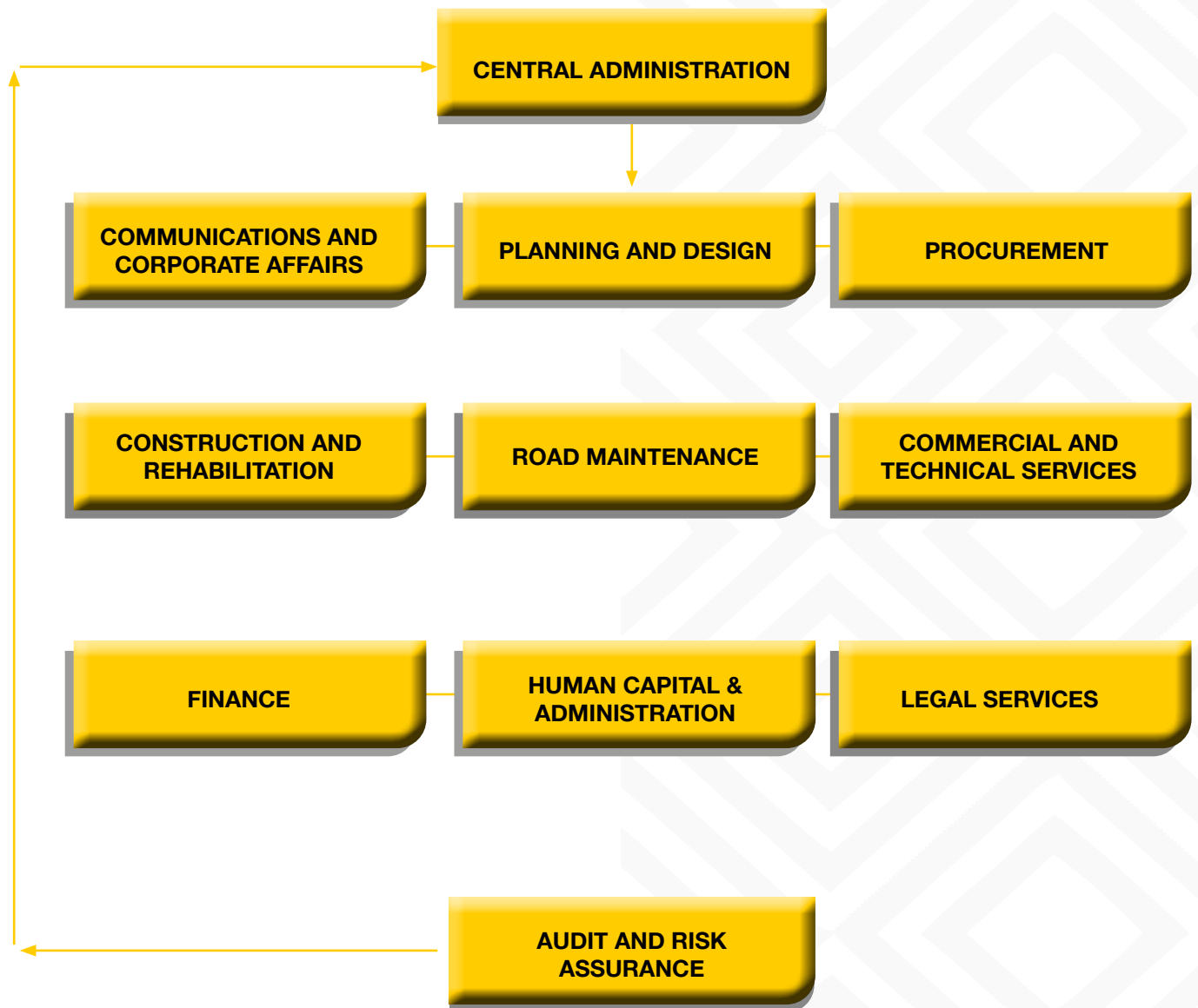


**ENG. CHILUFYA MWENYA**  
ACTING DIRECTOR - PROCUREMENT



**MS. BUEENDO NYAMA**  
ACTING DIRECTOR - HUMAN CAPITAL AND ADMINISTRATION

# DEPARTMENTS









# SECTION 1

## 1.0 FINANCIAL AND PROGRAMME PERFORMANCE

### 1.1 FINANCIAL PERFORMANCE

#### 1.1.1 Implementation of the 2022 Road Sector Annual Work Plan (RSAWP)

The Road Fund, which is managed by the National Road Fund Agency (NRFA) on behalf of the Road Sector Agencies, provides sources of funding for road works and services in Zambia. The resources include local funding from the Government of the Republic of Zambia (GRZ) in the form of Road Tolls, Fuel Levy and other Road User charges; funding from Multilateral Development Banks (MDBs) such as the World Bank, European Investment Bank (EIB), Export and Import (Exim) Bank of China, African Development Bank (AfDB) and various Cooperating Partners such as the European Union (EU) and the Japan International Cooperation Agency (JICA) among others. The 2022 RSAWP amounted to **K4.9 billion** comprising **70%** from local resources in the form of direct GRZ funding from the Treasury and the Road Fund and **30%** from external financing (Loans and Grants) as shown in **Figure 1** below.

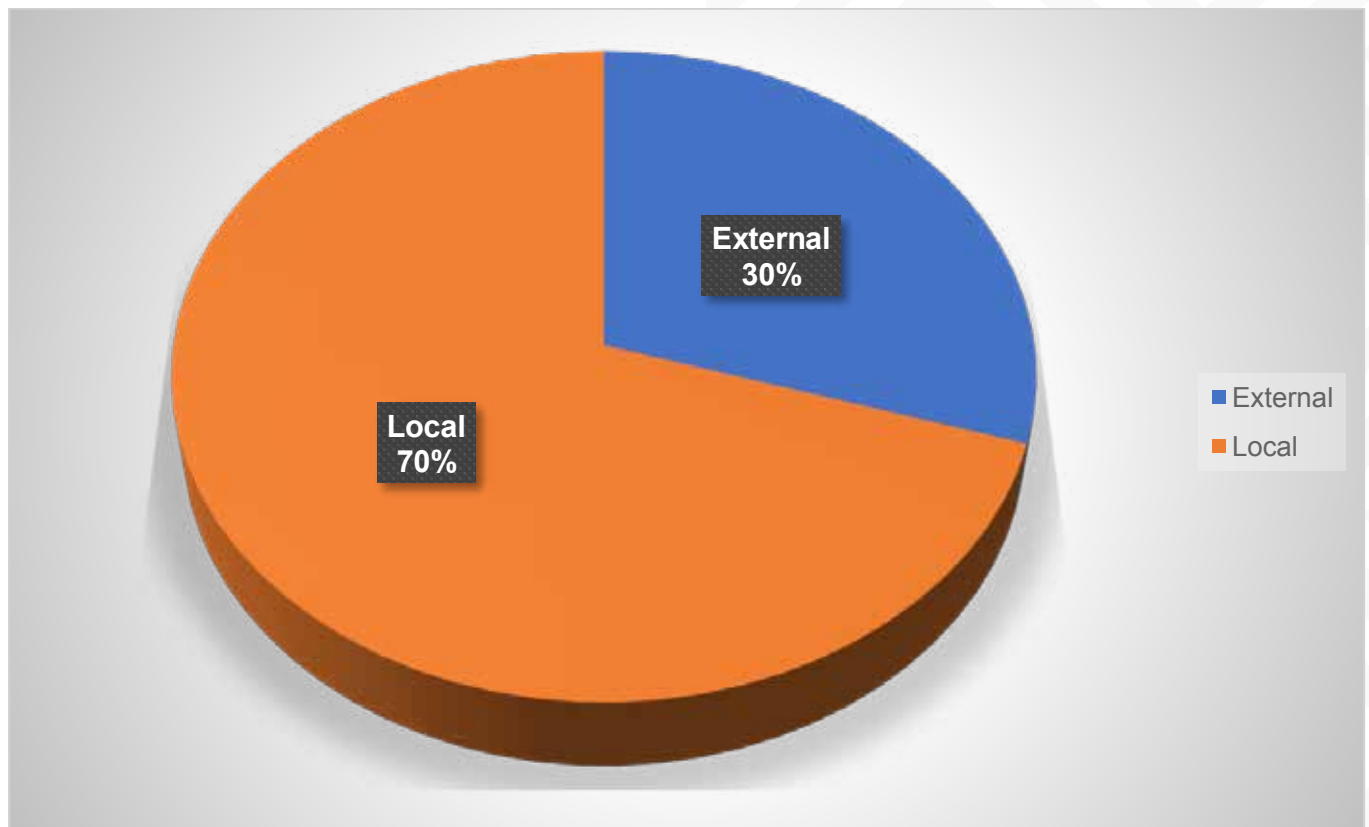


Figure 1: 2022 RSAWP Funding by Source

# SECTION 2

## 2.0 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 **Figure 2**.

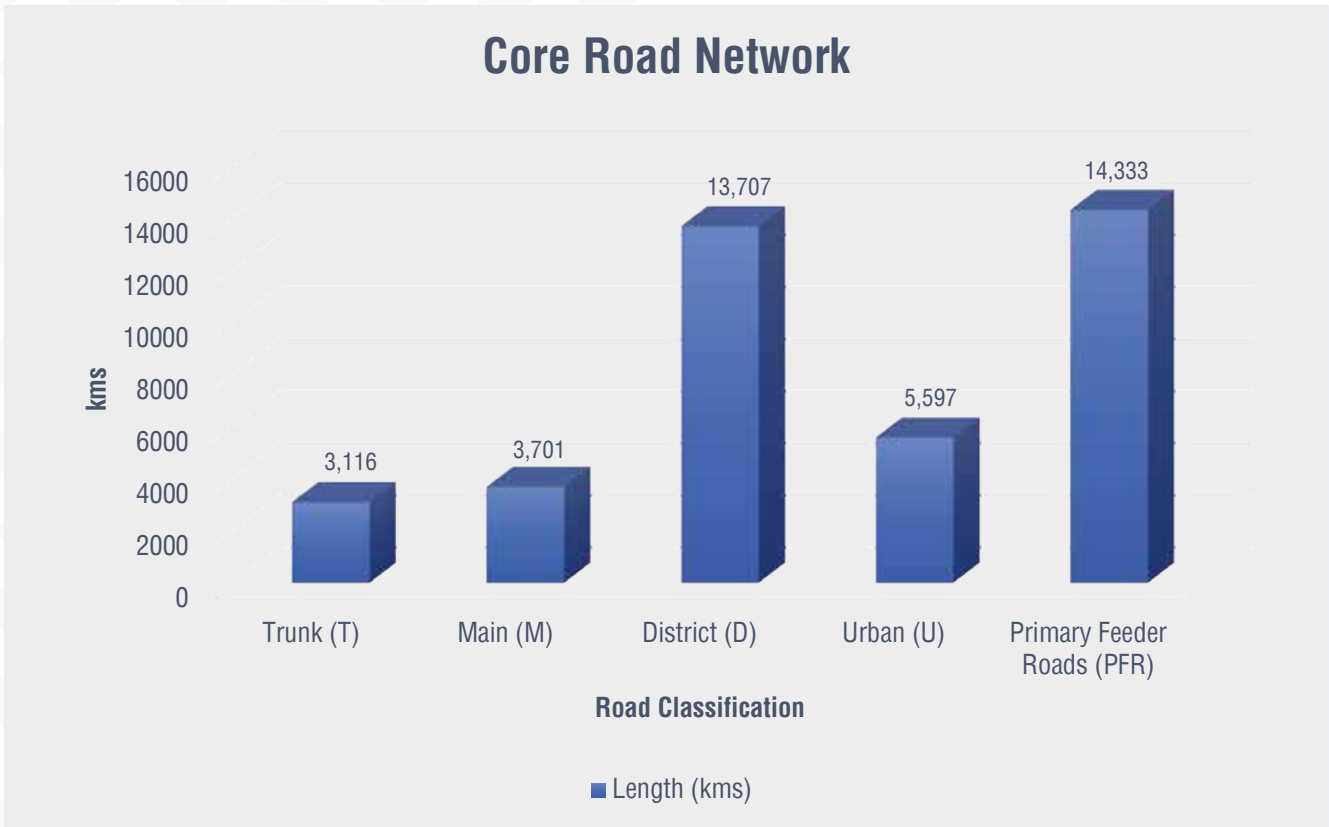
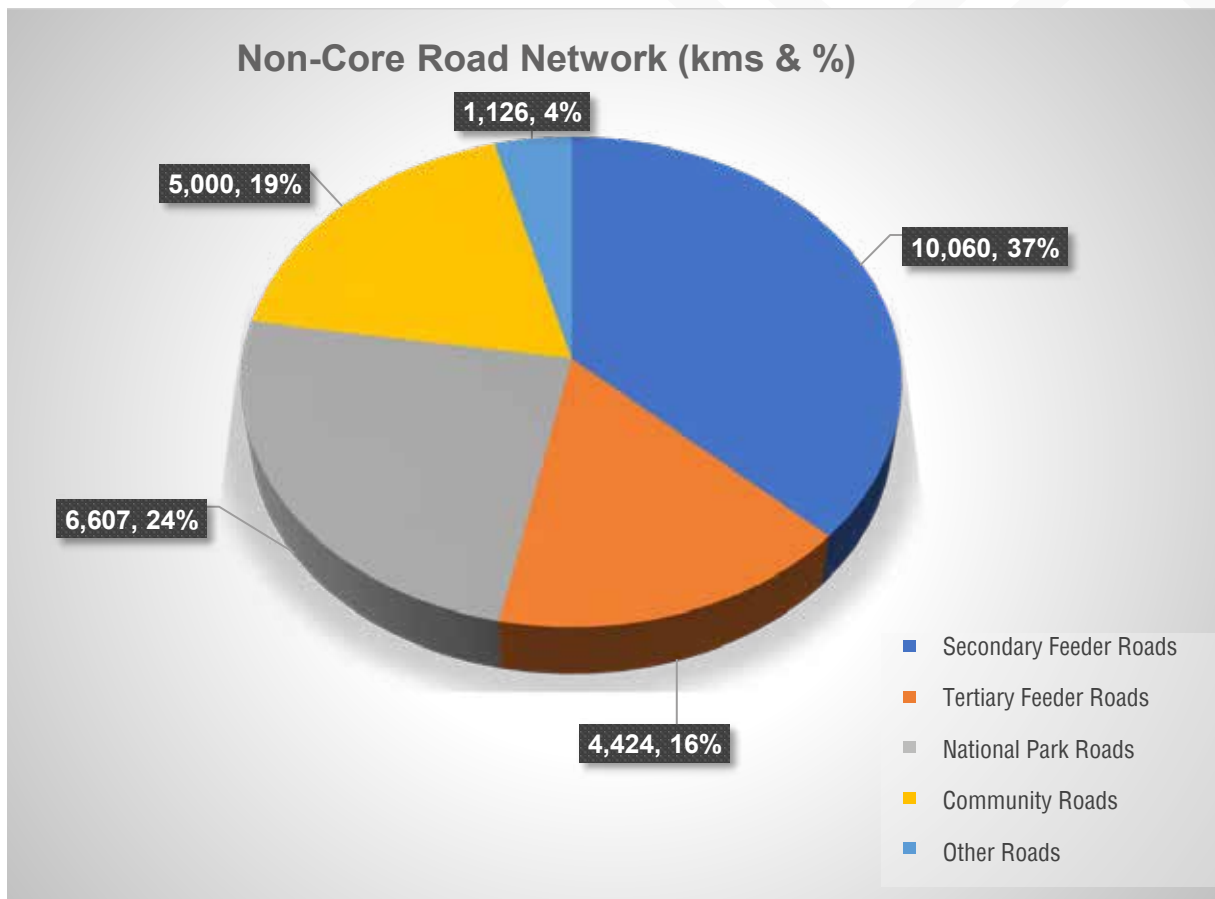


Figure 2: Core Road Network in Zambia



**Figure 3: Non-Core Road Network in Zambia**

### 2.1.2 Road Reserve Management

Roads are becoming expensive to construct, upgrade and maintain in an environment where their reserves are occupied by various forms of infringements or encroachments. The presence of various constrictions on roads results in road friction which is manifested by congested roads, poor environments, and increased safety hazards. The Agency continued to manage the road reserves, processed applications for road infringements and undertook other road reserve management activities in line with the Public Roads Act No. 12 of 2002 as amended by Act No. 9 of 2022.

Furthermore, the RDA developed the Road Access Management Guidelines which are intended to be used to effectively manage the road reserve. A total of one hundred and fifteen (115) road infringement applications were processed in 2022, most of which were filling stations applying for access to public roads (60%) and utility companies applying to infringe the road reserve for service lines (14%). The rest of the applications included billboards, land subdivisions, temporary structures and access to new property developments.

## SECTION 3

### 3.1 PLANNING, DESIGN, RESEARCH AND DEVELOPMENT

The Road Development Agency (RDA) planned and implemented activities in 2022 in line with the Road Sector Annual Work Plan (RSAWP). The planning and implementation revolved around ensuring the achievement of the Agency's mandate.

#### 3.1.1 Promotion and Implementation of Public-Private Partnerships (PPPs)

The RDA has taken keen interest in providing an enabling environment for the private sector participation in road infrastructure development through promoting joint ventures between the private and public sector to drive economic growth. The trade and investment generated through such partnerships is anticipated to generate job and business opportunities as well as other related aspects of social and economic benefits. Thus, Public-Private Partnerships (PPPs) remain a viable option where partnerships between the public and private sector can thrive.

The RDA plans to build or rehabilitate roads with high traffic volumes using the PPP financing model. This model is intended to provide fiscal relief by allowing the private sector to collaborate with the Government by investing in developing public infrastructure. This financing model will, in turn, improve infrastructure development and service delivery.

The following were some of the PPP projects that the RDA worked on in 2022:

##### 3.1.1.1 Lusaka to Ndola Dual Carriageway Project

The Lusaka to Ndola Road is the backbone of Zambia's road network and upgrading it to dual carriageway is critical in stimulating the much-needed economic growth through increased trade within the Country and the Region at large. In 2022, the procurement process for the PPP reached an advanced stage and the negotiations with the preferred bidder nearing completion. The project scope involves the upgrading

of 327 kilometres of the road to dual carriageway from Lusaka to Ndola. The project scope also includes the rehabilitation of 45 kilometres of the Masanganano to Luanshya Road, construction of approximately 30 kilometres of bypasses in Kabwe and Kapiri-Mposhi towns.

The expectation is for the signing of the Concession Agreement (CA) for the project in the first quarter of 2023 and works commencing upon attainment of Financial Closure in August 2023.

##### 3.1.1.2 Kasomeno to Mwenda Road and Bridge Project

The construction of the Kasomeno to Mwenda Toll Road and Bridge Project is among the top priority projects for Zambia. The road and bridge will connect Zambia at Mwenda and Kasomeno in the Democratic Republic of Congo (DRC).

The road link will reduce the travelling distance between the Port of Dar-es-Salaam and Lubumbashi by approximately 500 kilometres.

The CA was signed with Messrs. Groupe Européen de Développement (GED) Projects Africa Limited and Financial Closure is expected to be attained by middle of 2023.

##### 3.1.1.3 Other PPP Projects

The Agency signed a CA with Messrs. Turbo Kachin-Investment Consortium (TIC) for the Design, Finance, Build, Operation, Maintenance and Transfer of 35 kilometres of the T3 mining transportation channel of the Kasumbalesa to Chingola Road under the PPP Framework on 31<sup>st</sup> October 2022. Works on the project will commence after Financial Closure is attained.

Furthermore, the Agency advertised ten (10) tenders for viability studies for undertaking PPP projects on various sections of the road network. The roads involved are:



- a) The rehabilitation of the Batoka to Maamba Road (88 kilometres) including 10 kilometres of selected township roads in Maamba in Southern Province;
- b) The rehabilitation of the Katete to Chanida Road (55 kilometres) in Eastern Province;
- c) The rehabilitation of the Livingstone to Sesheke Road (212 kilometres) in Southern Province;
- d) The upgrading of the Solwezi to Kipushi Road (109 kilometres) in North Western Province;
- e) The rehabilitation and upgrading of the Mutanda to Mwinilunga to Jimbe Road (343 kilometres) in North Western Province;
- f) The upgrading to dual carriageway of 35 kilometres of the Great East Road (T4) from Lusaka (junction to the Kenneth Kaunda International Airport to Chongwe), construction of 20 kilometres of roads in Chongwe District and rehabilitation and widening of the T4 from Chongwe to Luangwa Bridge (approximately 220 kilometres) in Lusaka and Eastern Provinces;
- g) The rehabilitation of the Serenje to Chinsali Road (404.54 kilometres) in Central and Muchinga Provinces;
- h) The rehabilitation and upgrading to bituminous standard of the M20 and D181 roads from Landless Corner to Kasempa (475 kilometres) in Central and North Western Provinces;
- i) The upgrading to bituminous standard of the road from Matumbo to Chama and Chama to Lundazi including the road to Lusuntha Border (207 kilometres) in Eastern Province; and
- j) The upgrading to dual carriageway of the road from Lusaka to Livingstone (472 kilometres) in Lusaka and Southern Provinces.

Once the studies are concluded, the results will be used to inform the Government when making decisions on which PPP projects would be embarked on.

### 3.1.3 Road Condition Surveys

To facilitate road maintenance programmes, road condition data and traffic levels must be collected over the entire road network on an annual basis. The collection of road condition data has been done through outsourcing by consultants. In order to help validate the data collected by consultants, the RDA procured road condition data collection equipment with support from the World Bank. Apart from data validation, the equipment was also procured to build capacity within the RDA to undertake detailed Road Condition Surveys in-house. In 2022, RDA staff started collecting road condition data on the T1 Road from Livingstone to Lusaka; T2 Road from Chirundu to Nakonde; T4 Road from Lusaka to Mwami; and T6 Road from Katete to Chanida. The data collection exercise will continue in 2023 for Trunk and Main roads while data collection for District and Feeder roads would be outsourced.



Figure 4: Road Condition Survey Vehicle

### 3.1.4 Collaborative Research Activities

Improving road transport is vital for Zambia's economic development, and an effective research programme is an important part of delivering that development. Whilst the majority of research knowledge in Africa has been generated internationally, or at least through international organisations, the RDA saw the need to identify, manage and disseminate home grown research activities. The skills gained will be utilised to inform policy and technical decisions that would lead to an improved and reliable road network in Zambia.

The RDA continued receiving Expressions of Interest (EOI) from promoters of various non-conventional road maintenance products and technologies. The products received included Armaseal road surface preservation material which was successfully tried, Afro TCA Soil Stabiliser, PowerCem Soil Stabilising Technology, Firmaroad Soil Stabiliser and Road Safety Mobile App which was still under development.

The RDA also collaborated with key stakeholders through Memoranda of Understanding (MoUs) to undertake joint research activities of mutual benefit.

The institutions that are collaborating with the RDA in research related activities include the University of Zambia (UNZA), the Copperbelt University (CBU), Chilanga Cement Plc, Dangote Cement Limited, Colas Zambia Limited and University of Southampton, among others. As part of stakeholder engagements, the RDA held a Symposium on the Construction of Concrete Roads in Zambia on 27<sup>th</sup> October 2022, whose theme was "Sustainable Infrastructure Development using Cement and Concrete Technologies." Both the Symposium and the initiative received positive feedback from the construction sector players including cement and concrete manufacturers.

### 3.1.5 Rehabilitation of the Mpika to Chinsali Road

The Government of the Republic of Zambia (GRZ) received financing amounting to **€110 million** under a loan from the European Investment Bank and a grant amounting to **€72.45 million** from the European Union towards the cost for the rehabilitation of the Mpika to Chinsali section of the T2 Road (161.5 kilometres). It is anticipated that procurement process for supervision consultant and works contractors will be concluded by the third quarter of 2023.

### 3.1.6 Design and Design Reviews

In 2022, the Agency undertook two in-house designs listed below:-

- i. Detailed engineering designs for the construction of approximately 6.5 kilometres of a new access road to Kawambwa Sugar and a bridge across the Luongo River, in Luapula Province; and
- ii. The design of the Luombo Road and Bridge in Mazabuka.

Other key design projects which were undertaken in 2022 included:-

- a. The design review of the Lundazi Bridge in Lundazi District in Eastern Province;
- b. The design review of the Lusaka to Mongu Road from Tateyoyo Gate to Katunda/Lukulu junction; and
- c. The design review of the Luanginga Bridge in Kalabo District in Western Province.

### 3.1.7 Bridge Activities

#### 3.1.7.1 JICA Support

The RDA with support from the Japanese Government through the Japan International Cooperation Agency (JICA), Technical Cooperation Project (TCP) undertook capacity building activities in bridge management and maintenance. On-the-job training programmes in bridge management and maintenance were undertaken under the JICA project. In 2022, the Agency facilitated the training of seven (7) staff in drone operation and bridge inspection using drones. This training will result in cost saving and more usable data collected from inspections for use in planning, maintenance and/or rehabilitation interventions of bridges.

Bridge inspections and bridge repair activities for several bridges were undertaken following the capacity building training and these included: Bendele Bridge on Chirundu to Siavonga Road; Chipili Bridge on the Mansa to Luwingu Road; and Kafue Bridge as well as Kafironda Bridge on the Ndola to Kitwe Road.

#### 3.1.7.2 ACROW Bridges Programme

The GRZ through the then Ministry of Transport, Works, Supply and Communication and the Road Development Agency (RDA), jointly entered into a contract on 6<sup>th</sup> September 2013 with ACROW Corporation of America for the arrangement of financing, design, fabrication and delivery of one hundred and forty-four (144) prefabricated steel bridges at a total project value of **US\$73,776,849.00**. The project was financed through a Credit Agreement entered between the Ministry of Finance, the Export Import Bank of the United States of America and Citi Bank. The GRZ was to provide financing for the construction of the Substructures (Abutments and Piers) and installation of the bridges.

However, only one hundred and thirty-one (131) bridges will be installed because there was a reduction due to various reasons such as:-

- (i) Some bridges were combined;
- (ii) Some bridges were removed since works to construct them were already taking place under other programmes; and
- (iii) Some bridges were not approved by Export Import Bank of the United States of America.

The RDA previously signed seventeen (17) contracts for the installation of sixty-four (64) bridges. However, these contracts were affected by inadequate funding and they were discontinued in 2022 and are in the process of being closed. The Zambia Army (ZA) and Zambia National Service (ZNS) have now been engaged to partner with the RDA to install some of the ACROW bridges while others will be installed internally under Force Account works.

As at December 2022, two (2) bridges out of the one hundred and thirty-one (131) had been installed, one in Eastern Province which was installed by a contractor and another in Central Province, the Lunchu Bridge, which was installed by the Regional Office.

The bridges will be installed in seven (7) Provinces namely; Muchinga, Luapula, Northern, North Western, Lusaka, Central and Eastern.

### 3.1.7.3 Kazungula Bridge Project

The Kazungula Bridge connects Zambia and Botswana at the confluence of the Zambezi and Chobe Rivers. A project to construct the bridge was undertaken by both Zambia and Botswana which included One-Stop Border facilities at Kazungula in Zambia and Kasane in Botswana. The total cost of the bridge and One-Stop Border Post (OSBP) project was **US\$242.8 million**. The bridge project commenced in 2014 and was commissioned on 10<sup>th</sup> May 2021 after successful completion.

Following the commissioning of the bridge and the OSBP, discussions on matters pertaining to the establishment of the Kazungula Bridge Authority (KBA) were held between the Zambian Government and the Botswana Government in 2022. The finalization of the Legal Framework to establish the KBA is expected to be concluded in 2023.

## 3.2 PROCUREMENT

Procurement activities for works, consulting services, goods and non-consulting services were carried out in accordance with the Public Procurement Act No. 8 of 2020 and the Public Procurement Regulations of 2022.

### 3.2.1 Works

Twenty-five (25) works tenders were advertised in 2022. Twelve (12) works contracts valued at **K1,114,438,256.43** were awarded in 2022 from procurements that had commenced before and in 2022. Of the twelve (12) awarded contracts, four (4) valued at **K482,863,993.02** were signed while others were awaiting various required approvals. **Figure 5** shows the percentages of the value of the contracts signed.

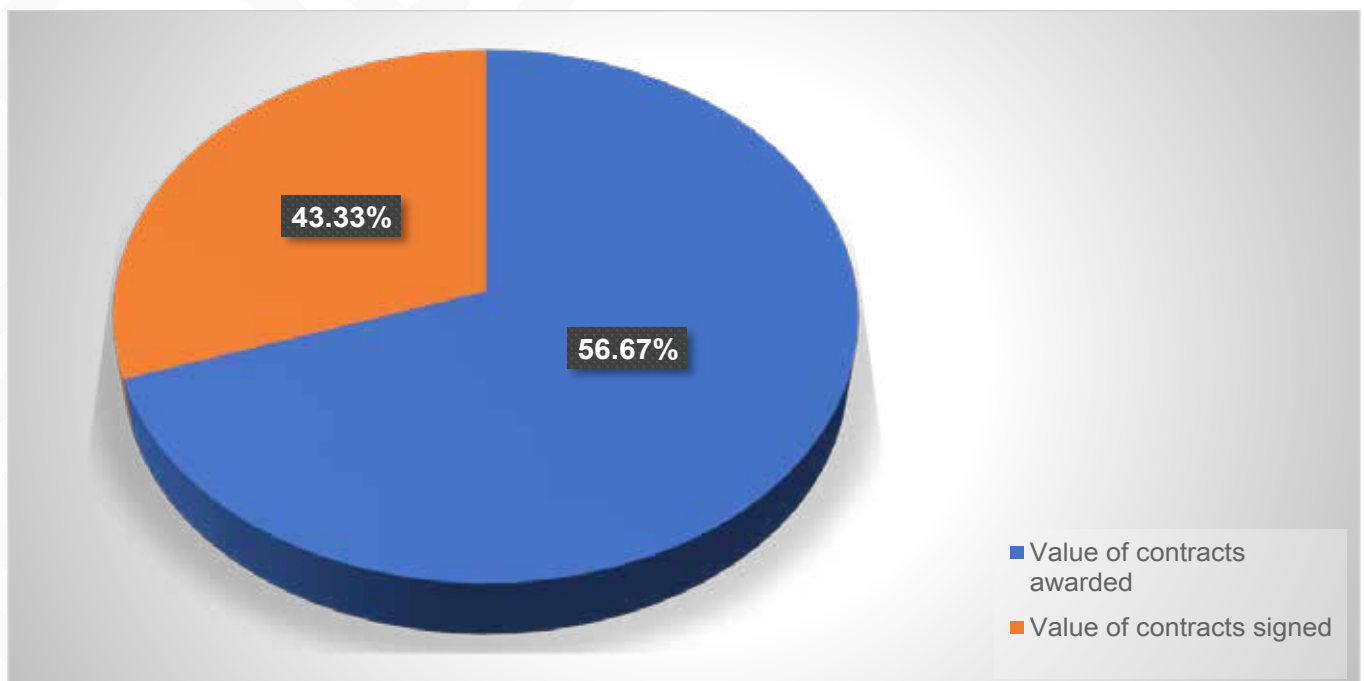


Figure 5: Works Contracts

### 3.2.2 Consulting Services

Twenty-six (26) procurement processes for consulting services were commenced in 2022. Eight (8) contracts totalling **K71,579,762.84** and **US\$1,517,223.50** were awarded in 2022, from procurements that had commenced before and in 2022. Of the eight (8) awarded contracts, two (2) valued at **K13,765,792.16** and **US\$998,347.50** were signed.



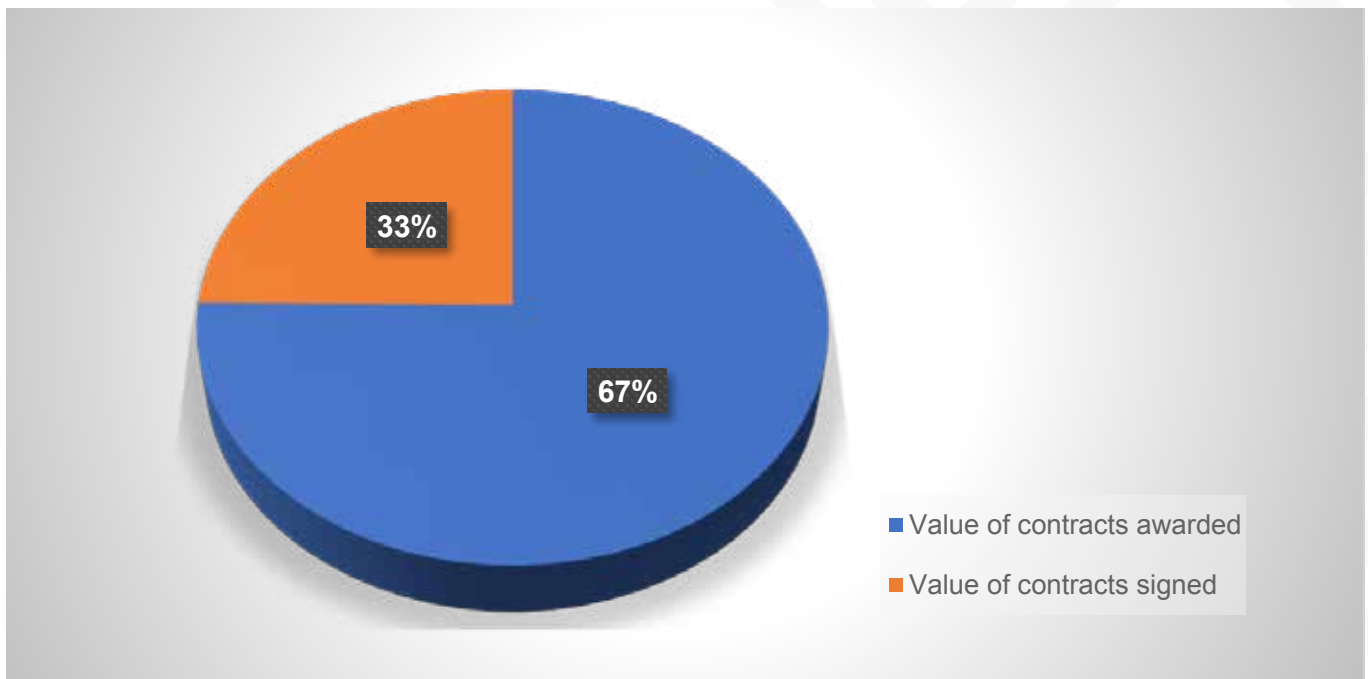


Figure 6: Consulting Services Contracts

### 3.2.3 Goods and Non-Consulting Services

Four (4) formal tenders for goods and non-consulting services were advertised in 2022 and four (4) contracts worth **US\$1,164,038.86** were awarded. No contracts for goods and non-consulting services were signed from the formal tenders because the contracts were awaiting various required approvals.

However, one hundred and two (102) purchase orders totalling **K29,433,297.89** and **US\$55,224.00** were executed through simplified bidding procedures.

### 3.3 CONSTRUCTION, UPGRADING AND REHABILITATION WORKS

The Agency in fulfillment of its mandate undertakes activities aimed at constructing, rehabilitating and upgrading Zambia's road network. Further, the Agency constructs attendant features such as the bridges, weighbridges and Toll Plazas.

Other structures such as One-Stop Border Post (OSBP) facilities which ease trade facilitation, have also been constructed at border entry points such as Kazungula and Mwami, at the Botswana and Malawi Borders, respectively. The OSBP facility at Mwami was officially commissioned on 7<sup>th</sup> December 2022.

From as far back as 2016 up to 2021, persistent fiscal challenges affected the effective actualization of the Agency's mandate of constructing, rehabilitating and upgrading of identified roads mainly due to over procurement of contracts.

As a result, one hundred and twelve (112) contracts under construction and rehabilitation were selected on the basis of resource availability and stages of completion for termination. This decision, will ensure, going forward, that only projects with adequate resource allocation in the RSAWP budget, are implemented in line with the relevant statutory requirements.

Ten (10) projects including the Kafue Hook Bridge, Mumbwa, Solwezi and Chongwe Weighbridges as well as the Pedicle Road, which had reached advanced stages, were identified and funded adequately with a focus on completing them before embarking on new projects.

To improve local contractor's capacity, the RDA has been implementing the 20% Sub-contracting policy. The policy is under review by the National Council for Construction (NCC) to improve on the implementation modalities.



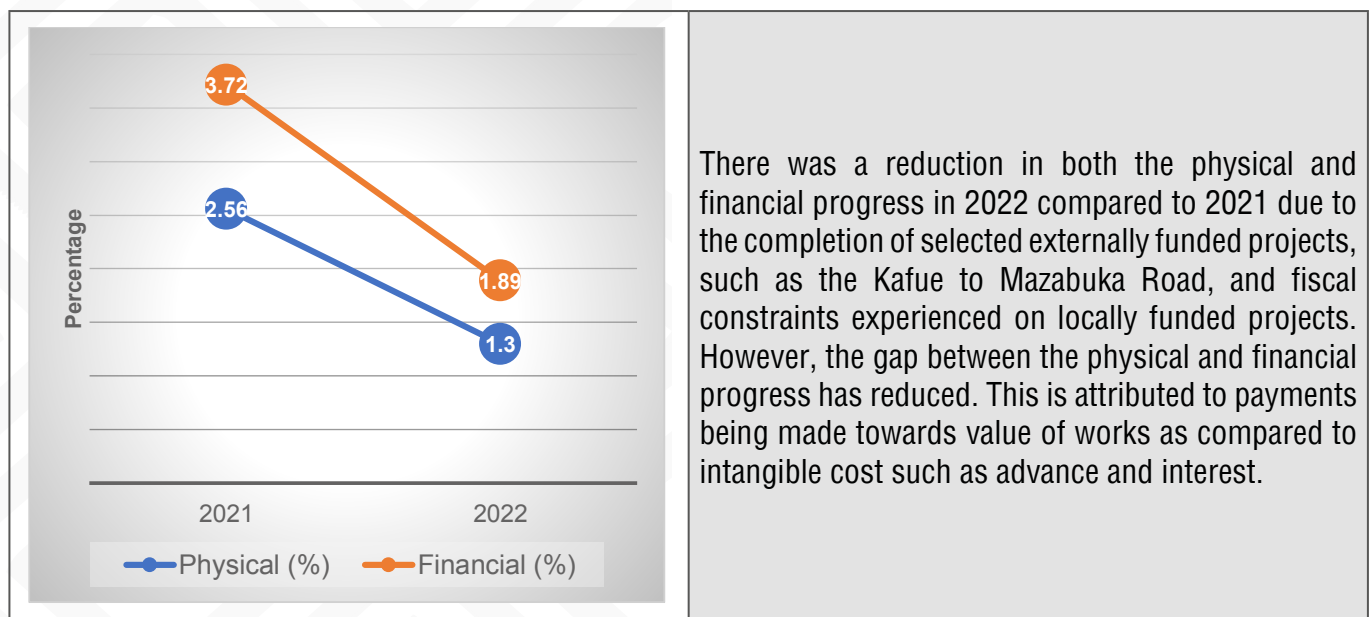
Despite the ripple effect of the Corona Virus Disease -19 (COVID-19) which continued to pose a challenge on the supply chain, thereby affecting the construction activities (including human resource) that rely on imported inputs, the RDA continued with supervision and monitoring of the upgrading, major road rehabilitation, bridge construction/rehabilitation and construction of weighbridge projects in 2022. The following are the key programmes under this key deliverable:

### 3.3.1 Link Zambia 8000 Programme

The Agency did not record any progress on the upgrading projects under Link Zambia 8000 (LZ8000) Programme in 2022 compared to the 9.72 kilometres carried out in 2021. The majority of the projects were under termination due to limited budgetary allocation in the 2022 RSAWP. At the end of 2022, the cumulative total length of roads that were surfaced stood at 841 kilometres representing a cumulative physical progress of approximately 16%. A total value of **K14.6 billion** had been certified as of the end of 2022 since the inception of the programme. Fewer projects under this programme will be implemented due to lack of local resources.

### 3.3.2 Major Road Rehabilitation

The rehabilitation of TMDs continued in 2022. A total of 94.28 kilometres was paved to bituminous standard attributed to the Chinsali to Nakonde Road Lot 1 and 2 (38.76 kilometres and 44.52 kilometres, respectively) and Mongu to Limulunga Road (11 kilometres) among others. **Figure 7** shows a comparative analysis of the progress for 2021 against 2022 in terms of percentages (physical and financial progress).



**Figure 7: Summary Progress of Major Rehabilitation**



Figure 8: Mongu to Limulunga Road Works

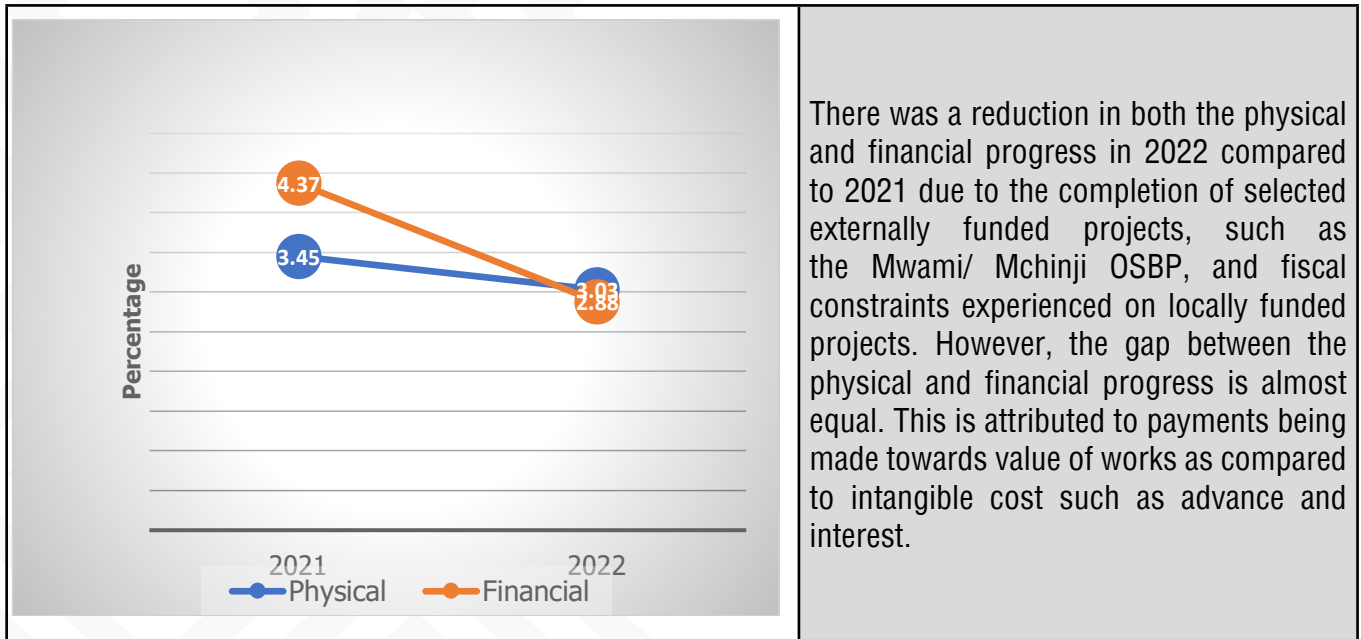


Figure 9: Chinsali to Nakonde Road Rehabilitation Works

### 3.3.3 Major Bridges and other Civil Works Projects

To improve connectivity and accessibility, the RDA prioritised the rehabilitation of the Kafue Hook Bridge. Works also started on Luanginga and Silanda Bridges which connect to the Liuwa National Park across the Zambezi River from Mongu. Meanwhile, Solwezi, Mumbwa and Chongwe weighbridges also prioritised for completion. **Figure 10** shows the summary progress of bridges between 2021 and 2022.





There was a reduction in both the physical and financial progress in 2022 compared to 2021 due to the completion of selected externally funded projects, such as the Mwami/ Mchinji OSBP, and fiscal constraints experienced on locally funded projects. However, the gap between the physical and financial progress is almost equal. This is attributed to payments being made towards value of works as compared to intangible cost such as advance and interest.

**Figure 10: Summary Progress of Bridges and other Major Structures**

A total of **K181.8 million** was certified for works undertaken during 2022. Delayed payments impacted negatively on the progress accounting for the slow progress on these projects. The Kafue Hook Bridge rehabilitation works were substantially completed while works commenced on Luanginga Bridge in Kalabo District.



**Figure 11: Rehabilitated Kafue Hook Bridge**

### 3.3.4 Achievements

A number of achievements were recorded in 2022 on road rehabilitation, rehabilitation of major bridges and attendant features such as weighbridges and OSBP as follows:

- a) The Kafue Hook Bridge was substantially completed with all structural works ready for service;
- b) The Solwezi Weighbridge was substantially completed with the procurement of equipment in progress;

- c) The commissioning of the Mumbwa Weighbridge on 23<sup>rd</sup> September 2022;
- d) The commissioning of the Mwami/Mchinji OSBP facility on 7<sup>th</sup> December 2022;
- e) 11 kilometres was recorded on the rehabilitation of the Mongu to Limulunga Road marking substantial completion of surfacing on the total length of 14.4 kilometres. Further, the contractor commenced approach road embankment works on the Luanginga Bridge in Kalabo District;
- f) 38.76 kilometres surfacing to asphalt standard was achieved on the Chinsali to Isoka section (Lot 1) of the Chinsali to Nakonde Road rehabilitation project;
- g) 44.52 kilometres surfacing to asphalt standard was achieved on the Isoka to Nakonde section (Lot 2) of the Chinsali to Nakonde Road rehabilitation project; and
- h) 0.58 kilometres of asphalt surfacing on the rehabilitation of 2.7 kilometres roads in New Kasama residential area in Lusaka.



**Figure 12: His Excellency Mr. Hakainde Hichilema, President of the Republic of Zambia and his Malawian counterpart His Excellency Dr. Lazarus Chakwera, during the commissioning of the Mwami OSBP**



### 3.3.5 Termination of Stalled Projects

Due to persistent fiscal challenges experienced from 2016 to 2021, it became imperative to review the implementation of selected projects. In this regard, the Agency, in consultation with relevant stakeholders identified one hundred and forty-seven (147) projects comprising upgrading, rehabilitation and maintenance that had stalled because of funding constraints. A decision was arrived at to terminate the projects to reduce on the Country's debt burden, as the continued non-payment to contractors and consultants meant that the Agency was incurring additional charges of interest on delayed payments. Meanwhile, based on the provisions of the contracts, it is estimated that **K6.4 billion** will be required to effectively terminate and close the road contracts.

### 3.3.6 Sub-Contracting

In 2012, the Government, introduced the 20% mandatory Sub-contracting policy to enhance the participation of local contractors in the construction sector. Since the introduction of this policy, the RDA developed modalities and guidelines which were further reviewed in 2015.

In 2022, no Sub-contractors were nominated to any project by the Agency as the Sub-contracting modalities and guidelines in line with the Public Procurement and NCC Acts were being developed.

### 3.3.7 Outlook for 2023

The RDA intends to continue with the implementation of the current prioritised projects. The Agency is targeting to complete the rehabilitation of the Chinsali to Nakonde Road. By 2022, 170 kilometres out of the entire 210 kilometre stretch had been completed and opened to traffic.

The Agency aims to complete the 2.7 kilometres of roads in the New Kasama residential area in Lusaka, the Pedicle Road, construction of Luanginga and Silanda Bridges across the Zambezi River to improve accessibility to the Liuwa National Park and complete the rehabilitation works in and around Mongu among other planned activities.

## 3.4 ROAD MAINTENANCE AND EMERGENCY WORKS

### 3.4.1 Implementation of the Revised Road Maintenance Strategy

Through an in-house arrangement, the Agency developed a ten (10) year (2015-2024) Road Maintenance Strategy (RMS) in order to ensure consistent and continuous maintenance of the CRN. This would further help to promote economic development as well as promote socio-economic development in line with the 8NDP. The RMS includes activities such as periodic maintenance, routine maintenance, emergencies and bridge repairs among others. In line with RMS, the following activities were carried out in 2022:

### 3.4.2 Road Maintenance Projects

The Agency had four (4) road contracts under periodic maintenance and two hundred and one (201) road contracts under routine maintenance.

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

The Agency had two hundred and one (201) ongoing routine maintenance contracts in all the Provinces valued at **K481 million** and covering a total distance of **5,951 kilometres** of both paved and unpaved roads. There was a decrease in number and value from the status in 2021 when the Agency had five hundred and two (502) ongoing routine maintenance contracts in all the ten (10) Provinces valued at **K1.04 billion** and covering a distance of **15,538 kilometres**. The reduction was due to the fact that most of the contracts came to an end in 2022 and were under fresh procurement.

### 3.4.4 Ongoing Road Projects under Periodic Maintenance

Four (4) periodic road maintenance projects valued at **K2.07 billion** were undertaken by the Agency with a cumulative physical progress of 3.5 kilometres from previous years achieved and a cumulative amount of **K370 million** being certified to date. Insignificant progress was recorded in 2022 owing to limited funds.



**Table 1: Ongoing Periodic Maintenance Road Projects**

SN	PROVINCE	ROAD	ROAD LENGTH (k ms)
1	Lusaka	Kamilulu to Luangwa Bridge (T4)	130
2	Luapula	Mansa to Musaila (T2 Junction)	325
3	Southern	Livingstone to Sesheke (Lot 2)	97
4	Eastern	Katete to Chanida (T6)	55
	<b>TOTAL</b>		<b>607</b>

### 3.4.5 Urban Roads Projects

Three (3) urban roads projects namely the L400 in Lusaka, Zambia Township Roads on the Copperbelt and Kabwe and Kapiri-Mposhi Township Roads in Central Provinces were terminated due to non-availability of funds in the 2022 RSAWP.

### 3.4.6 Feeder Roads

The Feeder road projects were undertaken under three categories, namely:

- Feeder roads contracts under GRZ;
- Feeder roads projects as Output and Performance Based Road Contracts (OPRC) funded by the World Bank; and
- Spot Improvement Works under Force Account/Routine Maintenance projects carried out by the Regional offices and/or contractors.

There were six (06) projects that had been ongoing prior to 2022 but they were discontinued due to non-allocation of funds in the 2022 RSAWP.

There were eleven (11) OPRC projects under World Bank funding in Central, Eastern, Northern, Luapula, Southern, North Western and Muchinga Provinces covering a total distance of **2,921 kilometres** and with a value of **K559,235,334.38**. The cumulative progress on Rural Roads Projects under the IRCP stood at **1,544 kilometres** out of a total of **2,921 kilometres** representing physical progress of 53% in 2022 compared to a cumulative progress of 30.4% in 2021.

A cumulative total of **1,890 kilometres** of feeder roads were maintained in 2022 under Force Account/Routine Maintenance contracts compared to a cumulative total of **980 kilometres** of feeder roads in 2021.

### 3.4.7 Installation of Road Signs on TMDs

Two hundred and forty-one (241) road signs were installed on TMDs in 2022. In addition the Regional Offices carried out the need assessment of road signs on TMDs. The procurement and installation of the road signs will be carried out in 2023.

## 3.5 BRIDGE WORKS

### 3.5.1 Bridge Routine Maintenance on the CRN

The Agency, under the JICA-Technical Cooperation Project (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. 60% progress had been recorded on the contract in Southern Province, 20% progress had been recorded on the contract in Northern Province, while 36% progress had been recorded on the contract on the Copperbelt Province. The three (3) contracts involve routine maintenance of thirty-four (34) bridges.

### 3.5.2 Repair of Bridges on the CRN

To support the improvement of Road Asset Management, the Agency carried out road and bridge maintenance works under Force Account through the Regional offices. As of 31<sup>st</sup> December 2022, the total value value certified bridge works on the CRN was **K1,023,001,343.04**. However, out of this amount, only **K370,580,638.56** had been paid leaving an outstanding amount of **K652,420,704.48**.

The major challenge in undertaking these works was inadequate funding as compared to the demands that existed on the ground.

The Agency, under JICA TCP II signed a contract to undertake bridge repairs of the Katima Mulilo, Luena and Rufunsa Bridges at the contract sum of **K57,840,628.99** VAT inclusive with the duration of twelve (12) months. At the end of 2022 the overall progress stood at 22% .

### 3.6 EMERGENCIES UNDER FORCE ACCOUNT / CONTRACT

The Agency carried out several emergency works either under Force Account or on contract. The emergency works 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. Notable progress included under emergency maintenance works was on M12 Chipata to Lundazi Road where more than 90% progress had been achieved on the Msuzi and Lundazi Bridges.

#### 3.6.1 Progress of Toll Plaza Construction Works under Force Account

The Agency had been carrying out the upgrading of Toll Plazas under Force Account in Northern and Western Provinces.

The Toll Plazas being upgraded from Class C to Class B were Kalense and Kateshi Toll Plazas in Northern Province and the Mweeke Toll Plaza in Western Province. The physical progress for the upgrading

of Kalense, Kateshi and Mweeke Toll Plazas stood at 85%, 40% and 50% respectively.

### 3.7 AXLE LOAD CONTROL

The enforcement of Axle Load Control is done by the use of fixed and mobile weighbridges. The objective of the Axle Load Control 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 Weighbridges Traffic Statistics

A total of **769,943** Heavy Goods Vehicles (HGVs) were weighed at our weighbridge stations across the Country and **17,452** HGVs were found overloaded as shown in **Table 2**. In 2021, **575,195** HGVs were recorded and **14,367** HGVs were overloaded, representing an increase of 33.86% and 21.47% in traffic statistics and overloaded vehicles respectively.

A compliance percentage of 97.73 was recorded during 2022. However, the compliance percentage recorded only represented overloads captured at the weighbridges because some areas around the Country do not have fixed weighbridges and are not part of the statistics. The absence of fixed weighbridges in some parts of the Country could have led to overloading in these areas.

Table 2: Comparison of Vehicle Statistics at Weighbridges in 2021 and 2022

2021 Traffic Statistics				2022 Traffic Statistics			
Month	No. of weighed vehicles	No. of overloaded vehicles	% Compliance	Month	No. of weighed vehicles	No. of overloaded vehicles	% Compliance
Jan	42,043	1,147	97.27	Jan	50,387	842	98.33
Feb	33,065	1,045	96.84	Feb	46,566	1,065	97.71
Mar	38,007	1,085	97.15	Mar	55,820	1,244	97.77
Apr	46,123	1,148	97.51	April	56,952	1,167	97.95
May	48,717	1,233	97.47	May	71,116	1,319	97.05
Jun	48,253	1,247	97.42	Jun	69,090	2,118	96.93
Jul	54,072	1,357	97.49	July	75,774	1,453	98.08
Aug	46,486	1,089	97.66	Aug	73,770	1,542	97.91
Sept	52,422	1,081	97.94	Sept	84,182	1,644	98.05
Oct	56,799	1,383	97.57	Oct	56,003	1,632	97.09
Nov	56,843	1,363	97.60	Nov	66,133	1,750	97.35
Dec	52,365	1,189	99.98	Dec	64,150	1,676	97.39
<b>Total</b>	<b>575,195</b>	<b>14,367</b>	<b>97.50</b>	<b>Total</b>	<b>769,943</b>	<b>17,452</b>	<b>97.73</b>

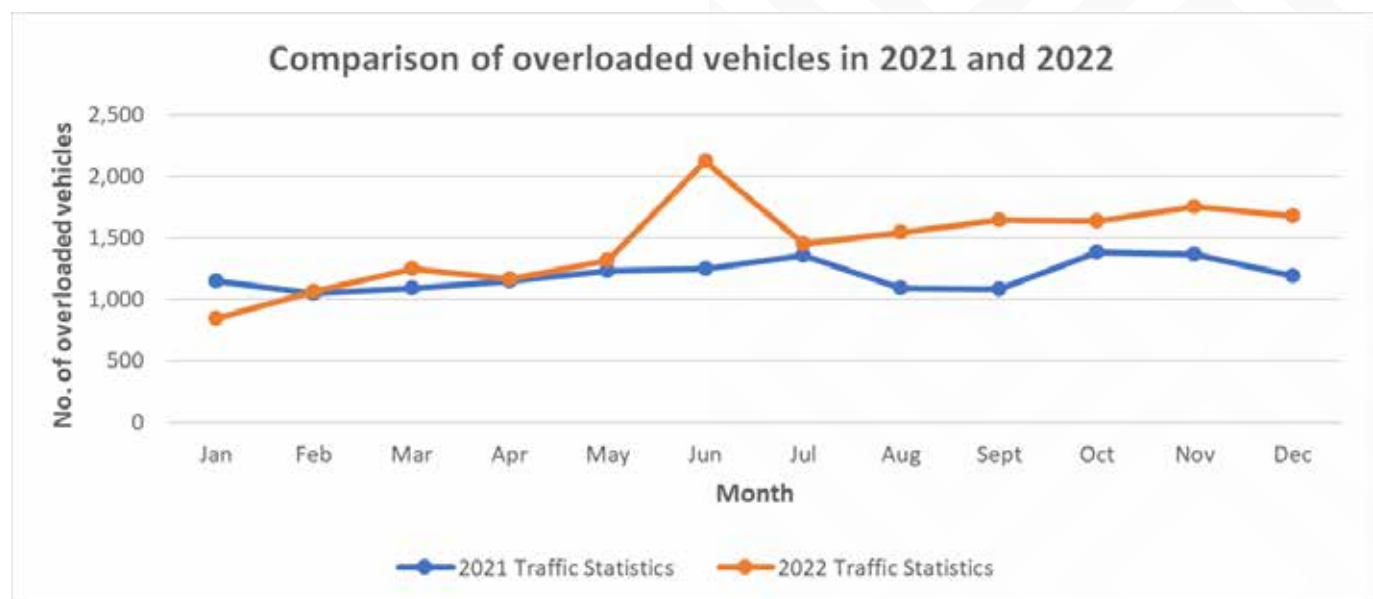


Figure 13: Graphic Presentation of Overloaded Vehicles at Weighbridges

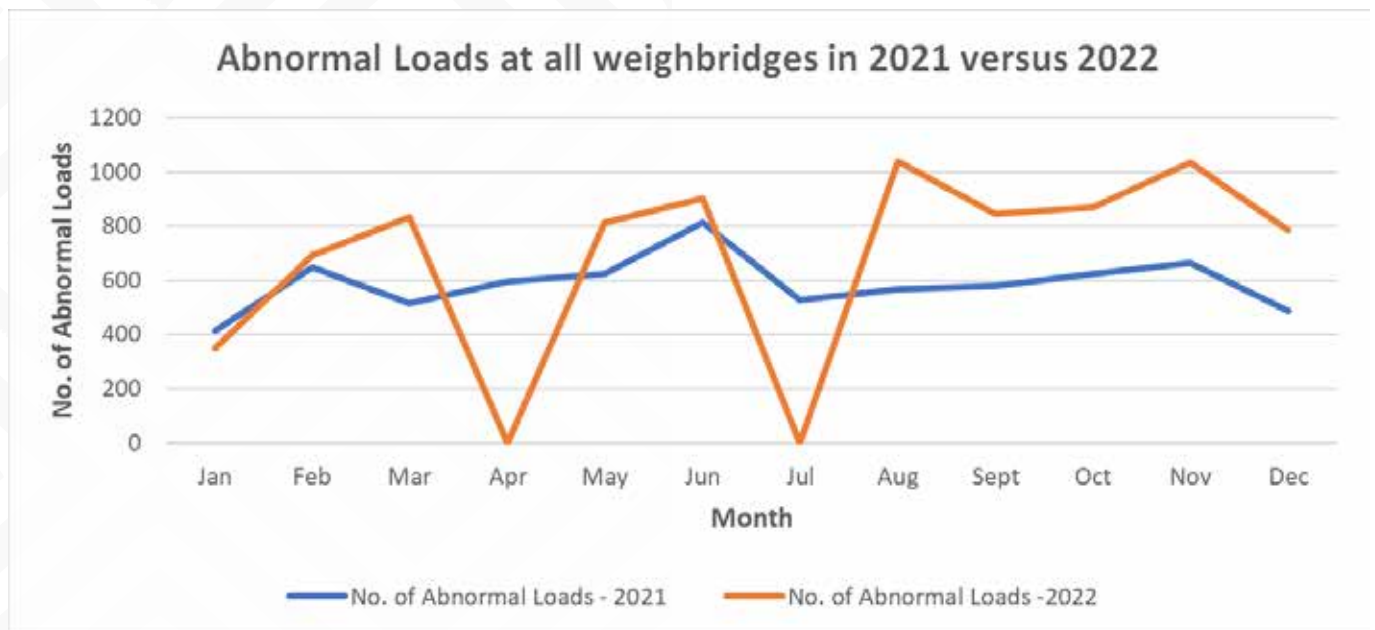
The increase in overloaded number of vehicles could be attributed to the increased footprint of fixed weighbridges following the operationalization of Mpika and Mumbwa weigh stations in 2022.

### 3.7.3 Abnormal Loads

There was a 36.6% increase in the number of abnormal loads in 2022 when compared to 2021 as shown in **Table 3** and **Figure 14**. The increase was attributed to the increase in demand for abnormal machinery by companies in the Democratic Republic of Congo (DRC) and Kalumbila for new copper mining projects.

**Table 3: Number of Abnormal Loads at all Weighbridges in 2021 and 2022**

Month	No. of Abnormal Loads - 2021	2021 Widest Abnormal Load (metres)	2021 Highest Abnormal GVM (tonnes)	No. of Abnormal Loads -2022	2022 Widest Abnormal Load (metres)	2022 Highest Abnormal GVM (tonnes)
Jan	412	6.2	78,300	348	5.2	115,100
Feb	649	7.8	95,600	693	8.7	95,000
Mar	514	5.9	125,000	831	8.7	95,950
Apr	593	5.0	98,750	601	6.2	77,780
May	625	8.6	112,320	813	8.7	95,947
Jun	813	6.5	92,750	902	7.0	95,947
Jul	527	8.2	89,600	873	5.6	77,120
Aug	568	8.5	77,280	1,037	6.8	145,900
Sept	580	7.7	115,200	846	5.8	143,300
Oct	624	6.2	77,780	870	5.2	77,270
Nov	663	8.7	95,947	1033	8.7	75,343
Dec	485	7.0	95,947	786	8.7	98,034
<b>Total</b>	<b>7,053</b>	<b>8.7</b>	<b>125,000</b>	<b>9,633</b>	<b>8.7</b>	<b>145,900</b>

**Figure 14: Graphic Presentation of Abnormal Loads Captured at Weighbridges**

Abnormal loads have a negative impact on the structural integrity of the pavement layers. However, to mitigate the negative effect, HGVs transporting abnormal loads are fitted with multi-axles in order to distribute the weights on the axles within the allowed axle limits.

### 3.7.2 Achievements

Some of the significant achievements recorded in 2022 included the opening of the Mumbwa, Solwezi and Mpika Weighbridges due to improved project funding. Additionally, Katete Weighbridge was upgraded in 2022 by constructing additional facilities such as toilets and offices as well as paving the access roads and the surroundings.

The opening of the above weighbridges resulted in increased Axle Load Control footprint in the Country.





Figure 15: Solwezi Weighbridge



Figure 16: Mumbwa Weighbridge





Figure 17: Mumbwa Weighbridge Commissioning



Figure 18: Katete Weighbridge

## SECTION 4

### 4.1 IMPLEMENTATION OF THE COMMUNICATION STRATEGY

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

#### 4.1.1 Media Tours

In 2022, eight (8) media tours were undertaken in nine (9) Provinces highlighting the status of road and bridge infrastructure projects.

#### 4.1.2 Television Programmes

“MY ROAD” was a weekly television production which was aired every Thursday on Zambia National Broadcasting Corporation (ZNBC) TV 1. The purpose of the programme was to disseminate information to the public on the projects being undertaken by the Agency. In this regard, six documentaries were produced and aired in 2022.

#### 4.1.3 Stakeholder Management

##### 4.1.3.1 Stakeholder Engagement on Overloading

The Agency held engagements with Government officials and traditional leaders in Nyimba and Katete Districts in Eastern Province on the aspects of Axle Load Control, vandalism of road furniture and encroachments on road reserves.

The engagements with the stakeholders were successful and the process shall continue.

##### 4.1.3.2 Stakeholder Engagement with Zambia Medicines and Medical Supplies Agency (ZAMMSA)

Stakeholder engagement was held with the Zambia Medicines and Medical Supplies Agency (ZAMMSA) which is a corporate body mandated to procure, store and distribute medicines and medical supplies for Public Health institutions throughout Zambia.

The RDA and ZAMMSA held a meeting to discuss the possibility of provision of weighbridge services to ZAMMSA.

##### 4.1.3.3 Signing of MoU between RDA and WARMA

As part of stakeholder management, the RDA spearheaded and coordinated activities leading to the signing of a Memorandum of Understanding (MoU) by the Agency and the Water Resources Management Authority (WARMA).

The MoU, signed on 13<sup>th</sup> April 2022, is aimed at enhancing a strategic partnership in the execution of the mandates for the two Government Bodies. The MoU creates a platform for the exchange of information to enhance the execution of the mandates of the RDA and WARMA and ensures that all the contractors and consultants as may be appropriate, obtain relevant licenses and certificates prior to the commencement of works.





Figure 19: Group photo of RDA and WARMA officials after signing the MoU

#### 4.1.3.5 Western Province Tourism, Trade and Investment Expo

The RDA was among several organizations that exhibited at the 2022 Western Province Exposition (Expo) in Mongu District from 10<sup>th</sup> -14<sup>th</sup> October 2022. The Expo dubbed “Rapid Economic Transformation through Increased Home-grown Entrepreneurship, Value Addition and Trade” was officially opened by the Republican President, Mr. Hakainde Hichilema.

During the Expo, the Agency attended to concerns and suggestions from various stakeholders ranging from senior Government officials, Members of Parliament, Civic leaders, Captains of the Industry, the Citizenry and Traditional leaders. Prior to this Expo, the Agency exhibited at Pre-Western Province Tourism, Trade and Investment Expo from 8<sup>th</sup> -10<sup>th</sup> April 2022 which was held during the Kuomoboka Ceremony at Limulunga.



Figure 20: Traditional leaders interacting with RDA staff at the Stand during the Western Province Expo



#### 4.1.3.7 Zambia International Trade Fair (ZITF)

The Zambia International Trade Fair (ZITF) is the biggest International Exhibition in Zambia that promotes trade and investment. The ZITF underscores the focal role it plays as a platform for promoting Cross Border Trade and attracts participation from all sectors of the economy.

The 56<sup>th</sup> ZITF was held from 29<sup>th</sup> June to 5<sup>th</sup> July 2022, in Ndola under the theme: “Promoting Value Addition for Sustainable Growth.” The ZITF provided an interactive forum for the RDA to engage and manage stakeholders.

The RDA scooped the second Prize under the Best Exhibit- Transport Services and Allied Industries category.



Figure 21: The RDA team led by the Board of Directors Chairperson, Eng. Mulchand Kuntawala (far right) receive an award presented by Commerce, Trade and Industry Minister, Hon. Chipoka Mulenga during the 2022 ZITF

#### 4.1.3.8 The 94<sup>th</sup> Agricultural and Commercial Show

The RDA scooped three (3) awards during the 94<sup>th</sup> Agricultural and Commercial Show held in Lusaka. The Show was held from 27<sup>th</sup> July to 1<sup>st</sup> August 2022, under the theme “Innovation through Technology-Technology Transforms Businesses.” The Agency got the second slot in the Best Infrastructure Development Exhibit category. The RDA also emerged second in the Best Government Exhibit category and the Best Transport Exhibit category.

## 4.2 GOVERNMENT RELATIONS

### 4.2.1 Commissioning of Mumbwa Weighbridge

The commissioning of the Mumbwa Weighbridge took place on 23<sup>rd</sup> September 2022. The event was graced by Infrastructure, Housing and Urban Development Minister, Hon. Eng. Charles L. Milupi, MP.



Figure 22: Infrastructure, Housing and Urban Development Minister, Hon. Eng. Charles L. Milupi with Central Province Minister, Hon. Credo Nanjuwa during the commissioning of Mumbwa Weighbridge

## SECTION 5

### 5.1 AUDIT AND RISK ASSURANCE

#### 5.1.1 Assurance and Consulting Activities

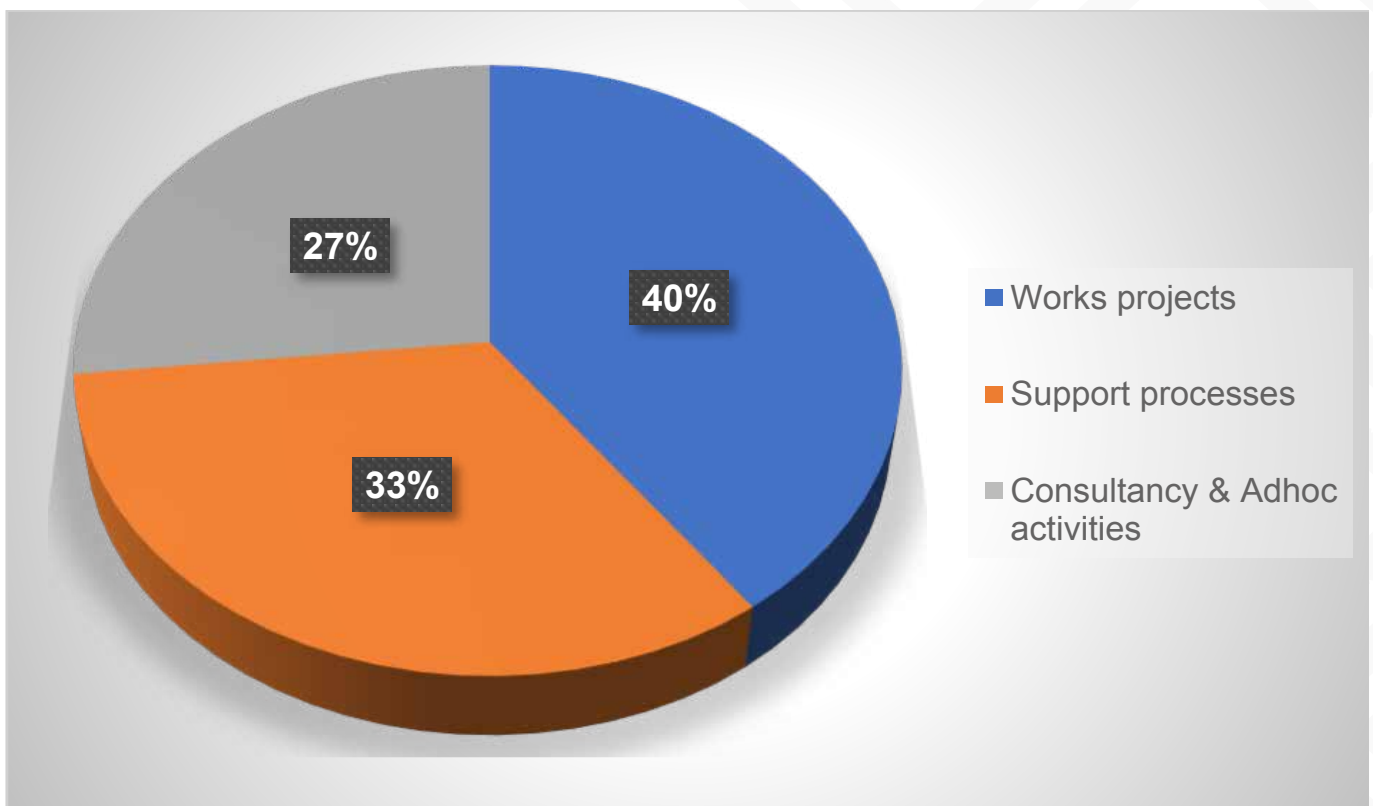
The Agency conducted audits of Assurance and Consultancy targeted at the core and support business processes.

#### 5.1.2 Performance under Assurance Activities

Twenty-four (24) Assurance and four (4) Consultancy activities were planned for in 2022. As of 31<sup>st</sup> December 2022, thirty (30) auditable units representing 107% of Assurance and Consultancy works were completed as highlighted in **Table 4**.

**Table 4: Summary of Consultancy and Assurance Activities Executed in 2022**

Activity	Annual Plan	Actual	% Achievement
Works projects	13	12	92
Support processes	11	10	91
Consultancy activities	4	5	125
Ad-hoc activities	0	3	
<b>Total Executed</b>	<b>28</b>	<b>30</b>	<b>107</b>



**Figure 23: Audit Coverage in 2022**



### 5.1.3 Consultancy Services and Investigations

These activities were intended to improve corporate governance, risk management and control processes without assuming management responsibility. The activity contributed to the strengthening of the governance structure and internal controls of the Agency.

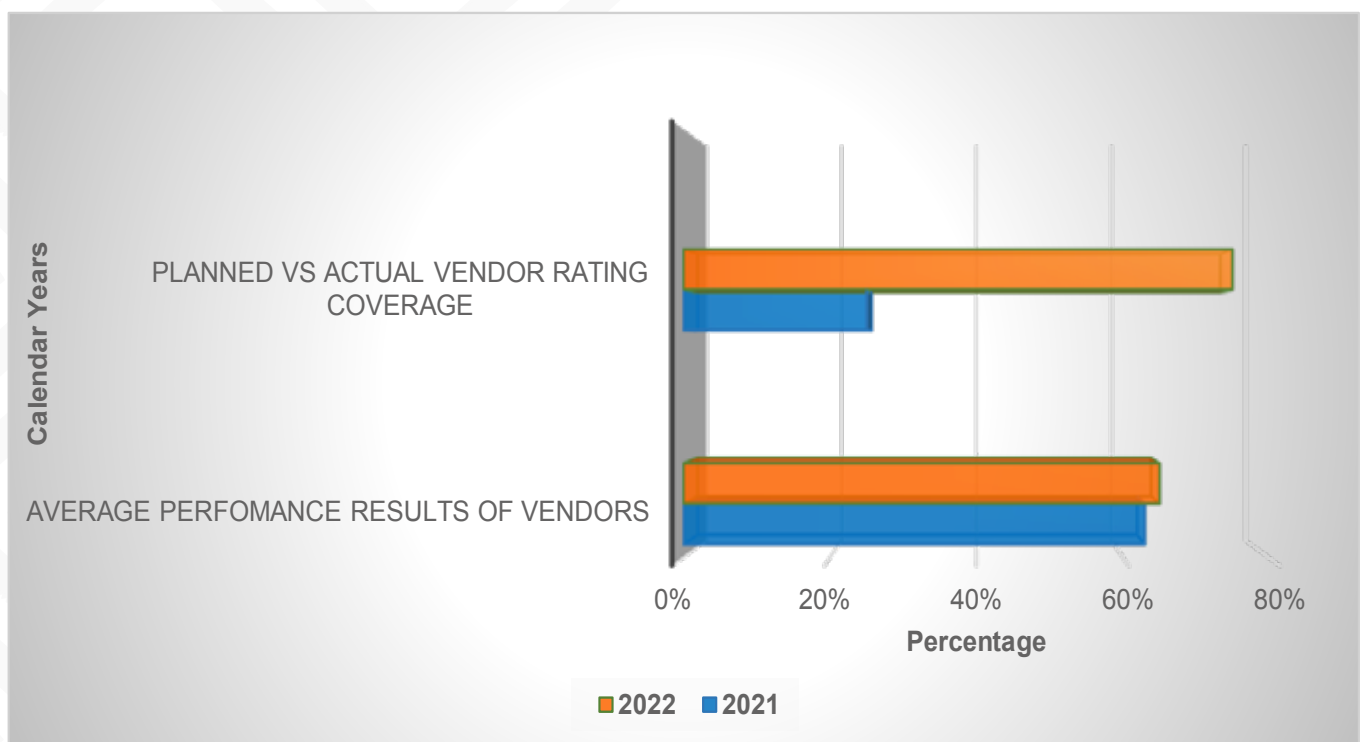
## 5.2 MONITORING AND EVALUATION

The Agency carried out various Monitoring and Evaluation (M&E) activities aimed at ensuring that projects were executed of the right quality, the right cost and the right delivery period. The activities included, among others; vendor rating to assess the performance of contractors and consultants engaged by the Agency, cost advice, cost estimates and cost control for new and ongoing projects.

### 5.2.1 Vendor Rating

Vendor Rating System is a performance system developed by the Agency to measure, analyse and document on a continuous basis both past and current performance of consultants and contractors to ensure that projects are executed in accordance with contractual requirements.

Nine (9) out of the planned twelve (12) projects were assessed in 2022 covering a total of fourteen (14) vendors (nine (9) contractors and five (5) consultants) representing a coverage of 75%. This represented an increment compared to 2021 where three (3) vendors were assessed representing a coverage of 25% while the average performance score for vendors assessed in 2022 was 65% compared to 63% recorded in 2021 as shown in **Figure 24**.



**Figure 24: Comparative Coverage and Performance Results of Vendors for the Years 2021 and 2022**



The coverage improvement shown in **Figure 25** from 2021 to 2022 was mainly due to the Agency prioritising financial resources on monitoring of the consultants and contractors.

The critical performance areas where most of the vendors still needed to improve on include:

- i. Failure in implementing of the Quality Assurance Plans resulting in poor-quality works;
- ii. Delay in delivery of projects;
- iii. Failure in identifying and monitoring of project risks;
- iv. Poor implementation of environmental, health and safety requirements on site; and
- v. Cost escalations attributed mainly to claims arising from poor funding of projects.



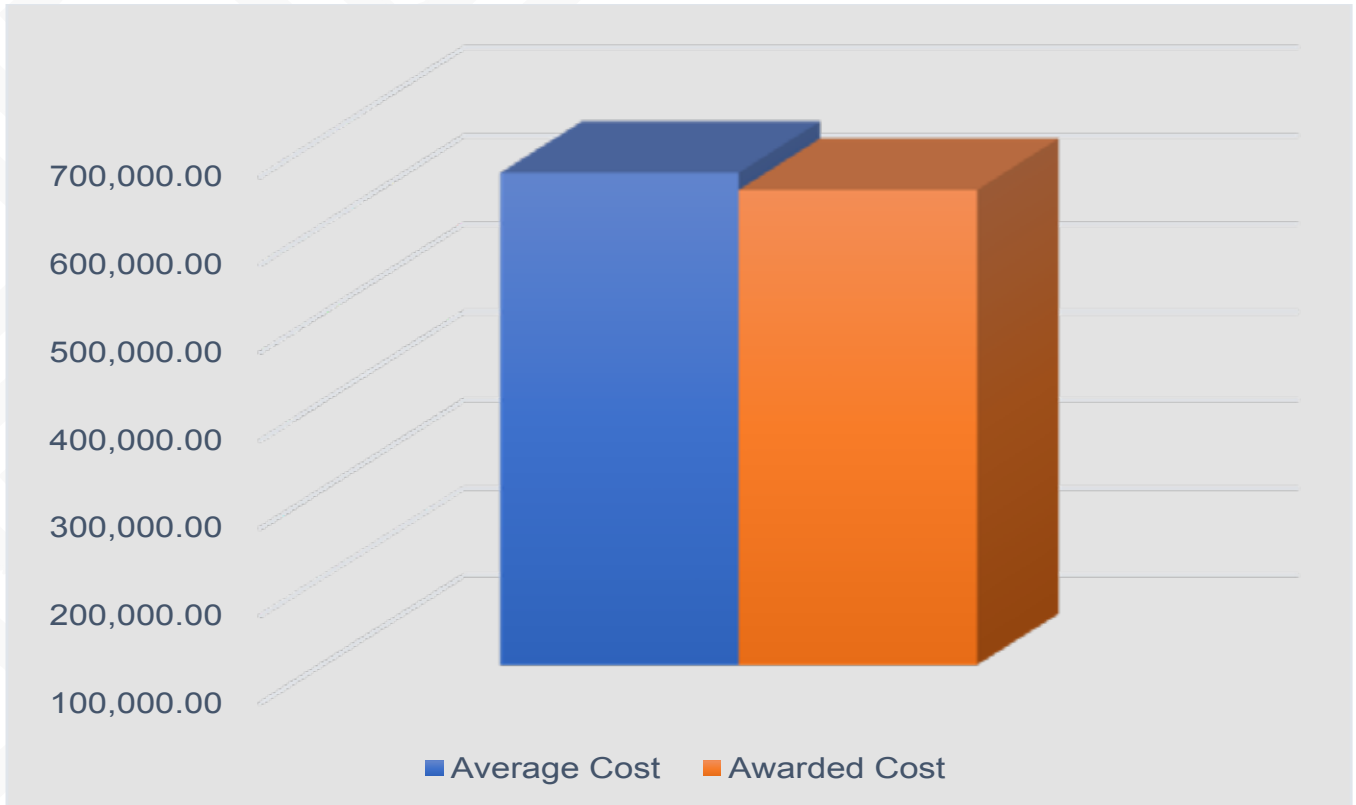
**Figure 25: The RDA team checking whether the asphalt concrete surfacing on the Chinsali to Nakonde Road Lot 1 is of the right temperature as part of quality control and assurance during the vendor rating inspections**

### 5.2.2 Development of the Monitoring and Evaluation (M&E) System

The Monitoring and Evaluation Consultant, Messrs. ADA Consultants Inc., having managed to complete the first follow-on mid-term study on the Chinsali to Nakonde Road Project, embarked on the second follow-on midterm study which was scheduled to be completed in the first quarter of 2023.

### 5.2.3 Cost Control and Advice

The Agency updated construction rates on a quarterly basis using the RDA Cost Estimation Guidelines. **Figure 26** compares the annual average roads construction cost per kilometre in US\$ to the awarded contracts for paved roads in 2022.



**Figure 26: Comparison of the 2022 average cost/km to the 2022 awarded contracts cost/km in US\$**

From **Figure 26**, it can be deduced that the Agency endeavoured to award contracts within the average unit cost estimates.

#### **5.2.4 Monitoring and Evaluating Contractors' Claims**

Thirty-one (31) variation orders were reviewed and adjudicated in 2022 compared to thirty (30) done in 2021.

The adjudicated variation orders were as a result of:

- i. Changes in the scope of the works or services;
- ii. Relocation of services as full information was not usually available at design stage; and
- iii. Adjustments in the consultant's personnel remuneration rates due to extension of time on works contracts.

## SECTION 6

### 6.1 LEGAL SERVICES

The services which are provided within the Road Development Agency (RDA) include legal services and secretarial duties to the Board of the RDA.

#### 6.1.2 Law Review

During 2022, the Agency, undertook the review of the Public Roads Act, No. 12 of 2002 and in August 2022, the Public Roads Act, No. 9 of 2022 was promulgated into law.

The highlights of the amendment to the Act include the revision of the number of Board Members from sixteen (16) to ten (10). This is in tandem with Government Policy that the composition of Boards in the public sector should be reduced in order to minimize costs.

The Act has further allowed for the appointment of the Secretary to the Board who reports to the CEO. This is unlike the previous position where the Director and CEO was the Secretary to the Board.

#### 6.1.3 Court and Arbitration Proceedings

In 2022, the Agency handled a total of thirty-five (35) Court and Arbitration cases as compared to the thirty-six (36) cases which were dealt with in 2021. Some of the cases were handled in-house while others were outsourced to law firms.

### 6.1.4 Board Activities

On 24<sup>th</sup> December, 2021, a new Board of Directors was appointed by the Hon. Eng. Charles L. Milupi, the Minister of Infrastructure, Housing and Urban Development.

During 2022, a number of activities were undertaken by the Board which included training programmes and Board Meetings to consider the business of the Agency.

#### 6.1.4.1 Board Trainings

Board Members undertook three (3) training programmes in 2022 and these included training in Corporate Governance which was intended to help Members understand their roles and responsibilities as well as the importance of Corporate Governance in an institution. Further, Board Members underwent training in Risk and Financial Management.

#### 6.1.4.2 Board Meetings

The Board held four (4) Ordinary Meetings in 2022. Further, there were Special Meetings to consider urgent issues pertaining to the business of the RDA including the consideration of the 2020 and 2021 Financial Statements and Annual Report and the 2022-2026 Strategic Plan.

The attendance of the Directors to the quarterly Board Meetings held during 2022 is as shown in **Table 5** below.

**Table 5: Attendance of the Directors of the Board to the Quarterly Board Meetings in 2022**

DIRECTOR'S NAME	1 <sup>ST</sup> QUARTER 2022	2 <sup>ND</sup> QUARTER 2022	3 <sup>RD</sup> QUARTER 2022	4 <sup>TH</sup> QUARTER 2022
Eng. Mulchand Kuntawala	√	√	√	√
Eng. Erasmus M. Chilundika	√	√	√	√
Mr. Mulilo D. Kabesha SC	√	√*	√	√
Dr. Ngoza C. Munthali	√	√	√	√
Mr. Sichizwe Musokotwane	√	√	√*	√
Eng. Clive Khan	√	√	√	√
Ms. Namwaka Nachilongo	√	√	√	√
Mr. Gladwell Banda	√	√*	√*	√*
Eng. Wallece Mumba	√	√	√*	√*
Eng. George Manyele	√	√	X	X
Eng. Grace Mutembo	N/A	N/A	√	√

**Note:** The symbol \* represents Members who attended the Meetings by way of proxies at that particular time.

√ Attended

X Retired



## 6.2. HUMAN CAPITAL

### 6.2.1 Staff Establishment

As of 31<sup>st</sup> December 2022, the Agency had an approved staff establishment of 732, with 400 positions filled and 332 vacancies. This represented a recruitment rate of 54.6%. The low staffing levels negatively affected the performance of the Agency as most Directorates were operating with a limited number of staff.

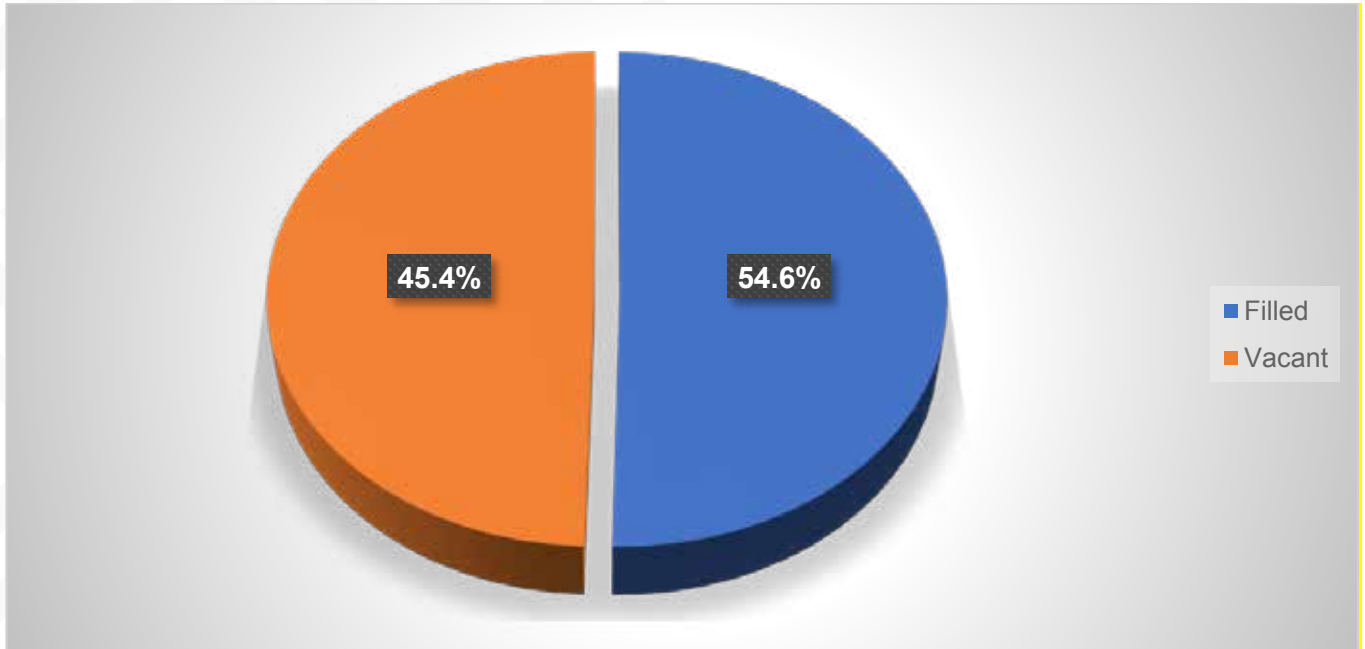


Figure 27: Staff Establishment

Table 6: Staff Establishment by Category and Gender

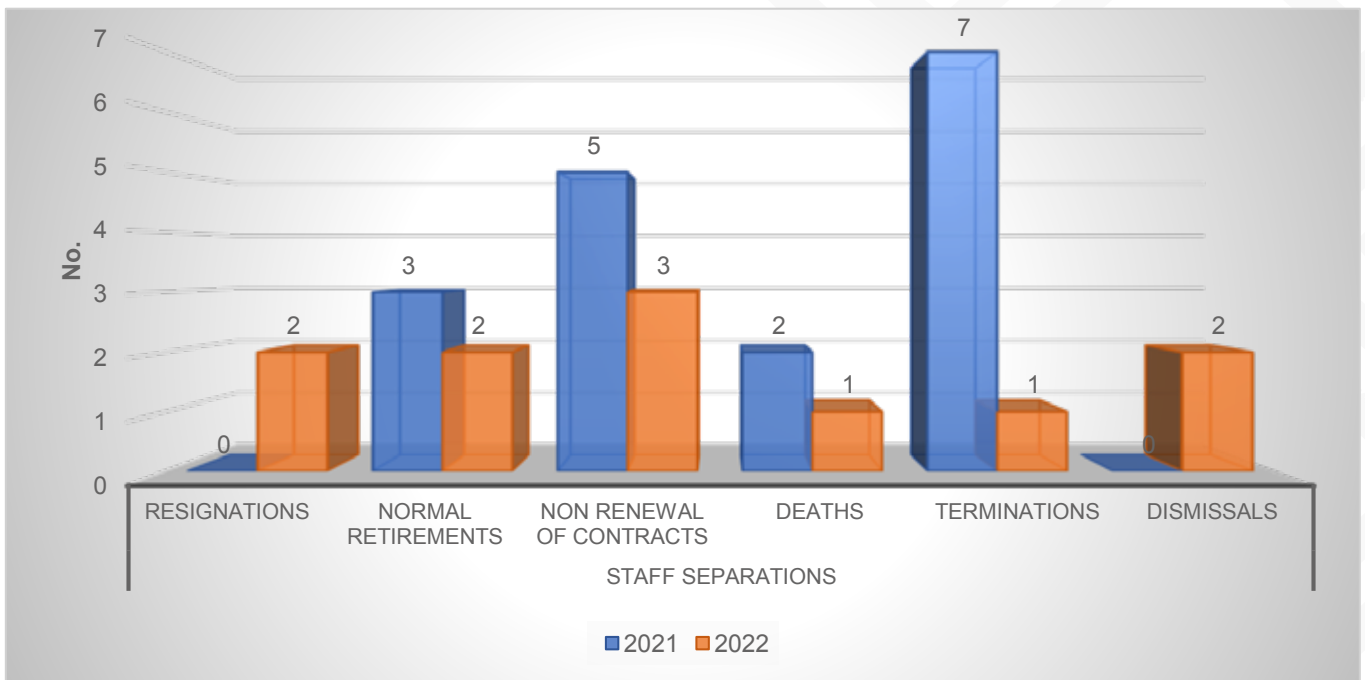
No	Category	Male	Female	Total
1	Executive Management	1	1	2
2	Management	84	33	117
3	Union	216	65	281
	<b>TOTAL</b>	<b>301</b>	<b>99</b>	<b>400</b>

#### 6.2.1.2 Staff Training and Development

The Agency continued to invest in the skills development of its employees through training. During 2022, however, financial constraints impacted on the full implementation of the planned training activities. Notwithstanding, the Agency continued to support members of staff who were undertaking long-term training. Four (4) employees were on long-term training.

#### 6.2.1.3 Staff Separations

In 2022, the Agency had eleven (11) separations with two (2) resignations, two (2) normal retirements, three (3) non-renewal of contracts, one (1) death, one (1) termination of contract and, two (2) dismissals. This represented an Annual Turnover Rate of 2.7 % for 2022 compared to 4% for 2021.



**Figure 28: Staff Separations**

## SECTION 7

# 2022 RDA FINANCIAL STATEMENTS

## Financial Statements for the year ended *31<sup>st</sup> December 2022*



# Road Development Agency

Financial Statements for the year ended 31 December 2022

---

<b>Contents</b>	<b>Pages</b>
Report of the Members	34 - 36
Members' Responsibilities in respect of the Preparation of the Financial Statements	37
Independent Auditor's Report	38 - 41
Statement of Comprehensive Income	42
Statement of Financial Position	43
Statement of Changes in Accumulated Funds	44
Statement of Cash flows	45
Accounting Policies	46 - 65
Notes to the Financial Statements	66 - 93
Detailed Statement of Comprehensive income (Appendix 1)	94 - 96



# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Report of the members

---

The members of the Board submit their report on the activities of the Road Development Agency for the year ended 31 December, 2022.

### 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 **K136,082,772** for the year ended 31 December 2022 (2021: K117,926,364) of which **K136,082,772** (2021: K117,926,364) was received. The excess of expenditure over income for the year ended 31 December 2022 amounted to **K965,066,429** (2021: excess expenditure K738,271,146).

#### Business address

Plot 33, Corner Government/Fairley Roads,  
Ridgeway,  
Lusaka  
Zambia.

#### 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 clearly were successful as the pandemic had minimal impact on the Agency for the year ended 31<sup>st</sup> December 2022. These measures mostly included wide spread vaccination which was also conducted at the Agency.

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 2022

## 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:

Eng. Mulchand Kuntawala	-	Chairperson
Eng. Erasmus M. Chilundika	-	Vice Chairperson
Mr. Mulilo D. Kabesha S.C	-	Member
Ms. Namwaka Nachilongo	-	Member
Mr. Sichizuwe Musokotwane	-	Member
Dr. Ngoza C. Munthali	-	Member
Eng. Clive Khan	-	Member
Eng. Wallece Mumba	-	Member
Mr. Gladwell Banda	-	Member
Eng. Alinani Msisya	-	Member
Eng. George Manyele	-	Member
Eng. Grace Mutembo	-	Member

### 6. Management

Eng. George Manyele	-	Director and Chief Executive Officer (retired, 27 September 2022)
Eng. Grace Mutembo	-	Acting Director and Chief Executive Officer (appointed, 27 September 2022)
Mr. Denstone Mukuku	-	Director - Audit and Risk Assurance
Eng. Lazarous Nyawali	-	Acting Director - Planning and Design
Eng. Joseph Mwiinga	-	Acting Director - Construction and Rehabilitation
Eng. Godfrey Songeya	-	Acting Director - Commercial and Technical Services
Eng. Jairos M'hango	-	Acting Director - Road Maintenance Initiative
Mrs. Honeychile C. Tyetye	-	Acting Director - Finance
Eng. Chilufya Mwenya	-	Acting Director - Procurement
Ms. Chiti Kabwe	-	Acting Director - Legal Services
Ms. Nyama Bueendo	-	Acting Director - Human Capital and Administration
Mr. Anthony Mulowa	-	Acting Director- Communications and Corporate Affairs

## Road Development Agency

Financial Statements for the year ended 31 December 2022

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

---

#### 7. Employees

The monthly average number of persons employed by the Agency during the year was 460 (2021: 460). The total remuneration paid to employees by the Agency was K240,911,089 (2021: K197,384,953).

#### 8. Donations

The Agency made donations during the year amounting to K NIL (2021: K NIL).

#### 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 K7,816,387 (2021: K17,987,004). 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 K1,391,794,002 (2021: K3,025,004,469). 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.

#### 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 K38,818 million (2021: K41,034 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.

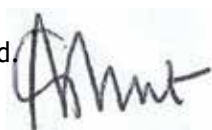
The Agency's current liabilities of K16,585 million exceed its current assets of K14,918 million at 31 December 2022. The current liabilities of K16,585 million (2021: K15,654 million) include deferred income (grant capital) of K1,562 million (2021: K1,492 million). The deferred income (grant capital) 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 2022 were in deficit to the extent of K2,371 million (2021: K1,406 million).

By order of the Board

Agency Secretary

Lusaka



Date:

21/7/2023

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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.

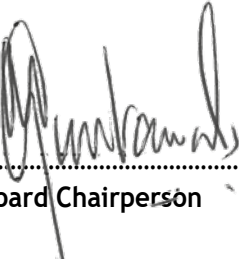
The Board is also responsible for ensuring that the Agency keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Agency. It is also responsible for safeguarding the assets of the Agency, and taking reasonable steps for the prevention and detection of fraud and other irregularities. The independent external auditors, MPH Chartered Accountants, have audited the financial statements and their report is shown on pages 38 to 41.

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 2022 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 42 to 93 were approved on 21/07/2023 and were signed by:



.....  
Board Chairperson



.....  
Acting Chief Executive Officer





MPH Chartered Accountants  
Plot 4434A, Kumbuyo Road, Longacres  
P.O. Box 31014  
Lusaka, Zambia

Plot 16 B, Kantanta Street  
Nkana East  
P.O. Box 21505, Kitwe.

Tel: +260 211 228 874 - 76 (Lusaka)  
Mobile: +260 954 262 310  
Tel: +260 212 225 168 (Kitwe)  
Mobile: +260 954 933 904  
Website: www.mphzm.co.zm

## 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 2022, 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, the Agency's financial statements give a true and fair view of the financial position of the Agency as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the 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 opinion.

### *Material Uncertainty related to Going Concern*

We draw attention to Note 1.1 in the financial statements. The Agency has over a number of years experienced liquidity constraints and minimal growth in grant income resulting in recurring excesses of expenditure over income which has 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 key audit matters to be communicated in our report.



**MPH Chartered Accountants**  
Plot 4434A, Kumoyo Road, Longacres  
P.O. Box 31014  
Lusaka, Zambia

Plot 16 B, Kantanzu Street  
Nkana East  
P.O. Box 21505, Kitwe.

Tel: +260 211 228 874 - 78 (Lusaka)  
Mobile: +260 954 262 310  
Tel: +260 212 225 168 (Kitwe)  
Mobile: +260 954 933 904  
Website: www.mphz.co.zm

## Independent Auditor's Report (*continued*)

### Receivables

At 31 December 2022, the Agency's net receivables were K14,145,272,195 (2021: K14,314,093,917). The receivables are in respect of amounts advanced to contractors and suppliers, amounts receivable from National Road Fund Agency (NRFA), prepayments, other debtors and staff loans and advances (note 11).

#### Key audit matter

##### *Existence and recoverability of receivables*

The Agency's debtors include balances that may not exist or are irrecoverable.

#### Our response

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 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 2022, the Agency's trade and other payables were K14,992,886,821 (2021: K14,116,431,136). The key payables are in respect of amounts payable to contractors, retention payables, interest payables to contractors and provisions in respect of litigation (note 13).

#### Key audit matter

##### *Completeness and accuracy of payables*

The Agency's payables may be incomplete or be inaccurate.

#### Our response

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 of differences between balances confirmed and those held in the books.
- Review of 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 payable to NRFA and the receivable from NRFA.
- Recomputation of interest payable and review of litigation status.



MPH Chartered Accountants  
Plot 4434A, Kumbuyo Road, Longacres  
P.O. Box 31014  
Lusaka, Zambia

Plot 169, Kantanta Street  
Nkana East  
P.O. Box 21505, Kitwe.

Tel: +260 211 228 874 - 76 (Lusaka)  
Mobile: +260 954 262 310  
Tel: +260 212 225 166 (Kitwe)  
Mobile: +260 954 933 904  
Website: www.mphzrn.co.zm

## Independent Auditor's Report *(continued)*

### Key audit matter (continued)

*Completeness and accuracy of payables (continued)*

### Our response (continued)

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 skepticism 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.

"Leading the way"

Partners Hastings Mtine | Larry N. Phiri | Hampande Hachongo





**MPH Chartered Accountants**  
Plot 4434A, Kumoyo Road, Longacres  
P.O. Box 31014  
Lusaka, Zambia

Plot 16 B, Kantanta Street  
Nkana East  
P.O. Box 21505, Kitwe.

Tel: +260 211 228 874 - 78 (Lusaka)  
Mobile: +260 954 262 310  
Tel: +260 212 225 166 (Kitwe)  
Mobile: +260 954 933 904  
Website: www.mptzrn.co.zm

## 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 Report of the Members and Supplementary Information set out on pages 94 to 96. 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 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 Chartered Accountants

21/7/2023  
Lusaka, Zambia

  
Hampande Hachongo (AUD/F000186)  
Partner

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Statement of Comprehensive Income

	Notes	2022 K	2021 K
<b>Revenue</b>			
Income	4	4,305,594,618	2,673,830,842
Staff costs	5(a)	(240,911,089)	(197,384,953)
Administrative expenses	5(b)	(1,918,234,820)	(2,458,587,457)
Routine repairs, maintenance works and project related costs	5(c)	(3,319,713,412)	(1,567,941,401)
<b>Deficit before finance income</b>		<b>(1,173,264,703)</b>	<b>(1,550,082,969)</b>
Finance income	5(d)	208,198,274	811,811,823
<b>Excess of expenditure over income</b>		<b>(965,066,429)</b>	<b>(738,271,146)</b>
<b>Other comprehensive income</b>			
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>(965,066,429)</b>	<b>(738,271,146)</b>

The accounting policies and notes on pages 46 to 93 are an integral part of these financial statements.

# Road Development Agency

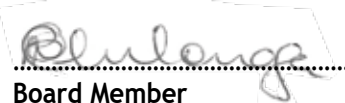
Financial Statements for the year ended 31 December 2022

## Statement of Financial Position

	Notes	2022 K	2021 K
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	7	14,509,848,706	12,915,881,268
Capital work-in-progress	8.1	24,308,562,470	28,117,794,673
Intangibles	9	1	1
		<u>38,818,411,177</u>	<u>41,033,675,942</u>
<b>Current Assets</b>			
Inventory	10	622,750,853	633,951,085
Trade and other receivables	11	14,145,272,195	14,314,093,917
Cash and bank balances	12	149,991,006	43,736,017
		<u>14,918,014,054</u>	<u>14,991,781,019</u>
<b>Total Assets</b>		<u>53,736,425,231</u>	<u>56,025,456,961</u>
<b>Accumulated Funds and Liabilities</b>			
Accumulated funds		<u>(2,371,319,640)</u>	<u>(1,406,253,211)</u>
<b>Non-Current Liabilities</b>			
Terminal benefits	14(a)	267,375,503	227,129,469
Gratuity benefits	14(b)	6,388,579	10,759,938
Deferred income (capital grants)	15	39,249,456,078	41,540,174,677
<b>Total-Non-Current Liabilities</b>		<u>39,523,220,160</u>	<u>41,778,064,084</u>
<b>Current Liabilities</b>			
Deferred income (capital grants)	15	1,562,162,103	1,491,839,010
Trade and other payables	13	14,992,886,821	14,116,431,136
Terminal benefits	14(a)	17,705,508	22,232,357
Gratuity benefits	14(b)	11,770,279	23,143,585
<b>Total Current Liabilities</b>		<u>16,584,524,711</u>	<u>15,653,646,088</u>
<b>Total Liabilities</b>		<u>56,107,744,871</u>	<u>57,431,710,172</u>
<b>Total Accumulated Funds and Liabilities</b>		<u>53,736,425,231</u>	

56,025,456,961 The financial statements set out on pages 34 to 93, which have been prepared on a going concern basis, were approved on 21/07/2023 and were signed by:

.....  
Board Chairperson

  
.....  
Board Member

The accounting policies and notes on pages 46 to 93 are an integral part of these financial statements.



## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Statement of Changes in Accumulated Funds

	Note	Accumulated funds
		K
<b>Balance at 1 January 2021</b>		(667,982,065)
Excess of expenditure over income for the year		(738,271,146)
<b>At 31 December 2021</b>		<u>(1,406,253,211)</u>
<b>Balance as at 1 January 2022</b>		(1,406,253,211)
Excess of expenditure over income for the year		(965,066,429)
<b>At 31 December 2022</b>		<u>(2,371,319,640)</u>

#### 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 46 to 93 are an integral part of these financial statements.

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Statement of Cash flows

	Notes	2022 K	2021 K
<b>Cash flows from operating activities</b>			
Excess of expenditure over income for the year		(965,066,429)	(738,271,146)
<b>Adjustments</b>			
Loss on disposal of plant and equipment	5(e)	1,911,014	3,910,122
Amortisation of capital grants on impairment	8.1	1,940,221,679	-
Amortisation of capital grants on impairment	15	(1,940,221,679)	-
Amortisation of capital grants	15	(1,562,162,103)	(1,491,838,998)
Depreciation	7	1,562,162,103	1,491,838,964
Amortisation of intangible assets	9	-	34
Interest received	5(d)	(65,784)	(52,490)
<b>Operating cash flows before movements in working capital</b>		<b>(963,221,199)</b>	<b>(734,413,514)</b>
<b>Movements in working capital</b>			
Decrease in inventories		11,200,232	12,046,168
Decrease in trade and other receivables		168,821,722	3,670,891,800
Increase in trade and other payables		896,430,205	(2,740,845,087)
<b>Net cash out flows from operating activities</b>		<b>113,230,960</b>	<b>207,679,367</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	7	(7,816,387)	(17,987,004)
Additions to capital work-in-progress	8.1	(1,391,794,002)	(3,025,004,469)
Proceeds from disposal of plant and equipment	5(e)	1,624,965	1,325,974
Interest received	5(d)	65,784	52,490
<b>Net cash out flows from investing activities</b>		<b>(1,397,919,640)</b>	<b>(3,041,613,009)</b>
<b>Cash flows from financing activities</b>			
Capital grants received	15	1,390,943,669	2,799,559,568
<b>Net cash from financing activities</b>		<b>1,390,943,669</b>	<b>2,799,559,568</b>
<b>Net decrease in cash and cash equivalents</b>		<b>106,254,989</b>	<b>(34,374,074)</b>
Cash at the beginning of the year		43,736,017	78,110,091
<b>Cash and cash equivalents at end of the year</b>	12	<b>149,991,006</b>	<b>43,736,017</b>

The accounting policies and notes on pages 46 to 93 are an integral part of these financial statements.

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## 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 K53,736 million (2021: K56,025 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 liabilities of K16,585 million exceed its current assets of K14,918 million at 31 December 2022. The current liabilities of K16,585 million (2021: K15,653 million) include deferred income (grant capital) of K1,562 million (2021: K1,492 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 Infrastructure, Housing and Urban Development (MIHUD) 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 2022

## 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 capital 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 is revenues derived from activities other than those directly related to the planning, care and maintenance and construction of public roads. It comprises various fees earned during the normal course of business and is included in the comprehensive income as it is earned.

#### *Gains and losses on disposal of assets*

A gain or loss on disposal is recognised as the difference between the disposal proceeds and the carrying amount of the asset at the date of disposal. These gains or losses are included in the comprehensive income as they are earned.



## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Accounting Policies (*continued*)

#### 2.2 Property and equipment

Leasehold land and buildings held for use in the 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 2022

### 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 2022

### 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 2022

## 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 2022

### 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 2022

## 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.

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Accounting Policies (*continued*)

#### 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 2022

### Accounting Policies (*continued*)

#### 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 2022

### Accounting Policies (*continued*)

---

#### 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 2022

## Accounting Policies (*continued*)

---

### 2.5 Financial instruments (*continued*)

#### *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.

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Accounting Policies (*continued*)

---

#### 2.5 Financial instruments (*continued*)

##### 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.

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Accounting Policies (*continued*)

---

#### 2.7 Foreign currencies (*continued*)

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.

##### (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 2022

### 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 2022

### 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 2022

### 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 2022. None of the amendments below have a significant impact on the Agency.

Standard	Subject of amendment	Effective date and impact
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. The amendment has had no immediate impact on the Agency.
Amendments to IAS 16 Property and Equipment- Proceeds before Intended Use	The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company 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 amendment had no impact on 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 amendment could impact the Agency.

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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

Standard	Subject of amendment	Effective date
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	<p>The annual improvements relate to four standards.</p> <p>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.</p> <p>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.</p> <p>IFRS 16 Leases The amendment removes the illustration of leasehold improvements.</p> <p>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.</p>	<p>The amendments are effective for annual periods beginning on or after January 1, 2022.</p> <p>The amendment has no impact on the Agency.</p> <p>The amendments are effective for annual periods beginning on or after January 1, 2022.</p> <p>The amendment has no impact on the Agency.</p> <p>No effective date applies. The amendment could impact the Agency.</p> <p>The amendments are effective for annual periods beginning on or after January 1, 2022.</p> <p>The amendment has no impact on the Agency.</p>



# Road Development Agency

Financial Statements for the year ended 31 December 2022

## 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)

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 and impact
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 might affect the Agency’s classifications of liabilities as current or non-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; <ul style="list-style-type: none"> <li>• A change in accounting estimate that results from new information or new developments is not a correction of an error.</li> <li>• 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.</li> </ul>	Annual periods beginning on or after 1 January 2023. Earlier application is permitted.  The amendment could impact the Agency.
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 will not impact the Agency.

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## 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 IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, 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 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 or 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' interests in the new associate or joint venture.	The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.  The amendment will have no impact on the Agency.
IFRS 17 Insurance	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, 2023  The Standard will have no impact on the Agency.
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.  The amendment will have no impact on the Agency.
IFRS S1: General sustainability related disclosures	The Standard will require companies to disclose information about all their significant sustainability related risks and opportunities.	Annual periods beginning on or after 1 January 2024. Earlier application is permitted.  The Standard will impact the Agency's disclosures.
IFRS S2: Climate related disclosures	The Standard will require an entity to provide information about its exposure to climate related risks and opportunities	Annual periods beginning on or after 1 January 2024. Earlier application is permitted.  The Standard will impact the Agency's disclosures.

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements

	2022 K	2021 K
<b>3. Revenue</b>		
Revenue represents amortisation of capital grants and revenue grants received from the Government of the Republic of Zambia during the year, project grants and other income.		
<b>4. Income</b>		
Amortisation of capital grants (note 15)	1,562,162,103	1,491,838,998
Amortisation of capital grants on impairment (note 8.1)	1,940,221,679	-
Project grant from National Roads Fund Agency (NRFA)	638,637,575	1,041,565,172
Revenue grants from GRZ	136,082,772	117,926,364
Other income	28,490,489	22,500,308
	<u>4,305,594,618</u>	<u>2,673,830,842</u>
<b>5. Expenditure</b>		
<b>(a) Staff costs</b>		
Salaries	143,876,221	144,870,619
Gratuity and pension costs	80,023,635	36,832,044
Other costs	17,011,233	15,682,290
	<u>240,911,089</u>	<u>197,384,953</u>
<b>(b) Administrative expenses</b>		
Amortisation and depreciation (notes 7 and 9)	1,562,162,103	1,491,838,997
Electricity, water and sewerage	1,063,104	948,202
Insurance	3,525,005	2,445,513
Other administration costs	351,484,608	963,354,745
	<u>1,918,234,820</u>	<u>2,458,587,457</u>
<b>(c) Routine repairs, maintenance works and project related costs</b>		
Environmental costs	18,447,704	2,014,000
Interest on long outstanding contractor debts	681,128,564	725,890,519
Impairment of CWIP-roads and bridges	1,940,221,679	-
Routine maintenance - roads	166,431,794	415,802,724
Routine maintenance - force accounts	102,380,649	67,302,802
Supervision expenses - roads and bridges	22,573,088	5,945,871
Technical assistance and other consultancy costs	39,556,111	57,325,724
Legal costs and arbitration awards	330,314,494	257,948,678
Other costs	18,659,329	35,711,083
	<u>3,319,713,412</u>	<u>1,567,941,401</u>

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 2022

### Notes to the Financial Statements (*continued*)

	2022	2021
	K	K
<b>5. Expenditure (<i>continued</i>)</b>		
<b>(d) Finance (cost)/income</b>		
Interest income	65,784	52,490
Net foreign currency exchange gains-receivables and payables	208,037,913	811,776,911
Foreign currency exchange gains/(losses)- bank accounts	94,577	(17,578)
<b>Net finance income</b>	<b>208,198,274</b>	<b>811,811,823</b>
<b>(e) Loss on disposal of assets</b>		
Cash proceeds	1,624,965	1,325,974
Carrying amount	(3,535,979)	(5,236,096)
<b>Loss on disposal (appendix 1)</b>	<b>(1,911,014)</b>	<b>(3,910,122)</b>

### 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 2022

### Notes to the Financial Statements (continued)

7. Property, plant and equipment										
2022	Roads	Pontoons and bridges	Land and buildings	Weight bridges	Motor vehicles	Plant and machinery	Computers and office equipment	Furniture and fittings	Total	
Cost	K	K	K	K	K	K	K	K	K	K
At 1 January 2022	23,784,714,220	499,205,417	16,050,923	115,827,733	87,145,101	126,561,868	30,161,471	7,726,791	24,667,393,524	
Additions	-	-	-	-	4,814,844	-	2,850,092	151,451	7,816,387	
Capitalisation of CWIP	1,700,325,231	1,412,992,326	-	38,531,576	-	-	-	-	3,151,849,133	
Disposals	-	-	-	-	(8,382,870)	-	-	-	(8,382,870)	
At 31 December 2022	25,485,039,451	1,912,197,743	16,050,923	154,359,309	83,577,075	126,561,868	33,011,563	7,878,242	27,818,676,174	
<b>Depreciation</b>										
At 1 January 2022	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	
Charge for the year	1,382,435,579	144,259,314	435,458	13,644,934	7,761,158	10,319,542	3,132,005	174,114	1,562,162,103	
Disposals	-	-	-	-	(4,846,892)	-	-	-	(4,846,892)	
At 31 December 2022	12,576,085,435	457,807,566	4,628,211	95,008,406	66,571,448	72,209,704	29,077,365	7,439,333	13,308,827,468	
<b>Carrying amounts</b>										
At 31 December 2022	12,908,954,016	1,454,390,177	11,422,712	59,350,903	17,005,627	54,352,164	3,934,198	438,909	14,509,848,706	
At 31 December 2021	12,591,064,364	185,657,165	11,858,170	34,464,261	23,487,918	64,671,706	4,216,111	461,573	12,915,881,268	

Property, plant and equipment includes assets with a cost of K4,726,021,974 which were fully depreciated as at 31 December 2022 (2021: K4,728,671,249). Certain land and buildings are not held in the name of Road Development Agency.

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (continued)

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

2021	Roads	Pontoons and bridges	Land and buildings	Weight 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 of 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	69,441,719	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)	(222,894)	-	(21,384,314)
At 31 December 2021	11,193,649,856	313,548,252	4,192,793	81,363,472	63,657,183	61,890,162	25,945,360	7,265,219	11,751,512,257
<b>Carrying amounts</b>									
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

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (continued)

#### 8.1 Capital work in progress

	Roads	Bridges and pontoons	Buildings	Total
	K	K	K	K
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	<u>26,115,673,770</u>	<u>2,001,384,503</u>	<u>736,400</u>	<u>28,117,794,673</u>
As at 1 January 2022	26,115,673,770	2,001,384,503	736,400	28,117,794,673
Additions	1,084,106,726	307,687,276	-	1,391,794,002
Impairment	(1,935,669,435)	(4,552,244)	-	(1,940,221,679)
Capitalisations	(1,700,325,231)	(1,451,523,902)	-	(3,151,849,133)
Reallocation	131,454,983	(131,454,983)	-	-
Adjustment	(87,392,610)	(21,562,783)	-	(108,955,393)
At 31 December 2022	<u>23,607,848,203</u>	<u>699,977,867</u>	<u>736,400</u>	<u>24,308,562,470</u>

The adjustment of K109 million was a relocation of K37 million to revenue grant as a result of the change in the nature of intervention from holding maintenance to full rehabilitation of the Kafue to Mazabuka road and K72 million being correction to prior year entries due to reversal of duplicated IPCs, revision of certified amounts and liquidated damages adjusted on certificates.

An impairment review of stalled projects recorded under Capital Work in Progress was undertaken to determine the extent to which the projects were impaired and therefore the appropriate impairment charge was recognised.

#### 8.2 Capital work in progress impairment provision

	2022	2021
At beginning of year	-	-
Charge for the year	(1,940,221,679)	-
Total	<u>(1,940,221,679)</u>	-
Reversals	-	-
At 31 December	<u>(1,940,221,679)</u>	-

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (*continued*)

### 9. Intangibles

	Computer software K
<b>Cost</b>	
At 1 January 2021	12,436,534
Additions	-
At 31 December 2021	<u>12,436,534</u>
At 1 January 2022	12,436,534
Additions	-
At 31 December 2022	<u>12,436,534</u>
<b>Amortisation</b>	
At 1 January 2021	12,436,500
Charge for the year	33
At 31 December 2021	<u>12,436,533</u>
At 1 January 2022	12,436,533
Charge for the year	-
At 31 December 2022	<u>12,436,533</u>
<b>Carrying amounts</b>	
At 31 December 2022	<u>1</u>
At 31 December 2021	<u>1</u>

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (continued)

	2022 K	2021 K
<b>10. Inventory</b>		
Raw materials	35,937	35,937
Finished pavers	2,145,838	3,136,715
Acrow bridges	620,569,078	630,778,433
	<u>622,750,853</u>	<u>633,951,085</u>
<b>11. Trade and other receivables</b>		
Amounts advanced to contractors and suppliers	4,224,765,900	4,046,864,097
Amount receivable from Ministry of Infrastructure, Housing and Urban Development (MIHUD)	-	29,494,538
Amounts receivable from National Roads Fund Agency (NRFA)	11,981,049,105	12,014,790,906
	<u>16,205,815,005</u>	<u>16,091,149,541</u>
Less: impairment provision	<u>(2,076,404,328)</u>	<u>(1,791,525,512)</u>
<b>Net trade receivables</b>	<u>14,129,410,677</u>	<u>14,299,624,029</u>
Special imprest	654,941	460,275
Salary advances	247,826	360,981
Staff material loans	5,846,649	6,956,500
Staff receivables-motor vehicle disposals	4,139	83,298
Prepayments	534,690	5,600
Other debtors	13,398,517	13,398,517
Amounts payable to contractors in debit	10,329,199	8,224,784
National Roads Fund Agency (NRFA) other receivables	9,945,126	15,113,288
	<u>40,961,087</u>	<u>44,603,243</u>
Less impairment provision on other debtors	<u>(25,099,569)</u>	<u>(30,133,355)</u>
Net other debtors	<u>15,861,518</u>	<u>14,469,888</u>
	<u>14,145,272,195</u>	<u>14,314,093,917</u>
<b>Movement in impairment provisions-trade debtors</b>		
Balance at the beginning of the year	1,791,525,512	853,796,972
Provision for the year	314,373,354	937,728,540
Write-off	<u>(29,494,538)</u>	<u>-</u>
<b>Balance at 31 December</b>	<u>2,076,404,328</u>	<u>1,791,525,512</u>
<b>Movement in impairment provision-other debtors</b>		
Balance at the beginning of the year	30,133,355	36,331,495
Reduction in impairment of other receivables for the year	<u>(5,033,786)</u>	<u>(6,198,140)</u>
<b>Balance at 31 December</b>	<u>25,099,569</u>	<u>30,133,355</u>

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 2022

## Notes to the Financial Statements (continued)

	2022	2021
	K	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:

Bank account balances	149,989,183	43,727,521
Cash in hand	1,823	8,496
<b>At 31 December</b>	<b>149,991,006</b>	<b>43,736,017</b>

Of which:

Operating funds	149,950,419	43,695,430
Project funds	40,587	40,587
<b>At 31 December</b>	<b>149,991,006</b>	<b>43,736,017</b>

### 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.

Amounts payable to contractors	9,898,401,880	10,123,359,568
Retention payable	2,112,238,997	1,918,918,695
	<b>12,010,640,877</b>	<b>12,042,278,263</b>
Accruals- interest to contractors	2,026,642,665	1,431,545,469
Provisions-legal	824,790,711	495,274,795
Leave pay	39,485,564	41,298,128
Other payables	890,271	201,068
NAPSA	49,600,383	46,327,339
PAYE	17,840,775	32,067,682
VAT	1,739,349	1,165,409
Workers compensation	-	920,239
Sundry creditors	21,256,226	25,352,744
	<b>14,992,886,821</b>	<b>14,116,431,136</b>

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (continued)

	2022 K	2021 K
<b>14 (a) Terminal benefits</b>		
At beginning of year	249,361,826	247,658,343
Charge for the year	65,553,078	11,024,138
Payments during the year	(29,833,893)	(9,320,655)
<b>At 31 December</b>	<b>285,081,011</b>	<b>249,361,826</b>
Non-current portion	267,375,503	227,129,469
Current portion	17,705,508	22,232,357
<b>At 31 December</b>	<b>285,081,011</b>	<b>249,361,826</b>
<b>14. (b) Gratuity benefits</b>		
At beginning of year	33,903,523	37,900,225
Charge for the year	19,711,234	20,876,464
Payments during the year	(35,455,899)	(24,873,166)
<b>At 31 December</b>	<b>18,158,858</b>	<b>33,903,523</b>
Non-current portion		
Current portion	6,388,579	10,759,938
<b>At 31 December</b>	<b>11,770,279</b>	<b>23,143,585</b>
	<b>18,158,858</b>	<b>33,903,523</b>
<b>15. Deferred income (capital grants)</b>		
Balance at beginning of year	43,032,013,687	44,357,956,983
Capital grants received (works)	1,267,475,905	2,723,575,924
Capital grants received (advance payments)	115,651,377	61,740,032
Capital grants received (operations)	7,816,387	14,243,612
Advance payment reversal	-	(2,618,100,183)
Revaluation adjustment (note 8.1)	(108,955,393)	(15,563,683)
Amortisation of capital grants on impairment (note 8.1)	(1,940,221,679)	-
Amortisation of capital grants (note 7 and 9)	(1,562,162,103)	(1,491,838,998)
<b>Balance at end of year</b>	<b>40,811,618,181</b>	<b>43,032,013,687</b>
Capital grants are classified as current and non-current liabilities as shown below:		
Non-Current	39,249,456,078	41,540,174,677
Current	1,562,162,103	1,491,839,010
<b>Balance at end of year</b>	<b>40,811,618,181</b>	<b>43,032,013,687</b>

The revaluation adjustment was a relocation of K37 million to revenue grant as a result of the change in the nature of intervention from holding maintenance to full rehabilitation of the Kafue to Mazabuka road and K72 million being correction to prior year entries.

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (*continued*)

	2022	2021
	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		
Cash and bank balances	12	149,991,006	43,736,017
Trade receivables	11	16,205,815,005	16,091,149,541
Special imprest	11	654,941	460,275
Salary advances	11	247,826	360,981
Staff material loans	11	5,846,649	6,956,500
Staff receivables-motor vehicle disposals	11	4,139	83,298
Prepayments	11	534,690	5,600
Other debtors	11	13,398,517	13,398,517
Amounts payable to contractors in debit	11	10,329,199	8,224,784
National Road Fund Agency (NRFA) other receivables	11	9,945,126	15,113,288
		<b>16,396,767,098</b>	<b>16,179,488,801</b>

##### *Financial liabilities*

Amounts payable to contractors	13	9,898,401,880	10,123,359,568
Retention payable	13	2,112,238,997	1,918,918,695
Accruals- interest to contractors	13	2,026,642,665	1,431,545,469
Provisions-legal	13	824,790,711	495,274,795
Employee benefits	14	303,239,869	283,265,349
Leave pay	13	39,485,564	41,298,128
Other payables	13	890,271	201,068
NAPSA	13	49,600,383	46,327,339
PAYE	13	17,840,775	32,067,682
VAT	13	1,739,349	1,165,409
Workers compensation	13	-	920,239
Sundry creditors	13	21,256,226	25,352,744
		<b>15,296,126,690</b>	<b>14,399,696,485</b>

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (*continued*)

	2022	2021
	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	149,991,006	43,736,017
Trade and other receivables	11	<u>14,145,272,195</u>	<u>14,314,093,917</u>
		<u>14,295,263,201</u>	<u>14,357,829,934</u>

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (*continued*)

		2022 K	2021 K
<b>16. Financial instruments - Risk management (<i>continued</i>)</b>			
<b>(i) Credit risk management (<i>continued</i>)</b>			
<i>Trade and other receivables</i>			
The Agency's maximum exposure to credit risk in respect of trade and other payables is analysed below:			
	Note		
Amounts advanced to contractors and suppliers	11	4,224,765,900	4,046,864,097
Amounts receivable from Ministry of Infrastructure, Housing and Urban Development (MIHUD)	11	-	29,494,538
Amounts receivable from National Roads Fund Agency (NFRA)	11	11,981,049,105	12,014,790,906
<b>Sub-total</b>		<b>16,205,815,005</b>	<b>16,091,149,541</b>
Special imprest	11	654,941	460,275
Salary advances	11	247,826	360,981
Staff material loans	11	5,846,649	6,956,500
Staff receivables-motor vehicle disposals	11	4,139	83,298
Other debtors	11	13,398,517	13,398,517
Prepayments	11	534,690	5,600
Amounts payable to contractors in debit	11	10,329,199	8,224,784
National Roads Fund Agency (NRFA) other receivables	11	9,945,126	15,113,288
<b>Sub total</b>		<b>16,246,776,092</b>	<b>16,135,752,784</b>
Cash and bank balances	12	149,991,006	43,736,017
<b>Sub total</b>		<b>149,991,006</b>	<b>43,736,017</b>
<b>Total</b>		<b>16,396,767,098</b>	<b>16,179,488,801</b>

#### Ageing of trade receivables

The aging of trade receivables at the reporting date was:

	31 Dec 2022 Gross amount K	31 Dec 2022 Impairment K	31 Dec 2022 Net amount K	31 Dec 2021 Gross amount K	31 Dec 2021 Impairment K	31 Dec 2021 Net amount K
1-3 months	341,448,326	(19,598,192)	321,850,137	59,487,880	(7,980,140)	51,507,740
3 months to 1 year	327,148,635	(41,875,025)	285,273,610	208,373,402	(65,758,655)	142,614,747
More than 1 year	15,537,218,044	(2,014,931,111)	13,522,228,693	15,823,288,259	(1,717,786,717)	14,105,501,542
	<b>16,205,815,005</b>	<b>(2,076,404,328)</b>	<b>14,129,410,677</b>	<b>16,091,149,541</b>	<b>(1,791,525,512)</b>	<b>14,299,624,029</b>



## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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 'In default with little prospect for recovery', the Agency used PD and LGD rates of 20.71% and 61.85% (2021: 11.87% and 25.27%) 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 2022

Probability of default	Loss given default	Life expected loss rates	Gross carrying amount K	Impairment loss allowance K
20.71%	61.85%	12.8127%	16,205,815,005	2,076,404,328

###### 31 December 2021

Probability of default	Loss given default	Life expected loss rates	Gross carrying amount K	Impairment loss allowance K
11.87%	25.27%	11.1336%	16,091,149,541	1,791,525,512

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (*continued*)

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

##### *Expected credit loss assessment (continued)*

##### *Loss Allowance*

31 December 2022	Weighted average losses	Gross carrying amounts K	Loss Allowance K	Credit impaired
1 to 3 months	5.7397%	341,448,326	19,598,192	Yes
3 months to 1 year	12.7999%	327,148,635	41,875,025	Yes
More than 1 year	12.9684%	15,537,218,044	2,014,931,111	Yes
		<u>16,205,815,005</u>	<u>2,076,404,328</u>	
 31 December 2021	 Weighted average losses	 Gross carrying amounts K	 Loss Allowance K	 Credit impaired
1 to 3 months	13.4147%	59,487,880	7,980,140	Yes
3 months to 1 year	31.5580%	208,373,402	65,758,655	Yes
More than 1 year	10.8561%	15,823,288,259	1,717,786,717	Yes
		<u>16,091,149,541</u>	<u>1,791,525,512</u>	

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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 at 31 December.

31 December 2022	Weighted average losses	Gross carrying amounts K	Loss Allowance K	Credit impaired
1 to 3 months	0.0000%	7,284,106	-	No
3 months to 1 year	70.9464%	29,522,791	20,945,379	Yes
More than 1 year	100.0000%	4,154,190	4,154,190	Yes
		<u>40,961,087</u>	<u>25,099,569</u>	
31 December 2021	Weighted average losses	Gross carrying amounts K	Loss Allowance K	Credit impaired
1 to 3 months	0.0000%	1,054,027	-	No
3 months to 1 year	64.1494%	37,421,647	24,005,786	Yes
More than 1 year	100.0000%	6,127,569	6,127,569	Yes
		<u>44,603,243</u>	<u>30,133,355</u>	

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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.

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (continued)

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

#### 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:

#### Exposure to currency risk (continued)

December 2022		K	USD Exposure	Pound Exposure	Euro Exposure	K Total
<b>Financial assets</b>	<b>Note</b>					
Trade receivables	11	16,205,815,005	-	-	-	16,205,815,005
Special imprest	11	654,941	-	-	-	654,941
Salary advances	11	247,826	-	-	-	247,826
Staff material loans	11	5,846,649	-	-	-	5,846,649
Staff receivables-motor vehicles	11	4,139	-	-	-	4,139
Other debtors	11	13,398,517	-	-	-	13,398,517
Amounts payable to contractors in debit	11	10,329,199	-	-	-	10,329,199
National Roads Fund Agency (NFRA)	11	9,945,126	-	-	-	9,945,126
Prepayments	11	534,690	-	-	-	534,690
Cash and bank balances	12	145,663,182	4,327,824	-	-	149,991,006
		<u>16,392,439,274</u>	<u>4,327,824</u>	<u>-</u>	<u>-</u>	<u>16,396,767,098</u>
<b>Financial liabilities</b>						
Amounts payable to contractors	13	(4,139,717,878)	(5,642,236,882)	(482,188)	(115,964,932)	(9,898,401,880)
Retention payable	13	(2,112,238,997)	-	-	-	(2,112,238,997)
Accruals-interest to contractors	13	(2,026,642,665)	-	-	-	(2,026,642,665)
Provisions-legal	13	(824,790,711)	-	-	-	(824,790,711)
Terminal benefits	14(a)	(285,081,011)	-	-	-	(285,081,011)
Leave pay	13	(39,485,564)	-	-	-	(39,485,564)
Gratuity	14(b)	(18,158,858)	-	-	-	(18,158,858)
Other payables	13	(890,271)	-	-	-	(890,271)
NAPSA	13	(49,600,383)	-	-	-	(49,600,383)
PAYE	13	(17,840,775)	-	-	-	(17,840,775)
VAT	13	(1,739,349)	-	-	-	(1,739,349)
Sundry creditors	13	(21,256,226)	-	-	-	(21,256,226)
		<u>(9,537,442,688)</u>	<u>(5,642,236,882)</u>	<u>(482,188)</u>	<u>(115,964,932)</u>	<u>(15,296,126,690)</u>
<b>Net exposure</b>		<u>6,854,996,586</u>	<u>(5,637,909,058)</u>	<u>(482,188)</u>	<u>(115,964,932)</u>	<u>1,100,640,408</u>



# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (continued)

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

#### Exposure to currency risk (continued)

December 2021		K	USD	Pound	Euro	K
			Exposure	Exposure	Exposure	Total
<b>Financial assets</b>	<b>Note</b>					
Trade receivables	11	15,590,449,541	500,700,000	-	-	16,091,149,541
Special interest	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	11	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 balance	12	43,670,114	65,903	-	-	43,736,017
		<u>15,678,722,898</u>	<u>500,765,903</u>			<u>16,179,488,801</u>
<b>Financial liabilities</b>						
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)
		<u>(11,262,137,731)</u>	<u>(3,024,136,699)</u>	<u>(516,725)</u>	<u>(112,905,330)</u>	<u>(14,399,696,485)</u>
Net exposure		<u>4,917,285,167</u>	<u>(3,024,070,796)</u>	<u>(516,725)</u>	<u>(112,905,330)</u>	<u>1,779,792,316</u>

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## 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	
	2022	2021
USD	18.10	16.69
EUR	19.33	18.82
GBP	21.78	22.47

#### *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
<b>31 December 2022</b>				
USD	(563,790,906)	563,790,906	(563,760,906)	563,790,906
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
<b>31 December 2021</b>				
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

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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 2022

### 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

	Notes	1 to 3 months	3 months to 1 year	More than 1 year	Total
		K	K	K	K
<b>31 December 2022</b>					
<b>Liabilities</b>					
Amounts payable to contractors	13	82,465,483	9,815,936,397	-	9,898,401,880
Retention payable	13	328,198,626	1,784,040,371	-	2,112,238,997
Accruals- interest to contractors	13	-	2,026,642,665	-	2,026,642,665
Provisions-legal	13	-	824,790,711	-	824,790,711
Terminal benefits	14(a)	4,726,182	12,979,326	267,375,503	285,081,011
Leave pay	13	-	39,485,564	-	39,485,564
Gratuity	14(b)	4,947,544	6,822,735	6,388,579	18,158,858
Other payables	13	890,271	-	-	890,271
NAPSA	13	792,525	48,807,858	-	49,600,383
PAYE	13	3,427,378	14,413,397	-	17,840,775
VAT	13	-	1,739,349	-	1,739,349
Sundry creditors	13	-	21,256,226	-	21,256,226
		<b>425,448,009</b>	<b>14,596,914,599</b>	<b>273,764,082</b>	<b>15,296,126,690</b>

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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 2022		K	K	K	K
<b>Assets</b>					
Cash and bank balances	12	149,991,006	-	-	149,991,006
Trade receivables	11	668,596,961	15,537,218,044	-	16,205,815,005
Special imprest	11	654,941	-	-	654,941
Salary advances	11	247,826	-	-	247,826
Staff material loans	11	5,846,649	-	-	5,846,649
Staff receivables- motor vehicle disposals	11	4,139	-	-	4,139
Other debtors	11	-	13,398,517	-	13,398,517
Prepayments	11	534,690	-	-	534,690
Amounts payable to contractors in debit	11	-	10,329,199	-	10,329,199
NRFA other receivables	11	-	9,945,126	-	9,945,126
		<b>825,876,212</b>	<b>15,570,890,886</b>	<b>-</b>	<b>16,396,767,098</b>
<b>Net exposure</b>		<b>400,428,203</b>	<b>973,976,287</b>	<b>(273,764,082)</b>	<b>1,100,640,408</b>



## Road Development Agency

Financial Statements for the year ended 31 December 2022

### 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 2021		K	K	K	K
<b>Liabilities</b>					
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 2022

### 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
<b>31 December 2021</b>					
<b>Assets</b>					
Cash and bank balances	12	-	43,736,017	-	43,736,017
Trade receivables	11	59,487,880	208,373,402	15,823,288,259	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
National Road Fund Agency (NRFA) other receivables	11	-	15,113,288	-	15,113,288
		60,541,907	289,531,066	15,829,415,828	16,179,488,801
<b>Net exposure</b>		56,445,539	(13,868,179,644)	15,591,526,421	1,779,792,316

#### 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 2022

### 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.

	Notes	2022		2021	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets		K	K	K	K
Cash and bank balances	12	149,991,006	149,991,006	43,736,017	43,736,017
Trade receivables	11	16,205,815,005	16,205,815,005	16,091,149,541	16,091,149,541
Special imprest	11	654,941	654,941	460,275	460,275
Salary advances	11	247,826	247,826	360,981	360,981
Staff material loans	11	5,846,649	5,846,649	6,956,500	6,956,500
Staff receivables-motor vehicle disposals	11	4,139	4,139	83,298	83,298
Other debtors	11	13,398,517	13,398,517	13,398,517	13,398,517
Prepayments	11	534,690	534,690	5,600	5,600
Amounts payable to contractors in debit	11	10,329,199	10,329,199	8,224,784	8,224,784
National Road Fund Agency (NRFA) other receivables	11	9,945,126	9,945,126	15,113,288	15,113,288

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Notes to the Financial Statements (continued)

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

Fair value measurements (continued)

	Notes	2022		2021	
		Carrying amount	Fair value	Carrying amount	Fair value
		K	K	K	K
<b>Financial liabilities</b>					
Amounts payable to contractors	13	9,898,401,880	9,898,401,880	10,123,359,568	10,123,359,568
Retention payable	13	2,112,238,997	2,112,238,997	1,918,918,695	1,918,918,695
Accruals- interest to contractors	13	2,026,642,665	2,026,642,665	1,431,545,469	1,431,545,469
Provisions-legal	13	824,790,711	824,790,711	495,274,795	495,274,795
Terminal benefits	14(a)	285,081,011	285,081,011	249,361,826	249,361,826
Leave pay	13	39,485,564	39,485,564	41,298,128	41,298,128
Gratuity	14(b)	18,158,858	18,158,858	33,903,523	33,903,523
Other payables	13	890,271	890,271	201,068	201,068
NAPSA	13	49,600,383	49,600,383	46,327,339	46,327,339
PAYE	13	17,840,775	17,840,775	32,067,682	32,067,682
VAT	13	1,739,349	1,739,349	1,165,409	1,165,409
Workers compensation	13	-	-	920,239	920,239
Sundry creditors	13	21,256,226	21,256,226	25,352,744	25,352,744

# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (*continued*)

	2022	2021
	K	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

National Road Fund Agency	638,637,575	1,041,565,172
Ministry of Infrastructure, Housing and Urban Development	136,082,772	117,926,364
	<u>774,720,347</u>	<u>1,159,491,536</u>

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

##### Capital grants received from related parties

National Road Fund Agency	1,390,943,669	2,799,559,568
	<u>1,390,943,669</u>	<u>2,799,559,568</u>

##### (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:

Salaries and other short-term benefits to management	9,454,569	10,548,475
Directors' remuneration	<u>2,537,600</u>	<u>1,273,732</u>



# Road Development Agency

Financial Statements for the year ended 31 December 2022

## Notes to the Financial Statements (*continued*)

	2022	2021
	K	K
<b>17. Related party transactions (<i>continued</i>)</b>		
<b>(ii) Balances due to/from related parties</b>		
(a) Balances due from the National Road Fund Agency (NFRA)	<u>11,990,994,231</u>	12,029,904,194
(b) Balances due (to)/from key members of Management:		
• Loans due from key Management personnel	<u>572,301</u>	1,102,525
• Gratuity and leave due to key Management personnel	<u>5,144,686</u>	4,559,436

## 18. Contingent liabilities

As at 31 December 2021, there were contingent liabilities in respect of various legal claims made against the Agency amounting to K68 million (2021: K334 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	<u>513,711,511</u>	338,962,595
-------------------	--------------------	-------------

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.

## Road Development Agency

Financial Statements for the year ended 31 December 2022

### Appendix 1: Detailed Statement of Comprehensive income

	Notes	2022 K	2021 K
<b>Income</b>			
Amortisation of capital grants	15	1,562,162,103	1,491,838,998
Amortisation of capital grants on impairment	8.1	1,940,221,679	-
Project grant from National Roads Fund Agency (NRFA)	4	638,637,575	1,041,565,172
Revenue grants from GRZ	4	136,082,772	117,926,364
		<b>4,277,104,129</b>	<b>2,651,330,534</b>
<b>Other income</b>			
Abnormal load fees		8,092,870	7,356,364
Bill boards		1,787,393	1,812,240
Equipment hire		150,200	16,200
Profit on disposal of plant and equipment		-	-
Liquidated damages		934,835	800,762
Private Public Partnership		1,433,636	205,544
Rental income		200,680	134,000
Road infringement charges		3,154,345	2,480,184
Quarry royalties		1,090,115	5,617,645
Soil testing analysis fees		394,375	295,166
Routeway inspection fees		2,776,835	1,446,900
Tender document sales		7,391,662	1,717,120
Other		1,083,543	618,183
<b>Total other income</b>	4	<b>28,490,489</b>	<b>22,500,308</b>
<b>Total income</b>		<b>4,305,594,618</b>	<b>2,673,830,842</b>

# Road Development Agency

Financial Statements for the year ended 31 December 2022

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

	2022 K	2021 K
<b>Expenditure</b>		
Accommodation and meals	2,940,979	2,587,266
Audit fees	365,988	307,441
Bank charges	417,512	224,021
Board expenses	4,427,463	1,635,395
Civil maintenance	3,523,052	910,838
Cleaning materials and toiletries and sanitary services	586,485	587,920
Computer expenses	1,388,070	80,068
Amortisation of intangible assets	-	34
Depreciation	1,562,162,103	1,491,838,964
Electricity, water and sewerage	1,063,104	948,201
Equipment service and repair	693,850	422,351
Insurance	3,525,005	2,445,513
Internet services	552,235	511,353
Labour day celebrations	187,000	-
Legal fees	62,204	223,483
Loss on disposal of plant and equipment	1,911,014	3,910,122
Motor vehicle expenses	10,598,040	8,326,197
Newspapers	56,386	7,000
Office beverages and refreshments	628,446	594,046
Other costs	201,178	93,733
Printing and stationery	2,187,019	2,999,066
Bad debt charge	309,339,568	931,530,400
Public relations and advertising	3,205,964	2,045,093
Recruitment costs	-	23,519
Rent collection costs	19,627	27,175
Routeway inspection costs	118,727	159,889
Security services	3,124,307	2,824,303
Staff costs	240,911,089	197,384,953
Staff training	1,864,076	1,070,057
Staff welfare	866,478	1,018,468
Subscriptions	435,337	446,335
Office rentals	54,667	108,259
Telephone and postage	254,461	293,395
Travelling expenses	168,440	2,955
Miscellaneous expenses	16,473	87,888
Workshops and seminars	1,289,562	296,709
	<b>2,159,145,909</b>	<b>2,655,972,410</b>

## Road Development Agency

Financial Statements for the year ended 31 December 2022

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

	2022	2021
	K	K
<b>Detailed analysis of routine repairs, maintenance works and project related costs</b>		
Environmental costs	18,447,704	2,014,000
Interest on long outstanding contractor debts	681,128,564	725,890,519
Project procurement costs	14,162,733	3,013,232
Routine maintenance - roads	166,431,794	415,802,724
Impairment cost - roads	1,935,669,435	-
Impairment cost - bridges	4,552,244	-
Routine maintenance - force accounts	102,380,649	67,302,802
Supervision expenses - roads and bridges	22,573,088	5,945,871
Supervision expenses - routine maintenance	588,508	839,965
Suspension, idle time and demobilisation	-	28,665,534
Technical assistance and other consultancy costs	39,556,111	57,325,724
Road tolling costs	-	2,000
Information and communication technology costs	3,938,088	3,190,351
Legal costs and arbitration awards	330,314,494	257,948,679
	<b>3,319,713,412</b>	<b>1,567,941,401</b>







<p><b>The Regional Manager RDA - Lusaka Region</b> Plot No. 1612 Sheki Sheki Road P.O Box 30918 LUSAKA Tel: 211 241765</p>	<p><b>Road Development Agency Headquarters</b> P.O. Box 50003, LUSAKA Tel: 211 253801/254838/253088 Email: RDA_HQ@roads.gov.zm</p>		<p><b>The Regional Manager RDA - Copperbelt Region</b> Plot 4084, Mosi - O – Tunya Road P.O Box 71517 NDOLA Tel: 212 650264/650497</p>
<p><b>The Regional Manager RDA - Central Region</b> Plot 486, Buntungwa Road P.O Box 80180 KABWE Tel: 215 222263/224662</p>	<p><b>The Regional Manager RDA - North Western Region</b> Former Roads Department next to ESCO, Independence Road P.O Box 110094 SOLWEZI Tel: 218 821196</p>	<p><b>The Regional Manager RDA - Luapula Region</b> PACU Building, Mansa Kawambwa Road P.O Box 710007 MANSA Tel: 212 821702/821973</p>	<p><b>The Regional Manager RDA - Northern Region</b> Plot 2847, Mukulumpe Road, Central Town P.O Box 410720 KASAMA Tel. 213 221290/230046</p>
<p><b>The Regional Manager RDA - Muchinga Region</b> Plot ZD 160, Chama Complex Nambuluma Road CHINSALI Tel: 214 565088</p>	<p><b>The Regional Manager RDA - Eastern Region</b> PWD Building, Umodzi Highway Private Bag 18 CHIPATA Tel: 216 221033/ 222026</p>	<p><b>The Regional Manager RDA - Western Region</b> Plot 164, Mongu – Senanga Road Private Bag Mongu MONGU Tel: 217 222036</p>	<p><b>The Regional Manager RDA - Southern Region</b> Plot 1313, Kapondo Street Mochipapa CHOMA Tel: 213 221610</p>