



Zambia Development Agency

ANNUAL REPORT | 2017



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ACRONYMS

7NDP	7 th National Development Plan
AGOA	Africa Growth Opportunities Act
CCPC	Competition and Consumer Protection Commission
CEEC	Citizens Economic Empowerment Commission
CSO	Central Statistical Office
CIFIT	China International Fair for Investment and Trade
COMESA	Common Market for Eastern and Southern Africa
DFID	Department for International Development
DTI	Department of Trade and Industry
EAC	East African Community
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
ITC	International Trade Centre
IPPAAs	Investment Promotion and Protection Agreements
IPP	Independent Power Producers
LSMFEZ	Lusaka South Multi-Facility Economic Zone
MSEs	Micro and Small Enterprises
MCTI	Ministry of Commerce, Trade and Industry
MOF	Ministry of Finance
MFEZs	Multi-Facility Economic Zones
NTBs	Non-Tariff Barriers
NTEs	Non-Traditional Exports
PACRA	Patents and Companies Registration Agency
PIGA	Partnership for Investment and Growth in Africa
PPP	Public Private Partnership
SADC	Southern African Development Community
SATIH	Southern African Investment and Trade Hub
SIFT	Swaziland International Trade Fair
TFTA	Tripartite Free Trade Area
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
VAT	Value Added Tax
WTO	World Trade Organization
ZEMA	Zambia Environmental Management Agency
ZRA	Zambia Revenue Authority

CHAIRPERSON'S STATEMENT

On behalf of the Board of the Zambia Development Agency (the "Agency") it is my honour and privilege to present this Report on the performance of the Agency for the year ended 31st December 2017.

Nationally, the country scored a number of positive milestones in 2017. Through the Ministry of Commerce, Trade and Industry the National Industrial Policy was finalized. The Seventh National Development Plan covering the period 2018 to 2021 was launched by His Excellency President Edgar Chagwa Lungu in June 2017. The Strategic Plan for the Agency (2018 - 2021) was reviewed towards the end of 2017 to take into account significant policy changes by Government impinging on investment, trade and industrial development.

In terms of financial performance, the year 2017 was challenging for the Agency. Its revenues dropped from ZMW 47 million in 2016 to ZMW 39.6 million in 2017, whilst its total employees' remuneration increased from ZMW 28.9 million in 2016 to ZMW 32.0 million in 2017. Direct expenditure on operations decreased from ZMW 13.7 million in 2016 to ZMW 12.6 million in 2017.

The funding stress which was evidently affecting the operational focus and achievement of the ZDA mandate had been an issue on the Board's agenda since 2016.

During the year under review, the Agency took a new strategic direction to drive result-based performance and efficiency throughout the organization. The new strategic direction required a paradigm

shift by the Management team. The Agency further took a decision to restructure the organization to make it more nimble and efficient to deliver on the mandate. I believe the impact of these changes will be felt more in 2018 and beyond.

The Agency has continued to register an increase in local and foreign investment particularly in the Energy and Agricultural sectors. It has also scored success in encouraging investment in the non-traditional export sector to spur economic diversification, wealth creation and employment.

On a final note, I would like to recognize and express gratitude to the Management and Staff of the Agency and their willingness to rise to the occasion for the need for change and a more proactive approach to our roles and responsibilities. Special thanks go to our former Director General, Mr. Patrick D. Chisanga for the role he played during his tenure in office. Finally, I would like to express appreciation for the support and counsel extended by the Board Members and the Ministry of Commerce, Trade and Industry during 2017. The role of the Agency in driving and targeting investment, trade and enterprise development has never been more pertinent than it is now. I look forward to wider collaboration with both old and new stakeholders in driving the work of ZDA to greater heights.



Mary T. Ncube

ZDA Board Chairperson

DIRECTOR GENERAL'S STATEMENT

The year 2017 was momentous with the Country witnessing the launch of the Seventh National Development Plan (7NDP) covering the period 2017 to 2021 whose goal is to create a diversified and resilient economy for sustained growth and socio-economic transformation. The 7NDP has 5 pillars namely:

- (1) **Economic diversification and job creation;**
- (2) *Poverty and Vulnerability Reduction;*
- (3) **Reducing Development Inequalities;**
- (4) *Enhancing Human Development' and*
- (5) *Creating a conducive governance environment for a diversified and inclusive economy.*

The Agency directly contributes to pillars 1 and 3 and indirectly to pillars 2, 4 and 5.

In the year 2017 Zambia's economy grew by 4.1%, compared to 3.4% in 2016; creating new business prospects and lifting more people out of poverty. Our overall organizational performance during the year was favourable.

As an Agency, we are pleased with our achievements and wish to extend our appreciation to the stakeholders both in the private sector and in Government, who continue to collaborate with us and

support our work over the years. We owe you all an enormous debt of gratitude. With your support, the future of ZDA and Zambia is very bright. Specifically, I would like to thank our shareholder the Government of the Republic of Zambia, the Ministry of Commerce Trade and Industry, Cooperating Partners and the private sector for their support. The Government through the Ministry of Commerce, Trade and Industry was supportive in policy direction and providing resources. Our cooperating partners also provided financial and technical support to enable us achieve our mandate.

I am also indebted to the Board of Directors and the Chairperson Ms. Mary Ncube for the unwavering support in strategic guidance. Finally, I take this opportunity to thank Management and Staff for their dedication and commitment in implementing the Strategic Plan during the year.



Perry Mapani



ABOUT ZAMBIA DEVELOPMENT AGENCY

Zambia Development Agency (the “Agency”) is the Country’s premier economic development Agency with an encompassing mandate of investment promotion and facilitation; export development and promotion; and enterprise development.

The Agency plays a critical role of driving Zambia’s economic development agenda through attraction of FDI, domestic investment, facilitation of expansions and spearheading the growth of NTEs by promoting Zambian products to regional and international markets. Additionally, the Agency drives wealth creation for Zambia by creating platforms that will stimulate and ensure increased citizen participation in the economy and create sustainable jobs.

Vision

A prosperous middle income Zambia with increased job opportunities for all.

Mission

To promote and facilitate investment, trade and competitive entrepreneurship of businesses in Zambia.

Values

The Agency is committed to reinforcing the capacity of the human capital of the organization and encourage their personal growth whilst promoting a culture instilling the following core values:

Purposeful:

Staff will be driven by a purpose and goal that is greater than the Agency as an organisation, and will contribute to the nation’s economic development;

determined to deliver on key result areas of creating wealth and jobs for Zambians.

Accountable:

The resources at the disposal of the Agency will be used according to the agreed upon programmes and activities in a prudent, fair and transparent manner. Any limitation of resources will entail prioritisation of activities to maximise impact for stakeholders.

Knowledgeable:

The Agency will gather, analyse and share relevant information about markets and sectors for use by clients in their decision-making processes. The Agency will build the expertise of its staff so that they are credible, trustworthy, and inspirational business advisors.

Responsive:

Staff will be thorough and professional when responding to requests. The work processes and systems will be reviewed and continuously improved to promptly respond and adapt to a rapidly changing world of business.

Team Spirit:

Staff will exhibit high levels of cooperation and collaboration to operate seamlessly within ZDA to maximise efficiency and effectiveness. They will continue to reach out to other organisations to create partnerships and leverage resources for the benefit of the business community and other stakeholders.



KEY FUNCTIONS

Enterprise Development

The Agency facilitates development of Zambian owned enterprises. The purpose is to achieve significant poverty reductions for the majority of Zambians and leverage FDI to enhance export earnings, wealth and job creation. Services include:

- (1) Entrepreneurship Development support to steer mind-set transformation to enable entrepreneurs generate business ideas and formalize business enterprises;
- (2) Enterprise Development support through business incubation including product development, coaching and mentorship, and business acceleration which includes access to business finance and access to markets to steer growth of business enterprises to create jobs and generate wealth.

Targeted Investment Promotion and Business Facilitation

In our efforts to achieve Government's aspirations enshrined in the Vision 2030, our focus on investment promotion is leveraged on undertaking research to package investment opportunities in growth sectors and availing strategic go-to-market value propositions that will attract investors to Zambia. We have put great emphasis on existing national priorities that are focused on delivering economic growth, development and diversification.

The Agency hand-holds investors in the provision of business facilitation services, such as:

- (1) Issuing certificates of registrations and permits;

- (2) Access to industrial and commercial land;
- (3) Access to finance and to incentives; and
- (4) Acquisition of various secondary licenses.

Export Development and Promotion

Zambia has the potential to grow exports to various countries and regions that would result in enhanced export earnings. To actualize this potential, our focus is to intensify the implementation of our export development and promotion strategy which is aimed at improving product quality, packaging and business management for carefully selected existing and potential exporters, so as to effectively meet potential buyers' requirements and expectations.

Effective Stakeholder Engagement

Proactive and continuous collaboration with key stakeholders is the thrust of our overall economic development strategy. This includes partnership with embassies within Zambia and abroad that have a greater footprint on the international market and provide a platform through which FDI can thrive by identifying strategic partnerships and provide a point of information exchange for both international and domestic trade. Further, the Agency provides a platform where private sector leaders interact with Government policy makers to develop a conducive business environment. Finally, we collaborate with other Government institutions with an objective to enhance the ease of doing business and enable the Agency to achieve its mandate effectively.

Our **Partners**

Collaboration is critical to the success of the Agency and in 2017, we worked closely with both local and international agencies in order to achieve the outcomes set out in the Government's economic development agenda. Our key stakeholders include the Ministry of Commerce, Trade and Industry, Ministry of Foreign Affairs, Ministry of Home Affairs, Ministry of Finance, and other Government ministries and agencies while the private sector is our key partner. Internationally, we collaborate with regional economic blocks such as SADC, COMESA, and bilateral and multilateral cooperating partners such as the UNCTAD, ITC, UNDP, Barclays Africa Foundation, World Bank, European Union, and many others.

We collaborate with cooperating partners in many ways including joint implementation of programs, facilitation of joint ventures, financial and technical support.

Corporate **Governance**

The Agency is committed to maintaining corporate governance best practices, which promote the long term interest of our key shareholders, clients, stakeholders and partners and to build public trust in the organization. The Board is appointed by the Minister of Commerce, Trade and Industry (MCTI) and is charged with governance, strategic direction, risk management and financial reporting responsibilities. The Board, in accordance with the ZDA Act, consists of sixteen (16) members with eight (08) representatives coming from the private sector. The Board has established four (4) Committees to provide oversight on key issues in greater detail.



Board of **Directors**



Ms. Mary Ncube
Chairperson



Mr. Don Stacey
Vice Chairperson



Mrs. Kayula Siame
Member



Mr Henry Tukombe
Member



Mr Owen Mgemezulu
Member



Mr Paul Chanda
Member



Mr Julius Shawa
Member



Mr. Barnaby B. Mulenga
Member



Andrew Nkunika
Member



Mr. John Msimuko
Member



Mrs Edna Kalenga
Member



Mrs Monde Jean Kabwela
Member



**Mrs. Rosetta Mwape
Chabala** Member



Mr. Caesar Siwale
Member



Dr. Liya Nawa Mutale
Member



Mr. Mukuli Chikuba
Member

Board Committees and Other Governance Structures

Audit and Risk Management Committee

The purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, risk management, system of internal control, audit process, and compliance with laws and regulations.

Policy Coordination and Implementation Committee

This Committee is charged with overseeing research; investment promotion and facilitation; exports development and promotion; and enterprise development.

Finance and Administration Committee

The mandate of this Committee is to support the Board on human resource policies and practices; financial; and administrative policies.

ZDA Private Sector Liaison Forum

The primary objective of the Forum is to provide a platform for dialogue between Government and the private sector in order to develop and sustain a favourable business ecosystem.

Conflicts of Interest

In order to ensure that any interests of a Board member in a particular matter to be considered by the Board are brought to the attention of the Board, the Agency has adopted appropriate procedures for the Board members to declare any interests pertaining to matters that come up for the Board's consideration in

accordance with the procedures set out in the Board Charter.

Internal Audit Function

The Internal Audit activity provides an independent and objective assurance to the Board and Executive Management on the effectiveness of Agency's governance processes, risk management and control environment. The Internal Audit's purpose, authority and responsibility have been formally defined in the Internal Audit Charter, which was approved by the Board.

Risk Management Function

The Board recognizes risk management as a fundamental element of Corporate Governance. Management is responsible for establishing and operating the risk management framework on behalf of the Board. The assessment and management of risks, based on the Board Approved Risk Policy and Framework, have enabled creation of a risk-focused culture, standardized risk reporting and encouraged efficient utilization of resources.

Further, the Agency aspires to be a model of public probity by prudently utilising public funds and promoting high standards of integrity. The Agency administers a Whistle-Blowing Policy aimed at eradicating fraud, corruption, unethical behaviour and misappropriation of public funds.

Senior **Management Team**



Mr. Perry Mapani
Director General



Jonathan Simwaba
Director Exports



Mr. Mukula Makasa
Director - Enterprise
Development



Matongo Matamwandi
Director - Investments



Mr. Cosam Ngoma
Director -
System Assurance



Mr. Dennis Haanyika
Director -
Corporate Support Services



Cecilia K. Nyalugwe
Director Finance &
Administration



Ms. Precious Goma
Board Secretary Legal
Counsel

EXECUTIVE SUMMARY

ZDA is the Zambian Government's premier economic development Agency and derives its overall direction from the Government's economic development agenda, which has the goal of creating a resilient, all-inclusive and diversified economy for sustained growth and socio-economic transformation.

During the year 2017, the Agency operated in an economic environment which was generally favourable as measured by the trend and stability in major macroeconomic indicators. The positive trends in the macroeconomic fundamentals spurred economic activity in the Country.

In 2017 621 enterprises projected to invest USD 7,156 million and to create 181,824 jobs in various sectors of the economy. The Agency continued to monitor and assess the extent to which projected investment and employment were actualized and economic outcomes realised. The Agency monitored more enterprises in 2017 compared to 2016 due to effective collaboration with stakeholders and efficient utilization of resources. The Agency monitored 158 enterprises with projected investment of USD 422.7 million and actualized USD 928.7 million. Further, the Agency monitored 585 companies with a total projected employment of 39,853 jobs and actualised 39,829 jobs.

Non-traditional exports recorded a rebound from a five-year declining trend and increased to USD 1,955 million in 2017 from USD 1,846.75 million in 2016, representing a 6% increase. This is the first time the Country has recorded an increase in NTEs in the last five years. The increase was largely attributable to both the improvement in electricity supply and the stability in the exchange rate.

The Agency supported 4,955 MSEs with a combination of entrepreneurship and enterprise development support services. The 4,955 MSEs created 10,328 jobs compared to 3,703 MSEs supported in 2016 that created 5,356 jobs.

Arising from the Agency's interventions, major achievements recorded included the facilitation and execution of seven (7) Investment Promotion and Protection Agreements (IPPA) and the hosting of the Zambia-South Africa Business Forum and the Moroccan State visit. Export promotion missions resulted in secured orders valued at USD 21.0 million, while provision of business development services to MSEs resulted in increased sales of ZMW 484,000 per month by 4 enterprises and one enterprise graduated from small to large with an annual turnover of ZMW 2.0 million.

Our targeted investment promotion efforts resulted in the Agency registering an increase in projected investment and jobs. Investment projects totaling 358 worth USD 17,402 million were registered in 2017, compared to 346 projects worth USD 3,564 million in 2016. The energy and agriculture sectors, which are among the priority sectors that the Agency is promoting, represented the largest contributions to this performance by delivering USD 8,402 million and USD 6,705 million, respectively. Additionally, total projected employment of 56,897 jobs were registered in 2017, a great improvement compared to 16,284 recorded in 2016.

The Agency continues to rely on Government funding for its operations and realised a deficit of ZMW 7.05 million against a budgeted surplus of ZMW 1.28 million for the year ended December 2017.

1.0 ECONOMIC OVERVIEW

The economy performed relatively well in the year 2017. The GDP growth rate was recorded at 4.1 percent in 2017, compared to 3.4 percent in 2016. The inflation rate averaged 6.6%, compared to 18.2% in 2016. Commercial bank lending rates declined from 29.2% in January to 25.5% at the close of December 2017. The positive performance was also evident with the local currency, the Kwacha, which remained stable against major convertible currencies averaging ZMW 9.5 per USD. Finally, the trade deficit stood at ZMW 5, 422 million compared to ZMW 10,710 million in 2016, representing a 50% decrease. The positive trends in the macroeconomic fundamentals spurred economic activity in the Country. Stability in prices encouraged productivity, investment and competitiveness of exports.

2.0 OPERATIONAL AND FINANCIAL REVIEW

During the year under review, the Agency recorded an increase in projected investment, employment creation and NTEs growth. Further the Agency continued to provide enterprise development services to various growth oriented MSEs aimed at complimenting wealth and job creation.

USD 7,159 million investment was projected for 2017 from a total of 621 projects committing to create 181,824 jobs for Zambians.

Total exports during the year 2017 stood at USD 8, 158.72 million reducing the trade deficit to ZMW 5, 422 million from ZMW 10,710, representing a 50% reduction. NTEs amounted to USD 1,955 million, recording an increase for the first time in five years.

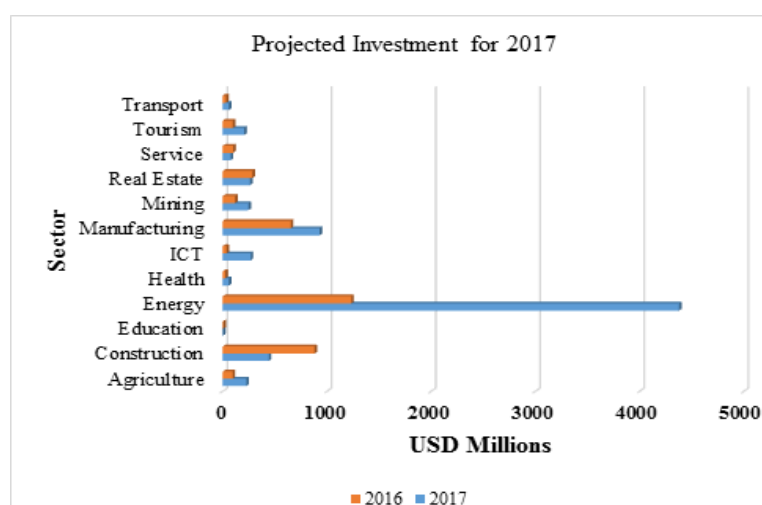
The Agency supported 4,955 MSEs with entrepreneurship development support including mindset transformation and formalization, and enterprise development support including business incubation and business acceleration services which spurred growth of the business enterprises and creation of 10,328 jobs.

2.1 Investment Promotion and Facilitation

A total of USD 7,159¹ million investment was projected for 2017 from a total of 621 projects compared to USD 3,564 million for 2016 from 569 projects, representing an increase of 100% in projected investment. The review period also recorded a significant rise in projected employment of 181, 824, compared to 154, 484 for 2016, representing an increase of 18%. The increase in projected investment was attributable to significant investment in the energy and manufacturing sectors amounting to USD 5,307 million and accounting for 74% of the total projected investment for the year. On the other hand, an increase in projected jobs was attributed to agriculture and real estate sectors contributing 164,302 jobs representing 90% of total projected employment for 2017.

Figure 1: Projected Investment (USD) by Sector for 2017

Source: ZDA



The energy sector accounted for 61% of the total projected investment for 2017, followed by manufacturing at 13%, and construction at 6%. The real estate and ICT sectors accounted for 4% each. The sectors that contributed the least were health and education and with less than 1%.

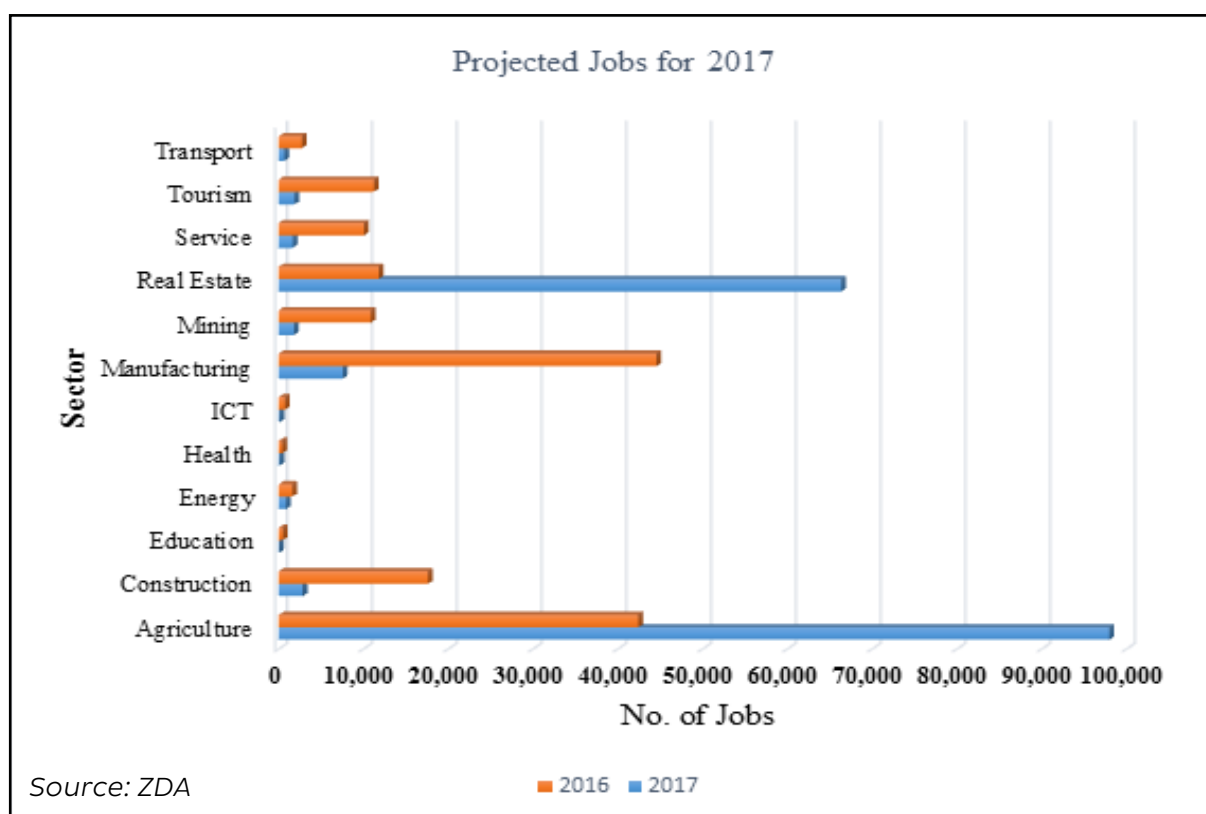
¹ The projected and actualised investment figures reported in this Report represent the investments facilitated by the Agency and therefore do not represent national investment figures.

Projected Employment

The agriculture and real estate sectors accounted for over 90% of the total projected employment with agriculture at 54% and real estate 37%, followed by

manufacturing at 4%, and construction at 6%. The real estate and ICT sectors accounted for 4% each. The sectors that contributed the least were health and education with less than 1% each.

Figure 2: Projected Employment by Sector for 2017



2.2 Monitoring and Evaluating Projected Investment and Employment

For the year 2017, there were 621 enterprises projected to invest USD 7,156 million and create 181,824 jobs in various sectors of the economy. Monitoring and evaluation (M & E) activities were carried out to assess the extent to which projected investment and employment were actualized and

economic outcomes realised. These activities were also undertaken to provide feedback which would inform the design and implementation of future activities for improved performance.

Actualised Investment

The Agency monitored 137 enterprises in the review period with a projected USD 422.7 million and actualised USD 928.7 million.

Table 1: Actualized Investment by Monitored Enterprises in 2017

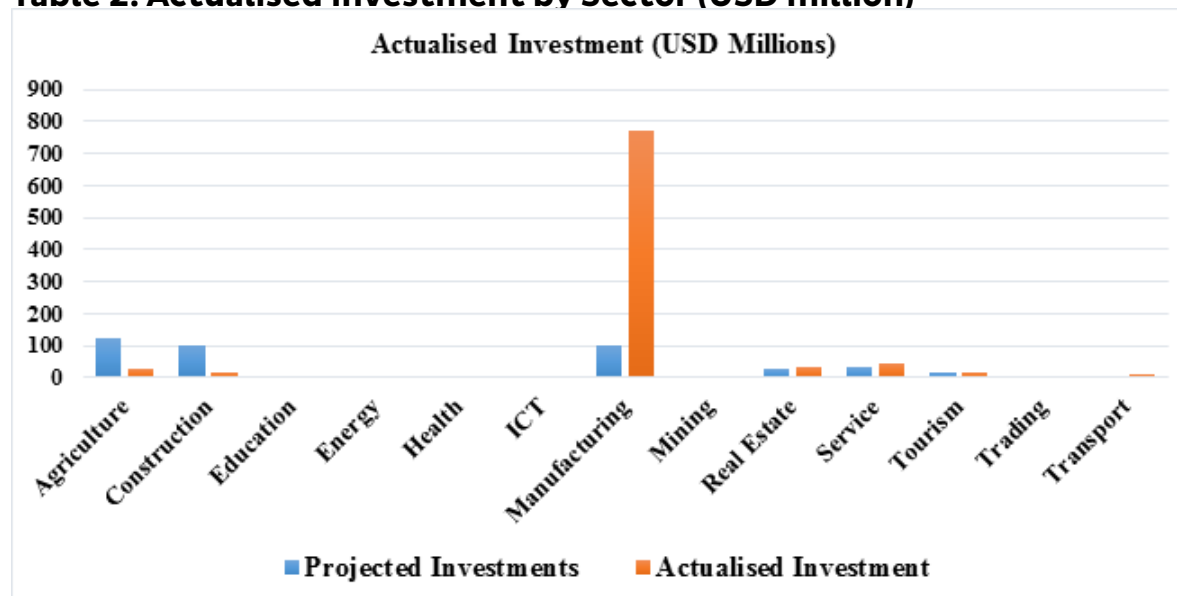
	Number of Investors Monitored	Actualised Investment (USD million)	Projected Investment (USD million)	Project Implementation Rate (%)
Actual	137	928.7	422.7	46%
Target	621	N/A	7,156	N/A

Source: ZDA

Actualised Investment by Sector

In terms of distribution by sector, the largest investment for the year was recorded in Manufacturing at USD 771.6 million, representing 83% of the total actualised investment. The second largest investment was recorded in the service sector with USD 46.9 million at 5%. The Real Estate sector was third with a total investment of USD 34.2 million, representing 4% (see Table 2).

Table 2: Actualised Investment by Sector (USD million)



Actualised Employment

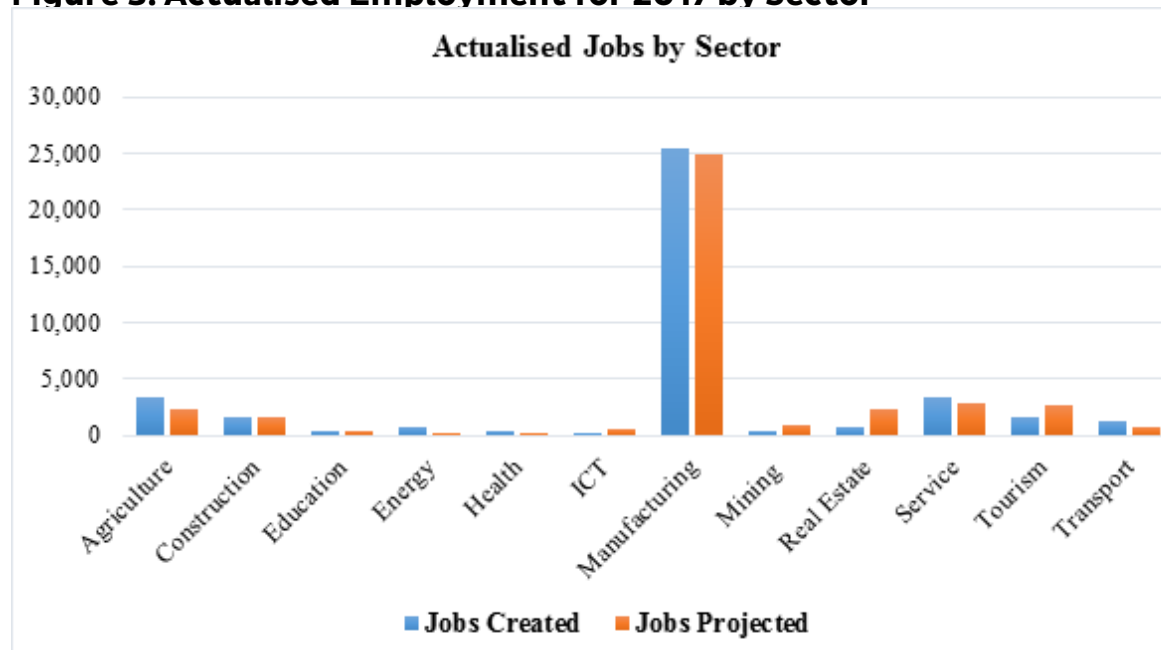
The Agency monitored 430 companies with a total projected employment of 39,853 jobs and actualised 39,829 jobs.

Table 3: Actualized Employment by Monitored Enterprises in 2017

	Number of investors Monitored	Actualised Employment	Projected Employment	Project Implementation Rate (%)
Actual	430	39,829	39,853	100%
Target	621	N/A	181,824	N/A

Source: ZDA

Figure 3: Actualised Employment for 2017 by Sector



The manufacturing sector recorded the largest number of jobs accounting for 64% followed by the service and agriculture sectors at 8.5% each. The least contributions were from health, ICT, education and mining sectors at about 1%. The gender distribution was such that of the total 39, 829 actualised employment, 35,905 were male and 3,924 female.

2.3 Investment Promotion and Protection Agreements



In the year 2017, the Agency monitored 30 companies that applied and were granted Investment Promotion and Protection Agreement (IPPAs), from 2014 to 2016, with the objective of providing protection to foreign investment. Total projected investment by these enterprises stood at USD 3,160.5 million and USD 3,328.5 million was actualized. Further, these enterprises created a total of 19,066 jobs for Zambians against a projected figure of 38, 065.

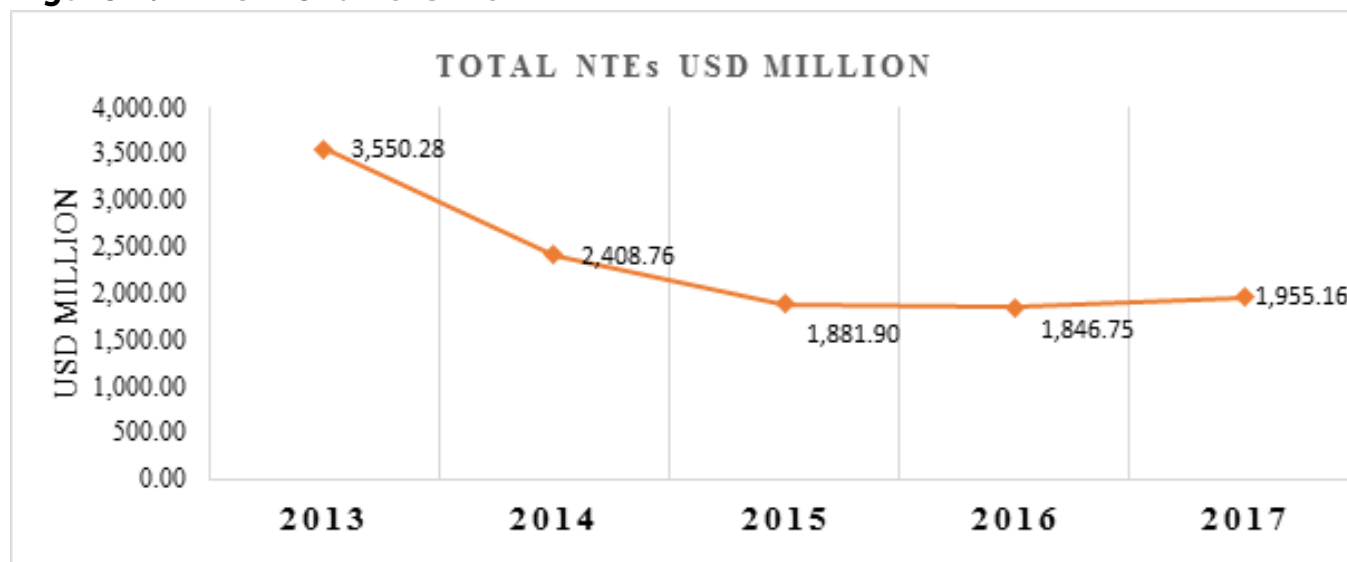
The Agency facilitated and executed seven (7) IPPAs with following:

- (1) Ngonye and Bangweulu Power Company Limited;
- (2) Bangweulu Power Company Limited;
- (3) British American Tobacco Zambia PLC;
- (4) Maria Pleasure Resort;
- (5) EMCO Energy Zambia Limited;
- (6) Roland Imperial Tobacco Company Limited; and
- (7) Zambia Cut rag Processors Limited.

2.4 Performance of Non-Traditional Exports

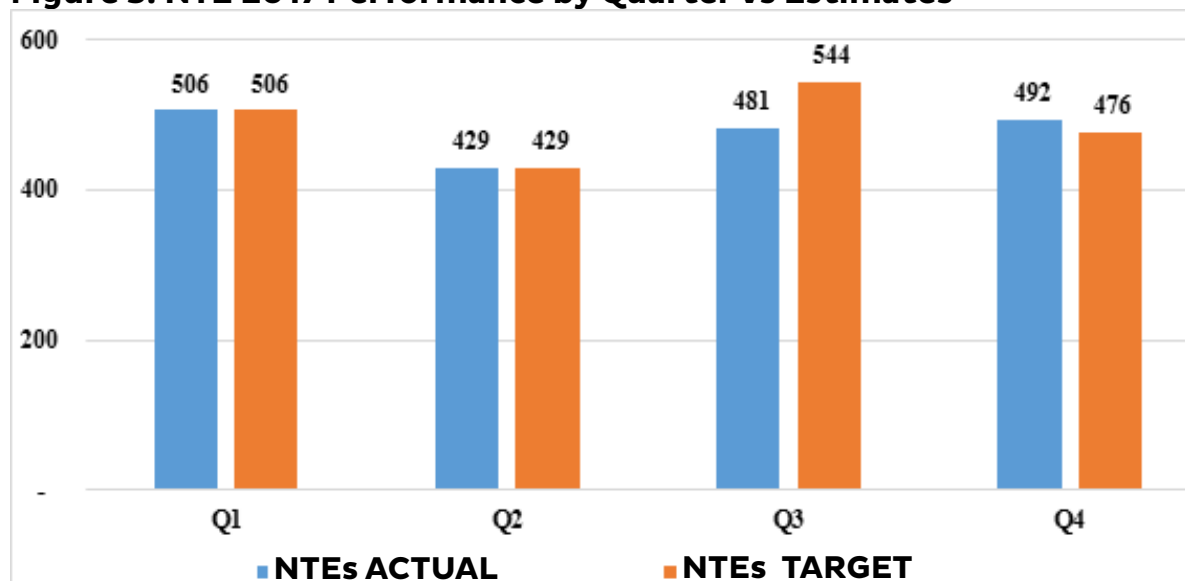
The Country posted impressive results during the year under review with export revenue from Non-Traditional Exports (NTEs) amounting to USD 1,955 million compared to USD 1,846 million in 2016, representing an increase of 6%. This is the first time in five years that an increase in NTEs has been recorded. The major reasons attributed to the increase in NTEs are improved power supply to industry and also the stability in the exchange rates that created confidence in the private sector. Further, 7 new products were added to the existing pool of NTEs products being exported to markets in the region and beyond.

Figure 4 shows the trend in the growth of NTEs from 2013 to 2017 while table 4 shows the relationship between NTEs and total exports. Further, tables 5 and 6 show the top ten (10) NTEs products and top ten (10) NTEs markets, respectively.

Figure 4: NTEs Trend 2013–2017

Source: CSO

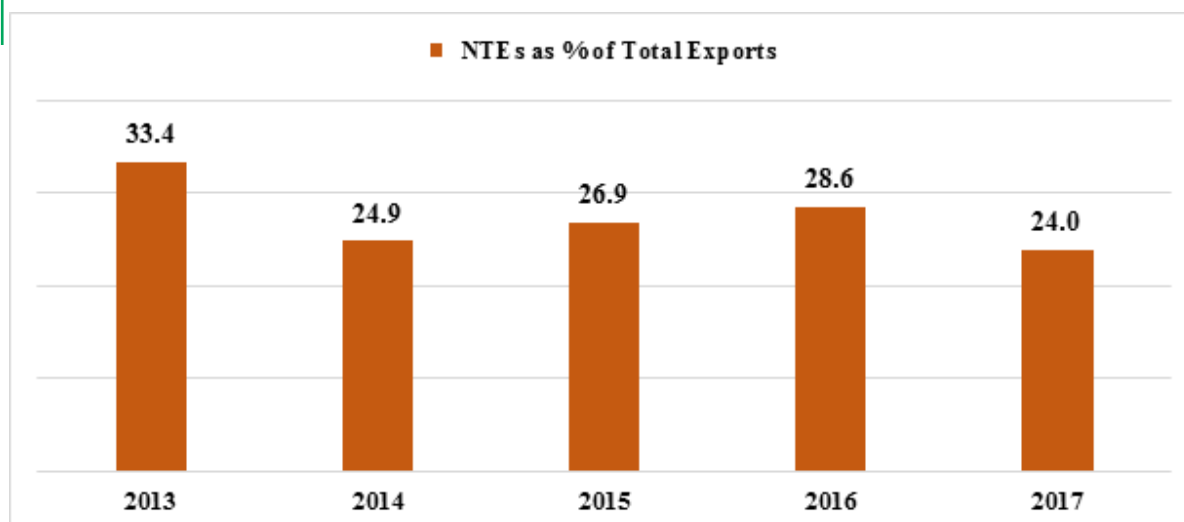
Figure 5 below presents the 2017 NTE performance by quarter against the projections for the said periods. The projections for the end year NTEs were made based on the midyear performance.

Figure 5: NTE 2017 Performance by Quarter vs Estimates

Source: CSO

Table 4: Performance of Total Exports from 2013 to 2017.

	2013	2014	2015	2016	2017
Total Exports USD million	10,619.74	9,692.15	6,991.02	6,462.35	8,158.72
Total Metal Exports USD million	7,069.46	7,283.39	5,109.12	4,615.60	6,203.56
Total NTEs USD million	3,550.28	2,408.76	1,881.90	1,846.75	1,955.16
Total Export Growth (%)	13.18	-8.73	-0.28	-7.56	26.25
Metal Export Growth (%)	8.68	3.03	-29.90	-9.66	34.4
NTE Growth (%)	30.9	-32.15	-21.87	-1.87	5.87
NTEs as % of Total Exports	33.43	24.85	26.9	28.58	23.96

Figure 6: NTEs as a Percentage of Total Exports Trend 2013-2017

Source: CSO

Table 5: Top Ten (10) Non-traditional Export Products

SN	Product	Value in USD
1	Bullion semi-manufactured forms	95,263,649.18
2	Wire of refined copper	84,770,156.57
3	Tobacco	73,488,194.73
4	Sulphuric acid	72,639,596.71
5	Raw cane sugar	57,694,228.66
6	Maize (excl. seed)	56,974,602.06
7	Other mineral substances	46,563,091.91
8	Electrical energy	43,973,425.91
9	Oil-cake and other solid residues	42,513,399.14
10	Other non-alcoholic beverages	41,037,397.95
11	Others	1,340,246,968.14
Grand Total		1,955,164,710.97

Table 6: Top Ten (10) Non-traditional Export Markets

SN	Export Market	Export Value in USD
1	Democratic Republic of Congo	526,757,840.93
2	South Africa	383,871,808.97
3	Zimbabwe	133,437,519.30
4	United Kingdom	123,585,829.76
5	Switzerland	118,260,401.11
6	Tanzania	100,679,186.32
7	Malawi	99,714,738.62
8	Kenya	72,447,861.26
9	India	70,119,649.62
10	China	54,116,428.55
11	Others	272,173,446.53
GRAND TOTAL		1,955,164,710.97

Source: CSO

New Export Markets

The Agency undertook export promotion aimed at developing new export markets that included Angola, Mozambique, Swaziland, USA and Saudi Arabia for exports of new products such as peanut butter, leather and leather products, dried foods, maize, beans and rice.



2.5 Development of Micro and Small Enterprises

The Agency implemented strategies aimed at developing MSEs in priority sectors which included agriculture, mining, tourism, construction, manufacturing, infrastructure and services. During the period under review, the Agency supported a total of 4,955 MSEs with various entrepreneurship and enterprise development services creating 10,328 jobs. The Agency also implemented cross-cutting interventions including support to women and youth entrepreneurs in line with the 7NDP and the Industrialization and Job Creation Strategy.

2.6 Monitoring and Evaluating MSEs

The Agency monitored and evaluated activities of MSEs to appraise the extent to which projected employment and increases in revenue were actualized over 5 years following the interventions.

Table 7: Actualised Jobs from Monitored MSEs

Sector	Revenue (ZMW' 000)		Jobs		Graduation
	Before	After	Before	After	
Manufacturing	1,110	5,931	71	216	6
Agro Processing	347	908	17	28	3
Education	440	11,550	38	162	2
Others	852	1,217	8	19	2
Totals	2,749	19,606	134	425	

Following various interventions by the Agency, revenue generated by the MSEs increased by over 600% while jobs surged by over 200%. The manufacturing sector contributed the largest number of jobs created at 216, representing 51%, followed by the education sector with 162 at 38%.

2.7 Finance Report

The financial results for the year ended December 2017 were negative with the Agency realising a deficit of ZMW 7.05 million against a budgeted surplus of ZMW 1.28 million. The deficit was caused by a substantial decrease in the projected income for the year and as a result the Agency had challenges in performing its targeted activities for the year. The Agency continues to rely on Government funding for its operations.



3.0 INSTITUTIONAL INITIATIVES AND INTERVENTIONS

The Agency employed a number of strategies to promote and facilitate investment, trade and enterprise development.

Promotion of Non-Traditional Exports (NTEs) generated USD 1,955 million in 2017 compared to USD 1,846.75 in 2016 while promotion of our investment strategies attracted USD 17,402 million in 2017 compared to USD 3,564 million in 2016. The Agency also recorded a surge in the number of MSEs supported with entrepreneurship development services and enterprise development services from 3,703 in 2016 to 4,955 in 2017.

These achievements were indicative of increased investor confidence in the domestic economy following the strengthening of macroeconomic fundamentals coupled with strategies implemented by the Agency. The following interventions were undertaken:

3.1 Investment Promotion

Our targeted investment promotion efforts resulted in the Agency registering

an increase in investment and jobs. A total of 358 investment projects worth USD 17,402 million were registered compared to 245 projects worth USD 3,200 million targeted for the year. This huge variance between the target and achieved investments registered was attributable to investments registered in agriculture and real estate sectors. A single agricultural project, Padic Programme Limited, projected to invest USD 6,560 million accounting for 38% of the total projected investment. In the energy sector three projects; Canham Holdings Zambia Limited, Genniz Engineering limited and Golden Plate Consultancy Limited, projected investment of USD 6,458 million presenting 37% of the total investment.

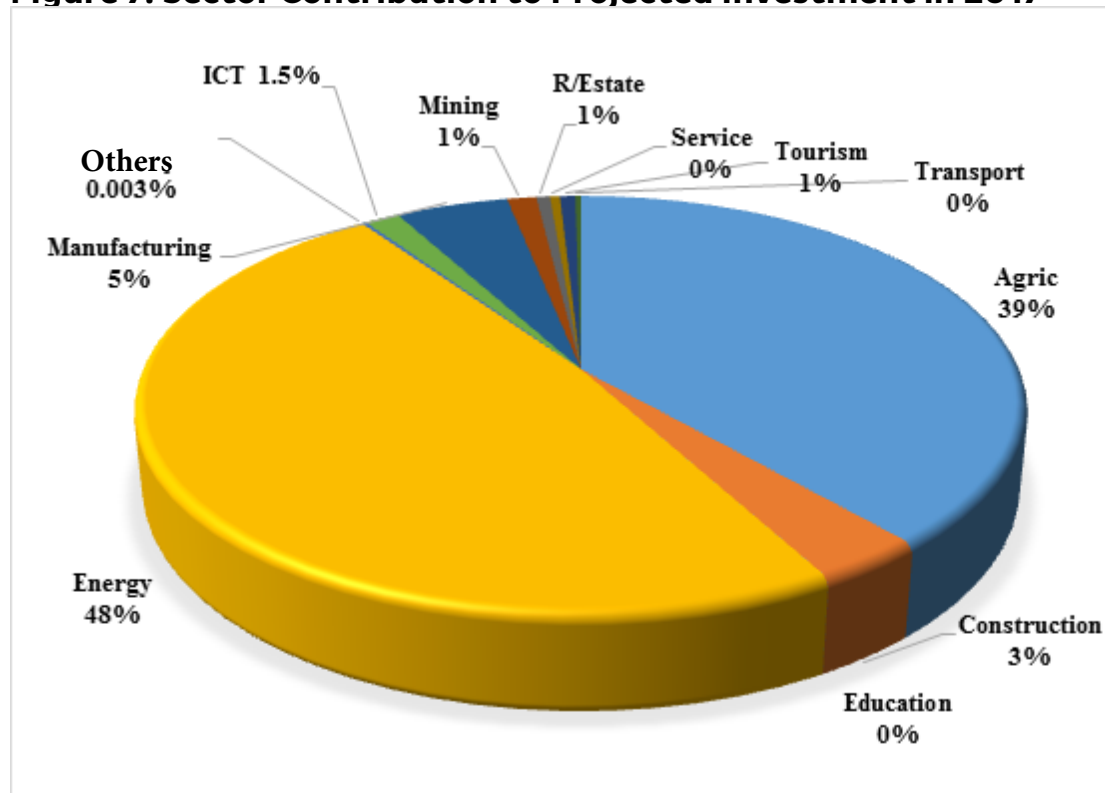
Other key strategies used included targeted one-to-one company visitations, business conferences/forums, and collaborations with the private sector, Government ministries and embassies abroad and within Zambia.

Table 8: Investment and Employment Registered by Sector in 2017

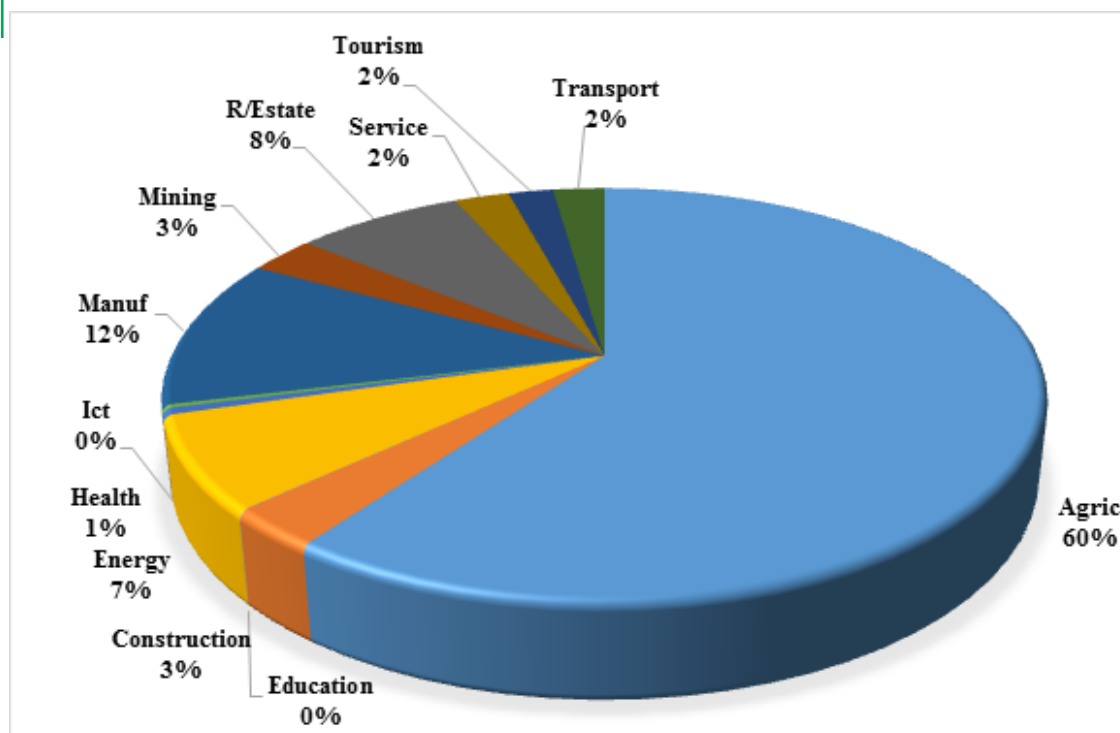
SECTOR	2017		2016	
	USD million	Jobs	USD million	Jobs
Agriculture	6,705	34,154	524	2,189
Construction	606	1,740	298	1,371
Health	35	285	4	56
Education	1,3	22	0	0
Energy	8,402	4,168	878	661
ICT	259	152	98	561
Manufacturing	843	6,704	738	4,492
Mining	219	1,669	186	1,224
Real Estate	102	4,219	301	2,621
Service	74	1,372	102	2,045
Tourism	114	1,120	178	655
Transport	43	1,292	44	409
TOTAL	17,402	56,897	3,564	16,284

Source: ZDA

The energy and agriculture sectors, which are among the priority sectors that the Agency is promoting, represented the largest contributions to this growth by delivering USD 8,402 million and USD 6,705 million, respectively. Additionally, total employment of 56,897 jobs resulted from these investments, a significant improvement compared to 16,284 recorded in 2016.

Figure 7: Sector Contribution to Projected Investment in 2017

Source ZDA

Figure 8: Sector Contribution to Projected Employment in 2017

Source ZDA

The Agriculture sector accounted for 60% of the total registered employment, amounting to 34,150 jobs. This was followed by the manufacturing sector accounting for 12 percent of the total projected employment amounting to 6,704.

Some of the key investment activities undertaken, in the year under review, included:

Inward Investment Missions: Business Forums

Key business forums were held within the Country:

- (1) The Zambia-South Africa business forum held in October 2017 attracted more than 100 investors and generated more than 20 leads. One large scale company expanded its operations into the Lusaka South Multi Facility Economic Zone.
- (2) The business forum alongside the Moroccan State visit held in July 2017 attracted more than 45 investors and generated 4 leads. One potential investor undertook to support a feasibility study on setting up a medical facility in Zambia. The Agency signed two Memoranda of Understanding (MOUs) with potential investors.
- (3) The Agency participated in the Zamreal Property Forum which took place in September 2017 in Lusaka. An investment promotion presentation was made aimed at attracting investors into Real Estate sector. This resulted into an inward investment mission to Zambia from South African Investors. Most of the investors expressed interest in investing in real estate.
- (4) The South African High Commission to Zambia, in conjunction with the Department of Trade and Industry (DTI) and the Zambian High Commission to South Africa undertook an inward selling mission to Zambia in July 2017 with an objective of promoting close bilateral ties in trade and investment between Zambia and South Africa. A total of twenty (20) South African companies and approximately 130 Zambian MSEs and large corporations attended.
- (5) Meetings were facilitated for an Egyptian Delegation visiting the

Country in July/August 2017 to explore investment opportunities in the tourism sector. Notably, the delegation had a prior visit to Zambia and had successful meetings with the Zambia Tourism Agency (ZTA) whereby relevant sites were proposed for potential investment.

stakeholders; Lusaka City Council, Road Transport and Safety Agency, Ministry of Transport, Ministry of Commerce, Trade and Industry and the Zambia Chamber of Commerce and Industry.

- (6) The Agency facilitated meetings with relevant authorities for an investor that expressed interest in setting-up a state-of-the-art, ultra-modern ICT Park in Lusaka, Zambia. The proposed ICT Park will be set-up on 10 acres (40,000 sq.mts) of land with a 10-storied building with total constructed area of 500,000 sq. (50,000 sq.mts) designed to seismic zone specifications and cutting edge technology.
- (7) The visit of the State Minister of the Ministry of Foreign Affairs of Morocco in July 2017 was a follow-up to the State visit conducted by the King of Morocco in February 2017. A total of nineteen (19) agreements were signed with various institutions. Consultative meetings were also held to establish liaison persons in each institution to begin the implementation process.
- (8) The Agency hosted a delegation from Liuzhou City, China on in July 2017. The delegation was in the Country to look for opportunities for companies in their city to invest in the steel industry and for a market for heavy duty construction equipment in Zambia.
- (9) In August 2017 the Agency hosted the China WTO Organizing Committee who were in the Country to explore opportunities in copper cable manufacturing, production of organic fertilizers, partnerships in mining with Zambian companies, setting up of a Chinese language teaching centre in Zambia, renewable energy, and establishment of hospitals providing Chinese medicine.
- (10) A delegation from Spain visited Zambia from in July 2017, with a particular interest in the transport sector. The Agency facilitated meetings with all the relevant stakeholders; Lusaka City Council, Road Transport and Safety Agency, Ministry of Transport, Ministry of Commerce, Trade and Industry and the Zambia Chamber of Commerce and Industry.
- (11) The Agency received a delegation from Israel in October 2017 with the intention of establishing permanent base in the Country by an Israeli irrigation development company that has been pursuing investment opportunities in Zambia, particularly in the government owned irrigation schemes in various parts of the Country.
- (12) In collaboration with the Industrial Development Corporation (IDC) and the Finnish embassy, the Agency hosted a delegation of twelve (12) Finnish tech companies in September, 2017. Round table discussions and a business forum were facilitated by the Agency.
- (13) A delegation from South Africa was hosted by the Agency in August, 2017. Meetings were facilitated with the Energy Regulation Board where among other things, development and PPP, IPP initiatives for Rural Electrification Mini grid projects were discussed.
- (14) A delegation from Lebanon was received and meetings facilitated with several stakeholders to discuss the viability of setting up a manufacturing plant for intravenous products. The company was on a fact finding mission to establish how many similar projects exist in Zambia and their production capacities to ascertain the viability of the project.
- (15) A delegation from USA was received in March 2017 following up on their initial exploration of opportunities in oil and agribusiness. The objective of the mission was to discuss updates on the progress of the Batoka Gorge Project and its funding.
- (16) In September 2017, the Agency hosted

a delegation from China with several areas of interest namely: agro processing, edible oils and food processing.

- (17) Another Chinese delegation was hosted in September 2017 with interest to finance, build and set up an assembly Plant for assembling of agricultural machinery and equipment in Zambia.
- (18) Fifty (50) other Inward Investment Missions facilitated during the year were from various countries interested to invest in different sectors of the Zambian economy.



Outward Investment Mission

Seven major Business Forums were held outside the country:

- (1) The Zambia-Israel Business Forum alongside a State visit held in Israel in February/March 2017 attracted more than 60 investors. Two leads were generated: One of the leads projected to invest in solid waste management projects in the LSMFEZ.
- (2) The 37th Edition of the International Tourism Trade Fair (Fitur) held in Madrid, Spain in January 2017 attracted over 60 investors. A total of 6 leads were generated of which 2 expressed interest to invest in the Livingstone Convention Centre.
- (3) The Henan Industrial and Commercial Enterprises Cross-Border Investment and Trade Fair, was held in Zhengzhou, China in March/April 2017 and attracted over 1000 investors and generated 9

leads of which 2 will further explore investment opportunities in Zambia.

- (4) Zambia Week, Zambia - Sichuan was held in July 2017 in Sichuan Province, China. About 95 investors were attracted at this event and 16 leads were generated.
- (5) Zambia-Japan Investment Mission was held in Tokyo, Japan in May/June 2017, with an attraction of 150 investors and 10 leads were generated.
- (6) The South Africa Business Mission which was held in Pretoria, South Africa, in November 2017 attracted 280 investors and a total of 10 leads were generated.
- (7) Partnership for Investment and Growth in Africa (PIGA) event was held in September 2017 in Jilin, China. The event attracted 260 participants, out of which 5 were Zambian companies. This mission was spearheaded by the Agency and sponsored by DFID and ITC to match-make business and investment opportunities between Zambian businesses and Chinese businesses.

3.2 Business Facilitation Services

The Agency's aftercare program entails providing post - investment services designed to encourage existing investors to re-invest, expand and diversify their investment projects. The other objectives of the investor aftercare interventions are to ensure investment retention in Zambia, to generate new investment leads, facilitate for the creation of Joint Venture (JV) partnerships and to make existing investors "ambassadors" of Zambia as a preferred investment destination. During the period under review, the Agency embarked on an aggressive aftercare campaign which culminated in visits to a total of 68 companies throughout the Country. The feedback obtained from these engagements with existing investors revealed that while most companies are keen to expand or continue their operations in Zambia, they are gravely concerned about the following:

- (1) Water rights in and around the Mkushi farming block;

- (2) Discontinuation of tax holidays and introduction of 100% accelerated depreciation;
- (3) Delays in renewals of investment licence that expired in 2017;
- (4) Delays in approval of land to investors in farm blocks; and
- (5) Delays in VAT refunds.

The Agency engaged the relevant Government Agencies to ensure that the identified constraints were expeditiously resolved.

Facilitation for the award of Incentives by the Ministry of Finance

During the period under review, the Agency facilitated 57 companies for fiscal incentives out of which 51 recommendations were approved, two (2) were rejected and four (4) were pending approval and processed a total of 540 Rebates for 32 companies.

Promoting and Attracting Investment into Farm Blocks

The Agency facilitated acquisition of land in Farm Blocks for five (05) agricultural projects with projected investment of USD 80.5 and employment of 1, 885 jobs.

Promoting and Attracting Investment into MFEZs and Industrial Parks

The Government of the Republic of Zambia aims to exploit Multi-Facility Economic Zones (MFEZs) and Industrial Parks to transform the Country's economy. The Agency is mandated to facilitate the development of MFEZs and Industrial Parks. In the medium term, the Agency will facilitate the development of following MFEZs and Industrial Parks:

1. Kalumbila MFEZ
2. Kafue Iron & Steel MFEZ
3. Ndola MFEZ
4. Chembe MFEZ
5. Kabwe Industrial Park

Monitoring and Facilitating the Development of Operating MFEZs and Industrial Parks

The Agency made significant progress in promoting and attracting investment into the Lusaka South MFEZ. Three companies

were finalizing the construction of their industrial premises which are expected to be operational in the first quarter of 2018. These and the other enterprises projected to invest USD 591 million and create 275 jobs for Zambians.

3.3 Promoting and Developing Zambian Products for Export

Interventions undertaken relating to development and diversification of exports included product and market development. Participation at trade fairs, exhibitions, expos and undertaking market research were carried out in order to develop and promote Zambian products for export.

Export Promotion

The Agency undertook several promotional activities during the year, with the aim of continuing making inroads into external markets for locally manufactured products. Our participation at international trade platforms in order to enhance export sales was a critical component of our export promotion strategy. Specifically:

- (1) Guangzhou International Food and Ingredients Fair-June 2017. Six (06) export ready enterprises participated.
- (2) Southern Africa Trade and Investment Hub Buyer-Seller Meeting – April, 2017 aimed at realizing advantages of greater regional and global trade linkages and export-oriented business development and the extension of the Africa Growth Opportunities Act (AGOA) to 2025. Food samples were collected from four (04) potential exporters.
- (3) Southern African Investment and Trade Hub (SATIH) Workshop – April, 2017. Fifty (50) companies were trained in developing export marketing plans to penetrate the US market.
- (4) Luanda International Trade Fair (FILDA) – July 2017. Facilitated participation by five (05) companies and orders worth USD 500,000 were secured.
- (5) Swaziland International Trade Fair (SIFT) in Manzini – September 2017. Facilitated the participation of five (05)

companies and secured orders to supply maize, beans and rice worth USD 20,500,000.

- (6) 11th China North East Asia Expo - August/September, Jilin. Exposed Zambian companies to develop new export markets for arts and crafts products such as, wooden and malachite carvings, jewellery, traditional fabrics and gemstones.
- (7) Hainan Coffee and Beverages Expo in China - December 2017. Seven (07) companies; 6 in coffee and 1 in tea value chain participated raising USD 4, 950 in spot sales.

Export Market Development

The primary goal of Export Market Development is to nurture export awareness by building skills and knowledge of local manufacturing business enterprises in export dynamics to enhance their capacity of developing marketing plans in order to steer export development and diversification of the national economy.

Export Market Research

The Agency undertook export market research in Mozambique, Malawi and Angola during the year 2017 with the view of expanding the export market base,

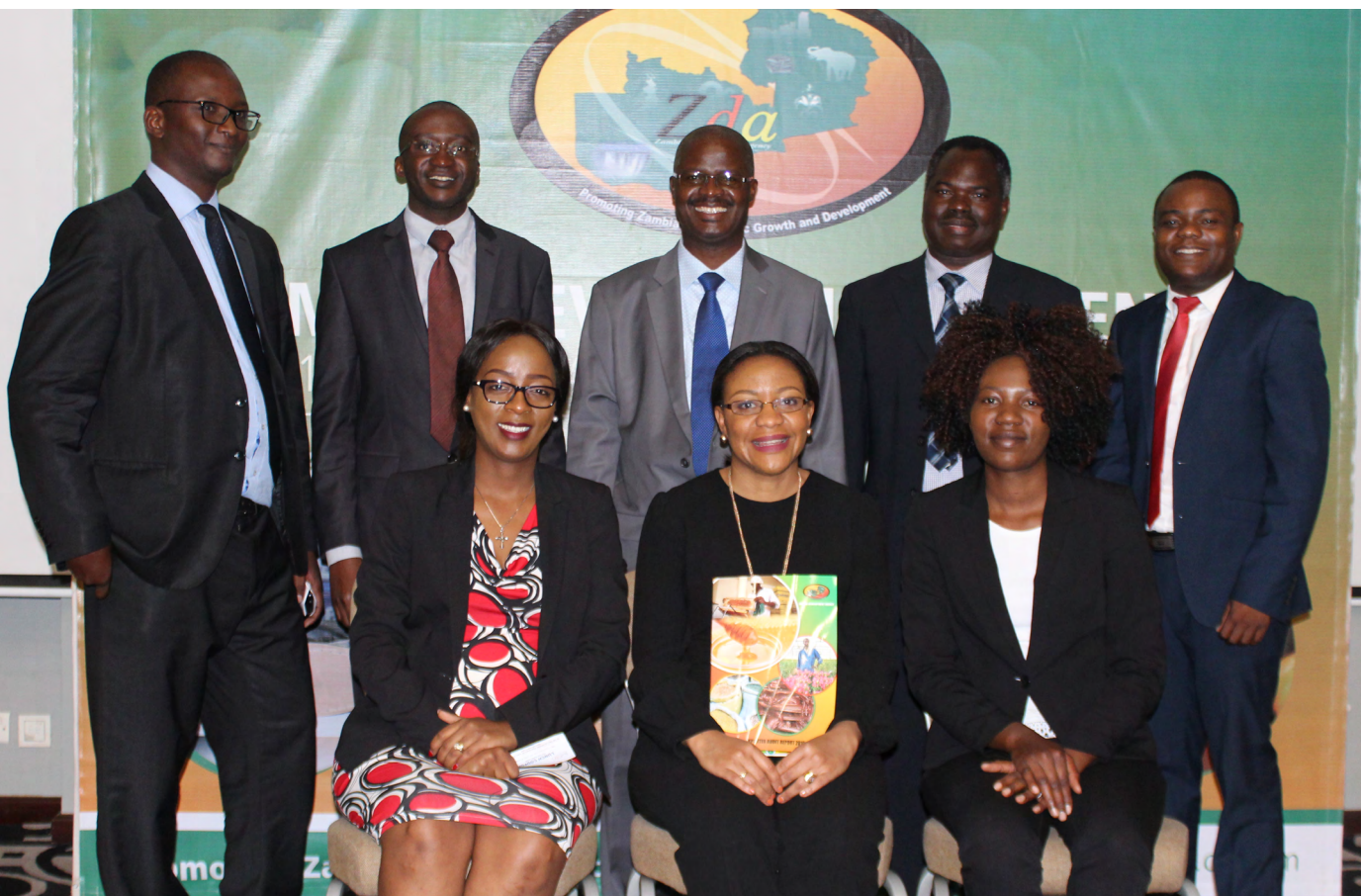
appreciate the market requirements and export potential of Zambian products. The export market research findings were disseminated at a well-attended Ease of Doing Business Initiative Conference held in Livingstone in May 2017.

Additionally, the Agency published sector profiles, market profiles, exporter hand book and exporter directory to assist the exporters make informed decisions.

3.4 Exporter Audit Survey

For the year ended December 2017, the Agency completed the Exporter Audit Survey with the purpose of assessing capacity to export, opportunities and challenges faced in contributing towards economic diversification through exports development and in turn increase the economic base of Zambia, as well as assist in creating sustainable employment. The Survey targeted companies whose products were in line with the Agency's NTEs development and promotion strategy and covered 200 companies.

The survey findings included delayed tax refunds on VAT Rule 18 and Duty Drawback Scheme. The Agency engaged relevant Government agencies and provided a platform where these challenges could be addressed.



3.5 Entrepreneurship and Enterprise Development

Under entrepreneurship development services, 1,926 entrepreneurs were supported which led to 341 business enterprises formalised and created 341 jobs. Further, 3,029 MSEs were supported with enterprise development services primarily business incubation and business acceleration which lead to creation of 9,987 jobs.

The interventions under entrepreneurship development services included: EMPRETEC Training, ReadyToWork Program, Financial Literacy, sensitisation and business clinics which facilitated business formalisation. Furthermore, under enterprise development the Agency implemented business development support services that included business

incubation such as product development and business acceleration which included business linkages, technical skills trainings, cooperative management and governance, facilitation of trade intelligence and market information, and training in preparation of bid documents. The following is the breakdown of the interventions:

(1) Business Formalisation

67 MSEs registered with the Agency during 2017 compared to 77 that registered in 2016. This represents a 13% decline in registration attributable largely to the discontinuation of fiscal incentives and centralization of operations. The Agency supported the MSEs with different business development support services which included mentorship, product development, labelling and packaging in preparation for acceleration.

Figure 9: MSEs Registration in 2017



(2) Entrepreneurship Training:

EMPRETEC - A total of 211; (53) potential and (158) existing entrepreneurs were trained as a result of 9 EMPRETEC Workshops conducted. Out of the 211 trained, 86 were male while 125 were female. 105 were youths disaggregated as follows; 63 male and 42 female.

ReadyToWork Workshops

114 youths were trained under the ReadyToWork-Work Skills Programme in 5 Workshops of which 60 were male and 54 were female.

Sensitization and Business Clinic Workshops

1545 potential MSEs benefited from Business Clinics held in Mansa (47), Luapula (992), Solwezi (106), and Ndola (400). 67 MSEs formalized the businesses while 27 were linked to Kalumbila and Kansanshi Mines and 42 were linked to various supermarkets.

Cooperative Management and Governance Training

250 participants from 50 Cooperatives from 8 districts in Luapula Province were trained in Cooperative Management and Governance, as well as Entrepreneurship jointly by the Agency and the Department of Cooperatives of MCTI.

The Agency engaged Sunbird Limited, Mansa Sugar and Kawambwa Sugar to facilitate formation of Cooperative Out-Grower Schemes to foster backward and forward Business Linkages for a number of small-holder farmers in Luapula Province.

(3) Enterprise Development Training in Business Plan Preparation

One hundred and twenty-eight (128) small-scale miners were trained in Business Planning under the UNDP-EU-ACP Minerals Development Program. The training aimed at enhancing capability of MSEs to prepare bankable documents to enhance access to business financing and to boost productivity and diversification. The Agency committed to follow up with mentorship in the first quarter of 2018 to assist the target MSEs operationalise the business plans and funding. As a result of training, 128 MSEs have developed bankable documents for funding under the Minerals Development Program.

Financial Literacy

Sixteen (16) MSEs were trained in Financial Literacy out of which 10 were male and 6 Female. The training resulted in enhanced record management and capability to draft basic financial statements.

Start-Up and Incubation Business Development Support Services

A total of 2,579 Start-Up MSEs were supported with various incubation services that included product development, technical skills training, business planning, trade intelligence and market information and business formalization.

Product Development

Fifteen (15) MSEs were assisted in product development targeting business linkages to various markets. The services discharged included packaging, branding, certification, barcoding and mentorship. As a result of product development, 10 MSEs were linked to various markets:

- a) Fifty-four (54) MSEs were mentored and trained in leather tanning and leather products design facilitated under the ReadyToWork Program and the Common Market for Eastern and Southern Africa (COMESA) Regional Integration Systems Mechanism (RISM).
- b) Thirteen (13) Youths innovators were trained in Innovation Management and Business Development in collaboration with Zambia Information Communication Technology (ZICTA) under the ZICTA ICT Incubation Program. As a result of ICT Incubation the target 13 youth innovators transformed their Innovation into business ideas and mooted Start-Ups.

Facilitation of Trade Intelligence and Market Information

A total of 2,119 MSEs accessed Trade Intelligence and Market Information (TIMI) at the Information Resources Centre (IRC). As a result of facilitating TIMI and mentorship, 10 entrepreneurs that submitted bankable documents in the business plan competition were

funded by Nyamuka Zambia Business Plan Competition.

Growth Acceleration Business Development Services

Four hundred and fifty (450) growth oriented MSEs were supported with various business development support services (BDSS) to accelerate growth and graduation. Below is a breakdown of the outputs, outcomes and success stories resulting from BDSS facilitated.

Market Linkages and Access

Seventy four (74) MSEs were linked to various markets which included Kalumbila Mines, Pick and Pay, Food Lovers, Spar and Shoprite while 42 MSEs were linked to markets through participation at Business Fora including the Luapula Expo and Investment Forum, the Zambia International Trade Fair, Agriculture and Commercial Show in Lusaka and the International Book Fair in Lusaka.

Training in How to Bid for Tenders

Two hundred ninety-six (296) MSEs in the construction sector were trained in "How to Bid for Tenders." The objective of the training was to enhance capability in preparation of bid documents to improve business competitiveness.

MSEs Successes Stories

ABC Abundant Valley Limited

A wide range of BDS including business counselling, incubation, access to finance and markets were facilitated by the Agency. ABC Abundant Valley Limited increased quail production from 100 to 2,500 per week and is now supplying Pick N Pay Supermarket. The enterprise has expanded and diversified its poultry business including value addition and entered the export market. The enterprise has increased its income to ZMW 200,000 per month and has graduated from a small to large enterprise and employs a total of 15 workers.

Mystic Pictures Zambia Limited

The Agency supported the enterprise with product development in cleaning detergents and market access to Pick N Pay, Chibuntu Wholesale, and T&T Auto Shop. The

Agency has also supported the enterprise with mentorship which has culminated into establishing a manufacturing plant in Kitwe which now generates ZMW 108,000 per month translating into over ZMW 1,000,000 per annum and employs a total of 29 workers. The business enterprise has graduated from a small enterprise into a large enterprise.

Abundant Foods Limited

The Agency supported the enterprise with an array of BDS support services including technology transfer and market access to Pick N Pay, Supersave and River Side Super Markets. The enterprise is now generating ZMW 176,000 worth of Peanut Butter sales per month translating into over ZMW 1,000,000 per annum and has now employed a total of 13 employees. The business enterprise has graduated from a small enterprise into a large enterprise.

Wankoes Investment Limited

The Agency facilitated a wide range of BDS including product development and market access for mineral water to Pick N Pay, SGC Super Market, and Supersave. The enterprise has expanded its markets into Muchinga, Northern, Luapula and Central Provinces and now employs 85 workers. The enterprise graduated from a small to large enterprise with an annual turnover of over ZMW 2,000,000.

Sikaonga Investment Limited

The Agency facilitated a wide range of BDS including product development for vinegar and cleaning chemicals and market access to Choppies, Aluwise Investments, Mama Investments and Kujala Investments and has now employed 4 workers. The enterprise is now generating ZMW 95,000 per annum. The business enterprise had experienced some operational challenges forcing the business to hibernate for a year but was assisted by the Agency through a combination of enterprise development interventions including coaching, mentorship and market access. After resumption of operations the business enterprise is still a micro enterprise.

Davsak Electronical and Electric Enterprises

The Agency facilitated a number of BDS

including access to finance and market access to enable the enterprise supply to hardware and technical services to the Public Service Pension Fund; First Alliance Bank, ZESCO, Canadian High Commission

and Coptic Hospital and has employed 40 workers. The enterprise generates ZMW 667,200 per annum. The enterprise has graduated from a small enterprise to a medium enterprise.



4.0 HUMAN CAPITAL DEVELOPMENT AND WELLNESS

The Agency is committed to fostering a sound working environment in which all employees can develop and deliver their fullest potential by being a good employer and an employer of choice. We value our diverse workplace, our inclusive culture and our commitment to equality. We promote equal employment opportunities through organisation-wide practices relating to the recruitment and selection, development, management and retention of all employees. The establishment stood at 84 with 37 female and 47 male employees, representing 43% and 57% of the labour force, respectively.

We offer a range of wellbeing assistance to our people:

April, 2017 – Energizing the Work Climate

During the month of April, the Agency held 3 health and wellness days under the theme: **“Energizing the Work Climate”**.

(1) CHAMP

A cardiologist helped staff to learn to manage stress and consequent side effects.

(2) Future Search

Financial and Change Management experts assisted staff to expect and manage change in all circles of life.

(3) Sporting Activities

Activities included Inter-divisional relay, Director’s race and tag of war. Stakeholder organisations such as Zambia Sugar, Southern Sun Hotel and Medlink awarded winners with various hampers.

June, 2017 – Enhancing Staff Wellness through an Appropriate Work Environment

CHAMP collaborated with Optimal Health Services to offer our staff various medical and fitness services under the theme: **“Enhancing Staff Wellness through an Appropriate Work Environment”**. Key activities included the following:

- (1) Blood sugar testing;
- (2) Blood pressure check-ups;
- (3) Eye check-ups;
- (4) Weight check-ups;
- (5) Physical exercises;
- (6) Maternity check-ups; and
- (7) General health consultation with qualified medical personnel.

October, 2017 – Rehabilitating Stress and Mental Health through Team Work

In October, the employee wellness program was held under the theme: **“Rehabilitating Stress and Mental Health through Team Work.”** Medlink provided all medical consultations and checkups to all staff.

5.0 CORPORATE COMMUNICATIONS

To enhance communication with various stakeholders, the Agency through the Communications and Public Relations Department undertook a number of interventions which positively impacted the corporate image of the Agency.

Radio and TV Programs

Following the signing of the Memorandum of Understanding (MOU) between the Zambia Development Agency and the Zambia National Broadcasting Corporation for production and airing of a series of Television and Radio Programmes called “Investment Trends”, 39 episodes were successfully aired on television while 36 were aired on radio. The Programme featured various guests from both the public and private sector. Key among them were:

No.	Topic	Guest	Designation
	Economic Diversification and NTEs	Albert Halwampa	ZDA - Acting Director Export Development
	SMEs and Economic Growth	Mukula Makasa	ZDA - Director Enterprise Development
	Investment Opportunities in Zambia	Matongo Matamwandi	ZDA - Director Investments
	Multi Facility Economic Zones	Robert Banda	ZDA - Manager Infrastructure Development
	ZEMA and Economic Growth and Development	Maxwell Nkoya	ZEMA - Director of Operations
	Business Environment-Private Sector Perspective.	Geofrey Sakulanda	Private Sector Alliance - President
	Dangote Cement Investment and Impact	Desmond Maharaj	Dangote Zambia - CEO
	One Stop Shop Business Registration and Business Development	Likando Mukumbuta & Chilufya Sampa	CEEC and CCPC - CEOs
	Cooperatives and Economic Development	Shadreck Mungalaba	MCTI - Director DOC
	Investment Promotion in the LS-MFEZ	Mukela Lubasi	LS-MFEZ - Managing Director
	Role of Industrial Development Corporation	Mateyo Kaluba	IDC- CEO
	Agricultural competitiveness and opportunities for Zambia.	Chance Kabaghe	IAPRI - CEO

ZDA Investment Forum

The Agency also undertook a number of events to enhance its visibility and positive corporate image. A News Column called the Investment Forum in the Zambia Daily Mail was run every Thursday. The Agency used the forum to educate the business community on role of the Institution. The platform was used to create more visibility for the Agency by highlighting the success stories of the Agency and some of its interventions in easing the process of doing business creating a platform for businesses to thrive in the country and promoting economic development.

Press Releases

A total of 7 Press Releases were issued to Media Houses and different Radio Stations. These were aimed at enhancing the ZDA brand and increasing public awareness relating to the role of the Agency. Other media interventions included publication of newspaper articles relating to issues such as entry fee into MFEZs, availability of export funding under Zambia Export Development Fund, ReadyToWork Program and Ease of Doing Business Conference.

Zambia International Trade Fair

The Agency participated in the Zambia International Trade Fair (ZITF) which was held under the theme "Innovation for Industrialisation" and took place from 28th of June to 4th July 2017 in Ndola. We

exhibited with the Ministry of Commerce Trade and Industry (MCTI) and five other agencies namely, Patents and Companies Registration Agency (PACRA), Citizens Economic Empowerment Commission (CEEC), Zambia Bureau of Standards (ZABS), Zambia Weights and Measures Authority (ZWMA), and Competition and Consumer Protection Commission (CCPC).

Luapula Expo and Investment Conference

ZDA participated in the Luapula Expo and Investment Conference in that was held in Mansa.

Like the ZITF, the Agency shared information on investments, export opportunities and enterprise development.

Zambia Agricultural and Commercial Show

The Agency participated in the Zambia Agricultural and Commercial Show (ZACS) which was held under the theme "Promoting a Green Economy" and took place from 2nd to 7th August 2017 in Lusaka. We exhibited with the Ministry of Commerce Trade and Industry (MCTI) and five other agencies namely, Patents and Companies Registration Agency (PACRA), Citizens Economic Empowerment Commission (CEEC), Zambia Bureau of Standards (ZABS), Zambia Weights and Measures Authority (ZWMA), and Competition and Consumer Protection Commission (CCPC). The MCTI One Stop Shop scooped the first prize as Best Regulatory Exhibit and Second Prize Export Promotion Exhibit.



6.0 CHALLENGES

ZDA is the only Government Agency with a primary responsibility for promoting economic development covering investment promotion and facilitation; export development and promotion; and enterprise development. The Agency was not adequately funded leading to failure to meet stakeholder expectations. Consequently, other Government Institutions and Ministries replicate our mandate resulting in misinformation to potential investors and budgetary waste at national level. Further, the Agency has not been able to decentralize its operations to the Provinces.

Business reforms introduced in the recent past were aimed at improving the ease of doing business in the Country. Further, incentives have been used to stimulate investment in specific sectors of the Economy. Research has shown that incentives play a pivotal role in investor decisions and that there was stiff competition for foreign direct investment (FDI) within the region and beyond. These efforts by the Government to stimulate economic activity in the Country have been faced with some challenges at implementation level:

- (1) The discontinuation of 5 year tax holiday and introduction of accelerated depreciation was concerning to investors in that accelerated depreciation was perceived not to be an incentive and inconsistent policy negatively affected investment

decisions;

- (2) Lack of sector specific and performance based incentives;
- (3) The high cost of land in farm blocks was hindering the promotion and attraction of investment;
- (4) Delays in issuance of secondary licenses such as Environmental Impact Assessment (EIA) and Water Rights leading to Zambia being perceived as uncompetitive in terms of ease of doing business;
- (5) Unattainable threshold for the award of incentives to Zambian entrepreneurs. For example, the investment threshold of USD 500, 000.00 for one to access incentives was too high for Zambians; and
- (6) Delayed refunds under VAT Rule 18 and Duty Drawback Scheme.

The ZDA Bill 2017 has provisions that will address most of these challenges once enacted into law. This is a step in the right direction.

Our current investment promotion and attraction strategy focuses on existing investors first then potential investors. Aftercare visits and regular engagements are carried out to foster re-investments and expansions. However, there were no incentives aimed at encouraging re-investment and expansions in Zambia. The ZDA Bill 2017 will address this challenge once enacted into law.

In 2017, trade within the region showed a declining trend. This was due to

introduction of non-tariff barriers by some States on Zambian products that mainly included import permit restrictions and mandatory inspections of products before exports. The affected products included Cement, Sugar, Cooking oil, Biscuits and other confectionary products.

Finally, the issues that were raised through the Private Sector Liaison Forum, which is a Forum primarily established to provide a platform for dialogue between Government and the private sector in order to develop and sustain a favourable business ecosystem, did not receive adequate and timely attention thereby rendering the Forum ineffective.



FINANCIALS



36 7.0 AUDITED **FINANCIAL STATEMENTS**



Zambia Development Agency

Financial Statements
31 December 2017

FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2017**

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Detailed statement of comprehensive income	Schedule 1

REPORT OF THE DIRECTORS

The Directors present their report on the activities of Zambia Development Agency (ZDA) for the year ended 31 December 2017.

1. **The ZDA**

The ZDA was established by an Act of Parliament through the ZDA Act No 11 of 2006.

2. **Principal function**

The Agency's principal function is to promote trade and investment in Zambia through an efficient, effective and coordinated private sector led economic development strategy.

3. **Results**

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

	2017 ZMW	2016 ZMW
Revenue	<u>39,579,070</u>	<u>46,993,678</u>
Surplus/ (Deficit) for the year	<u>(7,050,104)</u>	<u>3,371,199</u>

4. **Directors and Secretary**

The Directors and Secretary who served during the year are as follows:

Ms. Mary Ncube	-	Private Business Person - Chairperson
Mr. Don Stacey	-	Private Business Person - Vice-Chairperson
Mr. Mukuli Chikuba	-	Permanent Secretary - Ministry of Finance
Mrs. Kayula Siame	-	Permanent Secretary - Ministry of Commerce, Trade and Industry
Mr Henry Tukombe	-	Permanent Secretary - Ministry of General Education
Mr. Owen Mgemzulu	-	Permanent Secretary - Ministry of Higher Education (Resigned September 2017)
Mr. M Sakala	-	Permanent Secretary - Ministry of Higher Education (Appointed September 2017)
Mr Paul Chanda	-	Permanent Secretary - Ministry of Mines
Mr. Julius Shawa	-	Permanent Secretary - Ministry of Agriculture
Mr. Barnaby B. Mulenga	-	Permanent Secretary - Ministry of Labour and Social Security
Mr. A Nkunica	-	Permanent Secretary - Ministry of Justice (Appointed January 2017)
Mr Steven Mwansa	-	Permanent Secretary - Ministry of Tourism and Arts
Mr. John Msimuko	-	Zambia Environmental Management Agency
Mrs. Edna Kalenga	-	Representative Private Sector - Zambia Chamber of Commerce and Industry
Mrs. Monde J. Kabwela	-	Representative from Civil Society Organization
Mrs. Rosetta M Chalaba	-	Representative from Small Scale Industries
Mr. Ceasar Siwale	-	Representative Private Sector

ZAMBIA DEVELOPMENT AGENCY**REPORT OF THE DIRECTORS****4. Directors and Secretary (continued)****Secretary**

Ms. P Goma - Board Secretary

5. Management

The management of the ZDA was as follows:

Mr. P D Chisanga - Director General (Resigned 5th August 2017)
Mrs. C K Nyalugwe - Acting Director General (Appointed 5th August 2017)
Ms. C Chilambwe - Acting Director Finance and Administration
(Appointed 24th July 2017)
Mr. D Haanyika - Director Corporate Support Services
Ms. P Goma - Board Secretary and Legal Services
Mr. M Makasa - Director Enterprise Development
Mr. E Mwape - Director Policy and Planning (Resigned 14th August 2017)
Mr. C Sifafula - Acting Director Policy and Planning
(Appointed 15th August 2017)
Mr. C Ngoma - Director Systems Assurance
Mr. M Matamwandi - Director Investments
Mr. J Simwawa - Director Export Development

6. Employees

The average number of persons employed by the Agency during the year was 85 (2016: 90). The total employees' remuneration paid by ZDA was ZMW 32,052,070 (2016: ZMW28,894,855).

7. Donations

ZDA did not make any donations during the year (2016: ZMWNil).

8. Property, plant and equipment

Additions to Property, plant and equipment in the year amounted to ZMW2,185,041 (2016: ZMW3,582,075). In the opinion of the directors, the fair values of Property, plant and equipment are not less than the amounts at which they are included in the financial statements.

9. Other material facts, circumstances and events

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

REPORT OF THE DIRECTORS

10. **Annual financial statements**

The annual financial statements on pages 7 to 28 have been approved by the Directors.

By order of the Board

Board Secretary

Lusaka

Date:

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Zambia Development Agency Act requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of Zambia Development Agency (ZDA) and of its financial performance and its cash flows for the year then ended. In preparing such financial statements, the Directors are responsible for:

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

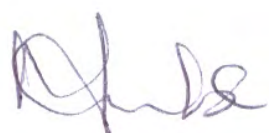
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the ZDA and enable them to ensure that the financial statements comply with the Zambia Development Agency Act, No. 11 of 2006 of the Laws of Zambia. They are also responsible for safeguarding the assets of the ZDA and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that in their opinion

- (a) the financial statements give a true and fair view of the financial position of Zambia Development Agency as of 31 December 2017, and of its financial performance and its cash flows for the year then ended;
- (b) at the date of this statement there are reasonable grounds to believe that ZDA will be able to pay its debts as and when these fall due; and
- (c) the financial statements are drawn up in accordance with International Financial Reporting Standards.

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

Signed at **Lusaka** on



BOARD CHAIRPERSON



VICE-CHAIRPERSON

**REPORT OF THE INDEPENDENT AUDITORS TO THE
ZAMBIA DEVELOPMENT AGENCY BOARD OF DIRECTORS****5.****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of Zambia Development Agency which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 31 December 2017, 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 Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Zambia Development Agency Act No. 11 of 2006, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 Agency or to 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE
ZAMBIA DEVELOPMENT AGENCY BOARD OF DIRECTORS (CONTINUED)**

6.

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 misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level 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 judgement 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 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 Agency to cease to continue as a going concern.

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

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements of Zambia Development Agency as at 31 December 2017 have been properly prepared in accordance with the Zambia Development Agency Act No. 11 of 2006 of the Laws of Zambia and the accounting and other records and registers have been properly kept in accordance with the Acts.

Chartered Accountants**Wesley Beene (AUD/F000465)****Name of Partner signing on behalf of the firm****Lusaka****Date**

ZAMBIA DEVELOPMENT AGENCY

7.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 ZMW	2016 ZMW
Revenue			
GRZ and other revenue grants	5	24,650,545	28,656,059
Other income	6	<u>14,928,525</u>	<u>18,337,619</u>
Total revenue		39,579,070	46,993,678
Staff costs	7	(32,052,070)	(28,894,855)
Depreciation	9	(1,974,669)	(1,016,295)
Other operating expenses		<u>(12,602,435)</u>	<u>(13,711,329)</u>
(Deficit)/Surplus before taxation		(7,050,104)	3,371,199
Income tax expense	8	_____ -	_____ -
(Deficit) /surplus for the year		(7,050,104)	3,371,199
Other comprehensive income		_____ -	_____ -
Comprehensive (Deficit)/surplus for the year		<u>(7,050,104)</u>	<u>3,371,199</u>

**STATEMENT OF CHANGES IN FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Revaluation Reserve ZMW	Accumulated deficit ZMW	Contributed reserves ZMW	Total ZMW
At 1 January 2016	6,032,736	(137,795,861)	(30,971,201)	(162,734,326)
Assets Written off during the year (Note 9)	(1,014,000)	-	-	(1,014,000)
Depreciation written back on Assets written off Assets (Note 9 (b))	49,020	-	-	49,020
Transfer (note 9 (b))	(422,616)	422,616	-	-
Changes in predecessor balances (Note 12)	-	-	235,239	235,239
Comprehensive surplus for the year	-	<u>3,371,199</u>	-	<u>3,371,199</u>
At 31 December 2016		4,645,140	(134,002,046)	(30,735,962)
(160,092,868)				
Assets Written off during the year	(1,458,200)	-	-	(1,458,200)
Depreciation written back on Assets written off Assets (Note 9 (b))	120,788	-	-	120,788
Changes in predecessor balances (Note 12)	-	-	169,698	169,698
Comprehensive deficit for the year	-	<u>(7,050,104)</u>	-	<u>(7,050,104)</u>
At 31 December 2017	<u>3,307,728</u>	<u>(141,052,150)</u>	<u>(30,566,264)</u>	<u>(168,310,686)</u>

STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2017

	Note	2017 ZMW	2016 ZMW
ASSETS			
Non-current assets			
Property, plant and equipment	9	8,841,888	9,982,614
		<u>8,841,888</u>	<u>9,982,614</u>
Current assets			
Inventory		301,409	203,541
Trade and other receivables	10	1,802,513	5,171,559
ZDA - cash and cash equivalents	11	1,252,952	4,095,538
Escrow - cash and cash equivalent	11	<u>103,833,333</u>	<u>102,855,861</u>
		<u>107,190,207</u>	<u>112,326,499</u>
Total assets		<u>116,032,095</u>	<u>122,309,113</u>
RESERVES AND LIABILITIES			
Funds and reserves			
Contributed reserves	12	(30,566,264)	(30,735,962)
Revaluation reserve	13	3,307,728	4,645,140
Accumulated deficit			
(141,052,150) (134,002,046)			
(168,310,686) (160,092,868)			
Non-Current liabilities			
Obligation under finance leases	14	<u>1,496,408</u>	<u>1,748,165</u>
		<u>1,496,408</u>	<u>1,748,165</u>
Current liabilities			
Obligation under finance leases	14	1,503,945	753,461
Trade and other payables	15	<u>281,342,428</u>	<u>279,900,355</u>
		<u>282,846,373</u>	<u>280,653,816</u>
Total reserves and liabilities		<u>116,032,095</u>	<u>122,309,113</u>

The financial statements on pages 7 to 28
were approved by the Board of Directors

on

and were signed on its behalf by



)
) **BOARD CHAIRPERSON**



)
) **VICE-CHAIRPERSON**



)
) **DIRECTOR GENERAL**

ZAMBIA DEVELOPMENT AGENCY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 ZMW	2016 ZMW
Cash flows from operating activities		
(Deficit)/surplus for the year	(7,050,104)	3,371,199
Depreciation	1,974,669	1,016,295
Interest expense	1,253,036	433,921
Write back of predecessor balance	169,698	235,239
Loss/(profit) on disposal	265,322	(32,580)
Increase in inventory	(97,868)	(76,181)
Decrease/ (Increase) in trade and other receivables	3,369,046	(2,830,572)
Increase / (Decrease) in trade and other payables	<u>1,442,073</u>	<u>(5,989,263)</u>
Net cash inflow/(outflow) from/(on) operating activities	<u>795,228</u>	<u>(3,871,942)</u>
Investing activities		
Purchase of property, plant and equipment	(2,185,041)	(3,582,075)
Interest expense	(1,253,036)	(433,921)
Proceeds on disposal of Asset	<u>279,008</u>	<u>43,597</u>
Net cash outflow on investing activities	<u>(3,159,069)</u>	<u>(3,972,399)</u>
Financing activities		
Finance lease obtained 2,730,079		1,774,219
Motor vehicle lease payments	<u>(1,275,492)</u>	<u>(228,453)</u>
Net cash inflow from financing activities	<u>498,727</u>	<u>2,501,626</u>
Decrease in cash and cash equivalents	(1,865,114)	(5,342,715)
Cash and cash equivalents at beginning of the year	<u>106,951,399</u>	<u>112,294,114</u>
Cash and cash equivalents at end of the year	<u>105,086,285</u>	<u>106,951,399</u>
Represented by:		
Bank balances 4,095,538		1,252,952
Escrow accounts	<u>103,833,333</u>	<u>102,855,861</u>
Cash in hand and at bank	<u>105,086,285</u>	<u>106,951,399</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017**1. Activities**

- a) The Zambia Development Agency (ZDA) was established by an Act of Parliament, the Zambia Development Agency (ZDA) Act to promote trade and investment in Zambia through an efficient, effective and coordinated private sector economic development strategy.
- b) The act repealed the following acts:
 - Investment Act;
 - Small Enterprise Development Act;
 - Export Processing Zones Act
 - Export Development Act.
- c) From the commencement of the Zambia Development Agency (ZDA) Act the statutory officers or bodies (appropriate authorities) that were vested or bestowed with functions and powers under the repealed Acts only existed for the purpose of winding up their affairs. By virtue of this Act, rights and obligations of the appropriate authorities were transferred to, vested in and subsisted all assets, against the agency.
- d) The assets and liabilities taken over from predecessor institutions have been incorporated in the books of accounts based on the statements of affairs (SOAs) prepared at the closure of these institutions. The SOAs were prepared based on information deduced from various documents and management and directors representations. Audits for a number of these institutions were not up to date.

2. Basis of preparing the financial statements – going concern basis

During the year, the Agency recorded a deficit of ZMW7,050,104 and a net current liabilities of ZMW175,656,166. The Agency meets its day to day working capital requirements from government grants and some donor grants.

The financial statements have been prepared on a going concern basis which assumes that the Agency will continue in operational existence for the foreseeable future.

The validity of this assumption depends on continued receipt of grants from the Government of the Republic of Zambia. The Government of the Republic of Zambia, through the Ministry of Finance, has confirmed that they will continue to fund the Agency to meet its funding requirements.

If the Agency were unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the statement of financial position values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify property, plant and equipment as current assets.

The directors have reviewed the effects of the matters mentioned above and believe that it is appropriate for the financial statements to be prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies**

The principal accounting policies applied by ZDA in the preparation of these financial statements are set out below:

(a) Basis of presentation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements are presented in accordance with IAS 1 “presentation of financial statements” (Revised 2007). The Agency has elected to present the “Statement of Comprehensive Income” in one statement the “Statement of Comprehensive Income”. They have been prepared under the historic cost convention, as modified by the revaluation of financial assets and liabilities at fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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

(b) New and revised standards that are effective for annual periods beginning on or after 1 January 2017

The Agency has not adopted any new standards or amendments that have a significant impact on the Agency’s results or financial position.

The standards and amendments that are effective for the first time in 2017 (for entities with a 31 December 2017 year end) and could be applicable to the Agency are:

- ‘Annual Improvements to IFRSs’ 2014 – 2016 cycle;
- Classification and measurement of share-based payment transactions (Amendments to IFRS 2)
- Recognition of Deferred tax assets for unrealized losses (Amendments to IAS 12); and
- ‘Disclosure Initiative’ (Amendments to IAS 7)

These amendments do not have a significant impact on amounts recognised in prior periods and will not affect current or future periods.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the Agency. Information on those expected to be relevant to the Agency’s financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the Agency’s accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the Agency’s financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies****(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Agency (continued)****IFRS 9 ‘Financial Instruments’**

The new standard for financial instruments (IFRS 9) introduces extensive changes to IAS 39’s guidance on the classification and measurement of financial assets and introduces a new ‘expected credit loss’ model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the Agency’s financial assets will need to be reviewed based on the new criteria that considers the assets’ contractual cash flows and the business model in which they are managed
- an expected credit loss-based impairment will need to be recognised on the Agency’s trade receivables and investments in debt-type assets currently classified as Available For Sale (AFS) and Held To Maturity (HTM), unless classified as at fair value through profit or loss in accordance with the new criteria
- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Agency makes an irrevocable designation to present them in other comprehensive income.
- if the Agency continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Agency’s own credit risk.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 ‘Revenue from Contracts with Customers’

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 ‘Revenue’, IAS 11 ‘Construction Contracts’, and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018.

IFRS 15 introduces new guidance that will require the Agency to evaluate the separability of multiple elements based on whether they are ‘distinct’. A promised good or service is ‘distinct’ if both:

- the customer benefits from the item either on its own or together with other readily available resources, and
- it is ‘separately identifiable’ (i.e. the Agency does not provide a significant service integrating, modifying or customising it).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies****(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Agency (continued)****IFRS 15 'Revenue from Contracts with Customers' (continued)**

The subsequent allocation of arrangement consideration to individual performance obligations is based on their relative stand-alone selling prices.

The Agency is currently in the process of reviewing all its contracts to ascertain how the new requirements will impact the identification of distinct goods or services and the allocation of consideration to them.

The standard allows adoption using either retrospectively in full to each prior reporting period or modified retrospective with application only to contracts that are not complete at the date of initial application.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 and three related Interpretations. Leases will be recorded on the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact the Agency are in the process of:

- performing a full review of all agreements to assess whether any additional contracts will now become a lease under IFRS 16's new definition;
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices;
- assessing their current disclosures for finance leases (note 12) and operating leases (note 2(m)) as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- assessing the additional disclosures that will be required.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies****(d) Revenue****(i) Grants**

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

(e) Property, plant and equipment

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

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

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

	%
Leasehold land and buildings	2
Motor vehicles	25
Computer and office equipment	33.3
Office Furniture and fittings	20

Land and capital work in progress are not depreciated.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies (continued)****(f) Financial assets**

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

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

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

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

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

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

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

(ii) *Trade and other receivables*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies (continued)****(f) Financial assets (continued)****(iv) Available-for-sale financial assets**

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

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

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

Interest on available-for-sale securities is recognised in the statement of comprehensive income.

(g) Impairment of assets**(i) Financial assets carried at amortised cost**

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of ZDA about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation on; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in ZDA, including:

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

3. Principal accounting policies (continued)

(g) Impairment of assets (continued)

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

- adverse changes in the payment status of issuers or debtors in ZDA; or
- national or local economic conditions that correlate with defaults on the assets in ZDA.

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

If there is objective evidence that an impairment loss has been incurred on financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income.

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

(ii) *Financial assets carried at fair value*

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies (continued)****(g) Impairment of assets (continued)****(iii) *Impairment of other non-financial assets***

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

(h) Cash and cash equivalents

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

(i) Borrowing costs

Borrowing costs, being interest payable on loans, are accounted for on an accruals basis. Transaction costs arising on arranging a new financial liability are debited to the liability and amortised over the life of that liability. Borrowing costs are charged to the statement of comprehensive income for the year in which they are incurred.

(j) Interest bearing liabilities

Short term interest bearing liabilities include all amounts expected to be repayable within twelve months from the reporting date, including instalments due on loans of longer duration. Long term interest bearing liabilities represent all amounts repayable more than twelve months from the reporting date.

(k) Foreign currencies**(i) *Functional and presentation currency***

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

(ii) *Transactions and balances*

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**3. Principal accounting policies (continued)****(l) Employee benefits****(i) Provision for retirement benefits**

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

Gratuity is payable at 35% of Basic salary over the contract period.

(ii) Provisions for leave pay

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

(m) Trade and other payables

Trade and other payables are stated at cost.

(n) Provisions

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

(o) Critical accounting estimates and judgments

ZDA makes estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- (i) the classification of financial assets;
- (ii) whether assets are impaired;
- (iii) estimation of provision and accruals; and
- (iv) recoverability of trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**4. Management of financial risk****(a) Financial risk**

ZDA is exposed to a range of financial risks through its financial assets. The most important component of this financial risk is credit risk.

(i) Credit risk

ZDA has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key area where the ZDA is exposed to credit risk is trade and other receivables.

(ii) Accumulated Fund management

ZDA's objective when managing the Fund is to safeguard ZDA's ability to continue as a going concern so that it can continue to provide benefits to stakeholders. ZDA's Fund is supported by grants from the Government of the Republic of Zambia (GRZ) and some donors.

	2017 ZMW	2016 ZMW
5. GRZ and other revenue grants		
GRZ revenue grants (note (a))	24,650,545	26,891,504
GRZ other grants (note (b))	<u>-</u>	<u>1,764,555</u>
	<u>24,650,545</u>	<u>28,656,059</u>
(a) GRZ grants represent amounts received monthly.		
(b) The Agency received a special grant of nil (2016: K1, 764, 555) to be applied towards some accrued predecessor legal costs.		
6. Other income		
Donor Funds	1,037,874	172,706
Exchange gain/(loss)	958,738	(182,340)
Interest on bank deposit	9,058,685	13,772,055
Licensing fees	2,467,930	2,591,520
Processing fees	487,680	465,920
Processing fees SME	1,840	1,760
Rebate fees	37,800	19,670
Rental income	343,686	101,920
Sales of tender documents	18,500	8,000
Sundry income	455,392	394,158
Training and workshop fees	<u>60,400</u>	<u>992,250</u>
	<u>14,928,525</u>	<u>18,337,619</u>
7. Staff Costs		
Basic pay	17,559,663	17,704,529
Fuel and transport allowance	4,290,450	1,448,864
Car maintenance allowance	-	314,106
Gratuity	6,760,197	5,999,676
Leave pay provision	2,230,806	2,302,061
NAPSA contribution	716,064	689,966
Acting allowance	246,137	260,910
Settling allowance	42,737	74,036
Business entertainment	28,907	58,707
Temporal staff costs	<u>177,110</u>	<u>42,000</u>
	<u>32,052,070</u>	<u>28,894,855</u>
8. Taxation		
ZDA is exempt from taxation under Section 15 of the Income Tax Act Cap 323 of the Laws of Zambia and in accordance with paragraph 5 Part III of the Second Schedule of the same Act.		

ZAMBIA DEVELOPMENT AGENCY

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)

9. Property, plant and equipment

a) (Summary)

	Leasehold Land and Buildings ZMW	Motor vehicles ZMW	Furniture, fixtures & fittings ZMW	Office Equipment ZMW	Computer Software ZMW	Computer Hardware ZMW	Work in Progress ZMW	Total ZMW
Cost or valuation								
At 1 January 2016	7,802,941	2,176,364	875,105	602,717	549,506	938,535	-	12,945,168
Additions	-	2,789,102	332,378	36,349	-	145,311	278,935	3,582,075
Disposal	-	(70,000)	-	-	-	(21,294)	-	(91,294)
Assets written off	(1,014,000)	-	-	-	-	-	-	(1,014,000)
At 31 December 2016	6,788,941	4,895,466	1,207,483	549,506	1,062,552	278,935	15,421,949	2,185,041
Additions	-	1,774,219	173,694	119,916	-	117,212	-	2,185,041
Transfers	-	-	-	278,935	-	-	(278,935)	-
Disposals	-	(1,061,365)	-	-	-	-	-	(1,061,365)
Assets written off	(1,458,200)	-	-	-	-	-	-	(1,458,200)
At 31 December 2017	5,330,741	5,608,320	1,381,177	1,037,917	549,506	1,179,764	-	15,087,425
Depreciation								
At 1 January 2016	510,839	1,547,076	585,872	580,014	549,016	779,520	-	4,552,337
Charge for the year	127,126	563,997	194,580	18,955	490	111,147	-	1,016,295
Disposals	-	(70,000)	-	-	-	(10,277)	-	(80,277)
Assets written off	(49,020)	-	-	-	-	-	-	(49,020)
At 31 December 2016	588,945	2,041,073	780,452	598,969	549,506	880,390	-	5,439,335
Charge for the year	127,126	1,448,709	146,230	121,768	-	130,836	-	1,974,669
Disposals	-	(1,047,679)	-	-	-	-	-	(1,047,679)
Assets Written off	(120,788)	-	-	-	-	-	-	(120,788)
31 December 2017	595,283	2,442,103	926,682	720,737	549,506	1,011,226	-	6,245,537
Net book value								
At 31 December 2017	4,735,458	3,166,217	454,495	317,180	-	168,538	-	8,841,888

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)

9. **Property, plant and equipment**

- (b) In 2011 the Agency's property, plant and equipment were revalued by a Board of Survey of the Government of the Republic of Zambia. The report was presented to the Secretary to the Treasury for approval. Net surplus on valuation and depreciation no longer required amounting to ZMW13, 548,674 was transferred to a revaluation reserve. In 2017 net surplus on valuation and depreciation no longer required totalling K1,337,412 thousand has been transferred to the revaluation reserve in this year. This transfer relates to Leasehold Land and Buildings written off due to questionable ownership.
- (c) The Agency now has title to all properties in the financial statements for which title is in process.
- (d) In the opinion of the directors, the carrying values of property, plant and equipment stated above are not higher than their fair values.

	2017 ZMW	2016 ZMW
10. Trade and other receivables		
Trade receivables	8,429,582	8,228,425
Less: Provision for impairment losses	<u>(8,429,582)</u>	<u>(8,228,425)</u>
	-	-
Northern Coffee Agency Limited	-	29,029
Staff loans and advances	149,756	460,356
Other receivables and prepayments	<u>1,652,757</u>	<u>4,682,174</u>
	<u>1,802,513</u>	<u>5,171,559</u>
(i) Analysis of impairment losses		
At the beginning of the year	8,228,425	8,288,412
Impaired during the year	201,169	7,000
Recovered during the year	<u>(12)</u>	<u>(66,987)</u>
At the end of the year	<u>8,429,582</u>	<u>8,228,425</u>
11. Cash and cash equivalents		
Bank and cash balances	1,252,952	4,095,538
Escrow accounts (note i)	<u>103,833,333</u>	<u>102,855,861</u>
	<u>105,086,285</u>	<u>106,951,399</u>
(i) Analysis of the Escrow bank balances		
Short term Investment accounts	102,707,250	101,734,106
ZDA ZMW Escrow- ZANACO	369,823	371,122
USD Escrow- ZANACO	680,664	668,043
Zamtel USD Escrow - Barclays Bank	4,024	6,899
Zamtel ZMW Escrow - Barclays Bank	<u>71,572</u>	<u>75,691</u>
	<u>103,833,333</u>	<u>102,855,861</u>
(ii) Movement in the escrow account balances		
Balance at 1 January 2017	102,855,861	
Exchange gain	979,784	
Bank charges	<u>(2,312)</u>	
Balance at 31 December 2017	<u>103,833,333</u>	

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

	2017 ZMW	2016 ZMW
12. Contributed reserves		
At beginning of the year	(30,735,962)	(30,971,201)
Decrease in net difference between predecessor assets and liabilities	169,698	235,239
At the end of the year	(30,566,264)	(30,735,962)

By virtue of the ZDA Act, the assets and liabilities and all rights and obligations of the former Zambia Privatisation Agency, Zambia Investment Centre, Small Enterprises Development Board, Export Board of Zambia and Zambia Export Processing Zones Authority were transferred to, vested in and subsisted against the Agency. The net difference between the values of assets and liabilities has been carried as contributed reserves.

(a) An initial amount of ZMW48, 134,624 was recognised as deficit in contributed reserves which represented the net amount of the assets and liabilities transferred from the predecessor institutions in 2007. This balance has been further reduced by adjustments after further confirming the confirmed balances brought forward by ZMW169,698 in 2017 (2016: ZMW235,239).

(b) A reconciliation of the assets and liabilities that were taken over from the predecessor institution is state below:-

	Balances Taken over ZMW	Current Balance ZMW	Change ZMW
Trade and other receivables	1,757,078	1,718,766	38,312
Trade and other payables	(89,909,000)	(71,920,562)	(17,988,438)
	(88,151,922)	(70,201,796)	(17,950,126)

(i) The Current balance of the Trade and other receivables and Trade and other payables are included in the Statement of Financial Position as detailed on notes 10 and 14 respectively.

(ii) Property, plant and equipment transferred to the agency from predecessor institutions were brought in the agency's books at a net book value of ZMW6,018,000 (cost of ZMW8,987,000 less accumulated depreciation of ZMW2,969,000) at the time of transfer. In the absence of adequate information we were unable to verify whether the assets and liabilities transferred from the predecessor institutions and the related contributed reserves are fairly stated.

	2017 ZMW	2016 ZMW
13. Revaluation reserves		
At beginning of the year	4,645,140	6,032,736
Assets written off during the year (Note 9)	(1,458,200)	(1,014,000)
Depreciation written back on assets written off during the year (Note 9)	120,788	49,020
Transfer to accumulated reserve (Note 9 (b))	-	(422,616)
At the end of the year	3,307,728	4,645,140

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2017 (CONTINUED)

13. **Revaluation reserves (continued)**

The revaluation surplus represents the revaluation of Agency property, plant and equipment in 2011 by the Board of Survey.

14. **Obligation under finance leases**

	2017	2016
	ZMW	ZMW
Opening balance	2,501,626	-
Addition	1,774,219	2,730,079
Repayment during the year	(1,275,492)	(228,453)
Lease obligation due at 31 December	<u>3,000,353</u>	<u>2,501,626</u>
Payable within twelve months	1,503,945	753,461
Repayable after 12 months	<u>1,496,408</u>	<u>1,748,165</u>
	<u>3,000,353</u>	<u>2,501,626</u>

The finance lease relates to the purchase of a total of ten motor vehicles with terms of 36 months. The first six were acquired in 2016 and the other four in 2017. The obligations under finance leases are secured by the lessor's absolute ownership over the leased assets comprehensively insured with the Bank's interest noted as first loss payee.

On 01 June 2016, the Agency in its capacity as borrower, entered into a K2, 313,028 finance lease with Investrust Plc Bank Zambia Limited as lender. This lease was made available to finance the purchase of 5 motor vehicles.

Interest is set at the Bank of Zambia Policy rate plus 19 percent payable monthly in arrears.

On 01 December 2016 and 7th February 2017, the Agency in its capacity as borrower, entered into a K417,051 and K1,774,219 respectively representing a total K2, 191,270.13 finance lease with Zanaco Plc Bank Zambia Limited as lender. This lease was made available to finance the purchase of 5 motor vehicles.

Interest is set at the Bank of Zambia Policy rate plus 19.5 percent payable monthly in arrears.

By way of security, the Agency has provided a fixed charge over the financed vehicles.

15. **Trade and other payables**

	2017	2016
	ZMW	ZMW
Trade payables	586,756	1,249,917
PAYE payable	24,582,203	21,934,956
Provision Gratuity	11,952,375	10,985,274
Provision for leave	1,106,452	1,065,550
NAPSA payable	114,372	-
Accruals	2,834,608	4,367,629
Privatisation Proceeds	168,245,100	168,206,769
Predecessor payables	<u>71,920,562</u>	<u>72,090,260</u>
	<u>281,342,428</u>	<u>279,900,355</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)

16. **Financial assets and liabilities****Financial assets**

ZDA's principal financial assets are bank balances and cash and trade and other receivables. ZDA maintains its bank accounts with major banks in Zambia of high credit standing. Trade and other receivables amounts are reduced by appropriate allowances for estimated irrecoverable amounts.

Financial liabilities

ZDA's financial liabilities are employee liabilities, accounts payable and motor vehicle lease. Financial liabilities are classified according to the substance of the contractual arrangements entered into. Accounts payable are stated at cost.

(a) **Price risk (Continued)**(i) **Currency risk**

ZDA's currency risk is low as it does not hold any foreign currency denominated liability.

(ii) **Interest rate risk**

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

(iii) **Market risk**

ZDA is not exposed to the risk of the value of its financial assets fluctuating as a result of changes in market prices.

(b) **Credit risk**(i) **Trade debtors**

The Directors believe the credit risk of trade debtors is low. Except for the balances taken from the predecessor institutions where the risk is high.

(c) **Liquidity risk**

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

(d) **Cash flow risk**

ZDA is exposed to the risk that future cash flows associated with monetary financial instruments will fluctuate in amount.

(e) **Fair values**

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

17. **Fair value measurement****Fair value measurement of financial instruments**

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2016 (CONTINUED)**17. Fair value measurement (continued)**

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability.

The Agency does not have Financial Instruments which could be ranked under hierarchy of financial assets and liabilities measured at fair value on a recurring basis at 31 December 2017, 31 December 2016 and 1 January 2015.

Fair value measurement of non-financial assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at 31st December 2017, 31 December 2016 and 1 January 2015:

	Level 1	Level 2	Level 3	Total
	ZMW'000	ZMW'000	ZMW'000	ZMW'000
31 December 2017				
Property, plant and equipment:				
Land held in Zambia	-	155,000	-	155,000
Office building in Zambia	-	<u>5,175,742</u>	-	<u>5,175,742</u>
	<u>-</u>	<u>5,330,742</u>	<u>-</u>	<u>5,330,742</u>
31 December 2016				
Property, plant and equipment:				
Land held in Zambia	-	255,000	-	255,000
Office building in Zambia	-	<u>6,533,941</u>	-	<u>6,533,941</u>
	<u>-</u>	<u>6,788,941</u>	<u>-</u>	<u>6,788,941</u>
1 January 2015				
Land held in Zambia	-	5,306,900	-	5,306,900
Office building in Zambia	-	<u>9,769,941</u>	-	<u>9,769,941</u>
	<u>-</u>	<u>15,076,841</u>	<u>-</u>	<u>15,076,841</u>

Fair value of the Agency's main property assets is estimated based on appraisals performed by independent, professionally-qualified property valuers, the Board of Survey, a team of experts appointed by Ministry of Finance. The significant inputs and assumptions are developed in close consultation with management. The valuation processes and fair value changes are reviewed by the board of directors and audit committee at each reporting date.

18. Related party transactions

The following transactions were carried out with related parties:

	2017	2016
	ZMW	ZMW
(i) <i>Key management compensation</i>		
Salaries and other short term benefits	<u>4,924,739</u>	<u>4,845,280</u>
(ii) <i>Directors' remuneration</i>		
Fees for service as a director	<u>716,371</u>	<u>645,933</u>
(iii) Loans to key management	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2017 (CONTINUED)**19. Contingent liabilities**

- (i) Contingent liabilities not provided for in these financial statements are estimated at ZMW Nil at 31 December 2017 (2016: ZMW Nil million).
- (ii) In January 2012, the sale of ZAMTEL to Lap Green of Libya was reversed. The likely impact on the Financial Statements is limited to the remaining balance on the proceeds of the sale held in the Escrow Accounts.

20. Previous year's amounts

Previous year's amounts have been restated or reclassified where necessary to facilitate comparison.

21. Events subsequent to reporting date

There has not arisen since the end of the financial year any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Agency, to affect substantially the operations of ZDA, the results of those operations or the state of affairs of ZDA in subsequent financial years. Except for the payments from the Escrow bank balances amounting to K93, 360,778 towards liquidating the predecessor liabilities amounting to K22,743,674 and a further K70,617,104 for the Privatisation related Litigation and Electrification of the Lusaka South Multi Facility (MFEZ); the write back of some predecessor liabilities amounting to K59,322,385 which become statute barred.

ZAMBIA DEVELOPMENT AGENCY

DETAILED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
INCOME	ZMW	ZMW
GRZ and other revenue grants	24,650,545	28,656,059
Cooperating Partner Funds	1,037,874	172,705
Other Income	13,890,651	18,164,914
Total income	39,579,070	46,993,678
EXPENDITURE		
Audit fee	135,974	122,983
Bank charge	53,124	53,404
Depreciation	1,974,669	1,016,295
Electricity and Water	182,867	151,380
Insurance	2,281,212	1,320,816
Motor Vehicle Expenses, Fuel & other lubricants	444,417	635,183
Newspapers and Periodicals	79,897	54,942
Improve Service delivery	50,355	63,267
Office Consumables /Printing and Stationery	448,843	717,797
Cleaning and Sanitation	398,521	188,348
Penalties and Interest	1,326,259	514,899
Postage, Telephone and Fax	377,683	157,421
Publicity and Marketing	206,873	776,874
Repairs and Maintenance	926,306	506,682
Salaries and Wages	32,052,070	28,894,855
Security	446,264	286,028
Staff Recruitment	228,524	531,499
Subscription	86,205	468,026
Provision for Doubtful Debts	201,169	7,000
Resource Mobilisation	-	12,646
Staff Welfare	378,685	109,746
Settlement of Court Cases & legal	73,857	94,506
Workmen's Compensation	16,356	20,628
ZDA Meeting Expenses	171,351	140,220
ZDA Directors Emoluments	716,371	645,933
Enterprise development activities	1,057,362	460,062
Investment promotion activities	759,722	2,177,793
System Assurance and Risk Management	53,646	137,340
Export Market Development activities	809,856	1,888,995
Information, Communication & Technology activities	256,693	776,874
Local Council Ground Rates	-	8,950
Fire Services & Fire Drill	2,785	5,429
Disciplinary related costs	17,200	32,000
Research, policy & planning activities	385,939	643,658
Decentralisation of ZDA Services to Regions	28,120	-
Total expenses	46,629,176	43,622,479
(Deficit)/surplus for the year	(7,050,104)	3,371,199

[illegible]

NOTES



ZAMBIA DEVELOPMENT AGENCY
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