

**COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)**

**11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET  
IN EASTERN AFRICA-SOUTHERN AFRICAN-INDIAN OCEAN (ESREM EA-SA-  
IO) REGION PROGRAMME FUNDED BY THE EUROPEAN UNION (EU)**

**PROGRAMME REPORT AND FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

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**11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN  
EASTERN AFRICA-SOUTHERN AFRICAN-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME FUNDED BY THE EUROPEAN UNION (EU)**

**PROGRAMME REPORT AND FINANCIAL STATEMENTS  
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<b>Table of Contents</b>	<b>Page</b>
Programme implementation report	1- 4
Statement of responsibility in preparation of financial statements	5
Independent auditor's report	6 - 8
Statement of income and expenditure	9
Statement of financial position	10
Statement of cash flows	11
Notes to the financial statements	12 - 16
<b><i>Appendices</i></b>	
Appendix I - Delegation Agreement budget as per contract/addendum	17
Appendix II – Delegation Agreement monitor	18
Appendix III – Fund Accountability	19
Appendix IV - Schedule of pre-financing/interim requests	20
Appendix V - Schedule of ineligible expenditure	20
Appendix V - Schedule of fixed assets	21

## COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

### 11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION PROGRAMME

#### PROGRAMME IMPLEMENTATION REPORT

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

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#### 1. Background

The Common Market for Eastern and Southern Africa (COMESA) is a regional grouping of 19 African States which have agreed to promote regional integration through trade development and investment. In this regard, COMESA through the Regional Association of Energy Regulators of Eastern and Southern Africa (RAERESA) is currently spearheading implementation of the European Union Project on Enhancement of a Sustainable Regional Energy Market (ESREM) in the Eastern Africa-Southern Africa-Indian Ocean (EA-SA-IO) Region.

#### 2. Programme Overview

The 11th EDF Enhancement of a Sustainable Regional Energy Market (ESREM) Programme, provides the development of further regulatory frameworks to nurture regional energy markets that are efficient, sustainable, harmonized and able to attract investments. The Programme is relevant for the African Union's Agenda 2030 and 2063. It contributes primarily to the progressive achievement of Sustainable Development Goals (SDG) target 7 of ensuring access to affordable, reliable, sustainable and modern energy for all, and promotes progress towards Goal 5 of achieving gender equality and empowering all women and girls and Goal 12 of ensuring sustainable consumption and production patterns.

#### 3. Overall Objective

The overall objective of the Programme is: "to enhance a sustainable regional energy market in the EA-SA-IO region, which is conducive to investment and promoting sustainable development".

The specific objectives are to:

- Achieve an enhanced harmonized, efficient and gender-sensitive regulatory environment in the EA-SA-IO region; and
- Capacitate regional regulatory associations and power pools to more effectively oversee and stimulate increased regional power trade.

The Programme thus specifically supports actions to:

- i) Develop regionally harmonized regulatory frameworks to nurture a regional energy market that is efficient, sustainable, harmonised and able to attract investments as well as promote universal access;
- ii) Develop frameworks that enhance efficient energy management from the supply and demand side;
- iii) Develop model frameworks that enhance the integration of gender perspectives in energy policy and regulation;
- iv) Enhance the capacity of regulators in providing and enforcing regulations that enhance the regional market; and
- v) Enhance the renewable energy regulatory frameworks to promote investment in renewable energy.

The beneficiaries of the Programme include all the Regional Economic Communities in Eastern Africa, Southern Africa and Indian Ocean region including their energy regulatory associations and power pools.

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#### PROGRAMME IMPLEMENTATION REPORT FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

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#### 4. Specific objectives per result area and intended results

Under this support spanning to a period of 48 Months, commencing on 31 May 2017, a total of Euro 7 million has been allocated to assist the EA-SA-IO region achieve the intended results as highlighted below:

*Result 1: A regionally harmonized energy regulatory framework adopted by regional and national regulatory institutions, with particular emphasis on cross border issues to encourage investments in the region.*

The main objective of Result 1 is to develop a framework for regulatory oversight of the regional energy market to be adopted by regional and national regulatory institutions to promote investments and power trading in the EA-SA-IO region.

*Result 2: Enhancement of Regulatory Capacity of the National Regulatory Authorities and strengthening capacity of the Regional Associations and Power Pools so that they can proactively influence developments in the energy sector.*

The main objective of Result 2 is to enhance the capacity of the National Regulatory Authorities and strengthen the capacity of the Regional Regulatory Associations (RAERESA, EREA and RERA) and Power Pools (EAPP and SAPP) so that they can proactively influence developments in the energy sector.

*Result 3: Development and harmonizing the strategy on Renewable Energy Supply and Energy Efficiency for EA, SA and IO regions.*

The main objective of Result 3 is to develop a renewable energy supply (RES) and energy efficiency (EE) strategy, policies and regulatory guidelines to attract investments and to build capacity in clean energy in the region as well as the domestication on a demand driven basis.

#### 5. Achievements

Minimal activities were undertaken during the first seven (7) months of the project, as recruitment of the Project Management Unit (PMU) was still on going. The achievements registered during the period under review included the following:

##### Result 1:

Under this Result Area, the the scope of work and terms of reference to develop a framework for regulatory oversight of the regional energy market was developed and the procurement of non-key experts to supplement the project management team was completed in the period under review.

##### Result 2:

In the period under review the first Programme Technical Steering Committee (PTSC) meeting was held to engage stakeholders to facilitate the implementation Action.

##### Result 3:

Under this Result Area, the scope of work and terms of reference to develop a synthesized regional renewable energy and energy efficiency strategy and action plan was completed in the period under review.

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**PROGRAMME IMPLEMENTATION REPORT**

**FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

**6. Visibility of the Programme**

Communication and visibility Programmes continued to be implemented and included the launch of the Enhancement of a Sustainable Regional Energy Market in Eastern Africa, Southern Africa and Indian Ocean Region (EA-SA-IO) Programme.

**7. Results for the period**

A summary of the operating results of the Programme for the period is as follows:

Ref.	Budget item description	Budget as per contract/addendum (EUR)	Initial Pre-financing (EUR)	Cumulated costs (before current report) (EUR)	Total Cost (current reporting period) (EUR)	Cumulated costs (from start of implementation to present report included) (EUR)	Difference of cumulated costs till present and work plan budget (EUR)	Unutilised Funds (%)	Difference of cumulated costs till present and budget as per contract/addendum (EUR)	Remaining Budget (%)
		[1]	[2]	[3]	[4]	[5]=[3+4]	[6]=[2-5]	[7]=[6/2]	[8]=[1-5]	[9]=[8/1]
1	Technical assistance and personnel	2,760,000	690,000	-	24,532	24,532	665,468	96%	2,735,468	99%
2	Programme implementation and management	2,454,700	613,675	-	57,550	57,550	556,125	91%	2,397,150	98%
3	Administration	807,960	201,990	-	6,285	6,285	195,705	97%	801,675	99%
4	Communication and visibility	200,000	50,000	-	356	356	49,644	99%	199,644	100%
5	Audits, monitoring and evaluation	200,000	50,000	-	323	323	49,677	99%	199,677	100%
6	Contingencies	227,340	-	-	-	-	-	-	227,340	100%
7	Remuneration	350,000	175,000	-	5,843	5,843	169,157	97%	344,157	98%
	<b>Grand Total</b>	<b>7,000,000</b>	<b>1,780,665</b>	<b>-</b>	<b>94,889</b>	<b>94,889</b>	<b>1,685,776</b>	<b>95%</b>	<b>6,905,111</b>	<b>99%</b>

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**PROGRAMME IMPLEMENTATION REPORT  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

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**8. Challenges**

The delay in the establishment of the PMU was a major contribution to the late implementation of the planned activities

**9. Programme implementation management team**

The Programme implementation management team who held office during the period at the COMESA Secretariat is comprised of the following:

<b>Name</b>	<b>Position</b>	<b>Nationality</b>	<b>Tenure</b>
Mohamedain Seif Elnasr	Chief Executive Officer- RAERESA	Sudanese	June 2019 to date
Katende Chelemu	Programme Finance Expert	Zambian	September 2017 to date
Yohan Mukabe	Programme Manager	Zambian	April 2018 to date

**10. Events subsequent to the period end**

There has been no material events or circumstances since the reporting date to the date of approval of these financial statements that require disclosure or adjustment to these financial statements.

By order of the Secretary General:

  
Secretary General

  
Programme Coordinator

Date: 19/06/2019

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PROGRAMME**

**STATEMENT OF RESPONSIBILITY IN PREPARATION OF FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

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The Secretary General is responsible for the preparation and fair presentation of the COMESA– 11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa-Southern Africa-Indian Ocean (ESREM EA-SA-IO) Region Programme Financial Statements for the 7 month period from 1 June 2017 to 31 December 2017, comprising the statement of financial position as at 31 December 2017, statements of income and expenditure and cash flows for the period then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the basis of accounting described in note 2 to the financial statements which are based on the requirements of the Delegation Agreement between COMESA and the European Union represented by the European Commission.

The Secretary General is also responsible for such internal control as they determine are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of supplementary schedules included in these financial statements.


The Secretary General has made an assessment of the 11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa-Southern Africa-Indian Ocean (ESREM EA-SA-IO) Region Programme's ability to continue as a going concern and has no reason to believe the Programme will not be a going concern in the period ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

**Approval of the Financial Statements**

The financial statements of the COMESA–11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa-Southern Africa-Indian Ocean (ESREM EA-SA-IO) Region Programme, as identified in the first paragraph, were approved by the Secretary General and are signed by:

  
Secretary General

  
Director Budget and  
Finance

Date: 19/06/2019



## Independent auditor's report

To the Council of Common Market for East and Southern Africa (COMESA) in respect of the 11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa-Southern Africa-Indian Ocean (ESREM EA-SA-IO) Region Programme

### Report on the audit of the financial statements

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#### Our opinion

In our opinion, 11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa-Southern Africa-Indian Ocean (ESREM EA-SA-IO) Region Programme's (the "Programme") financial statements for the 7 month period from 1 June 2017 to 31 December 2017 are prepared, in all material respects, in accordance with the accounting policies described in Note 2 to the financial statements.

#### What we have audited

The 11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa-Southern Africa-Indian Ocean (ESREM EA-SA-IO) Region Programme's financial statements are set out on pages 9 to 16 and comprise:

- the statement of income and expenditure for the period then ended;
- the statement of financial position as at 31 December 2017;
- the statement of cash flows for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

#### Basis of Opinion

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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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Programme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

#### Emphasis of Matter – Basis of accounting and restriction on distribution and use

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We draw attention to Note 2 to the financial statements which describes the basis of accounting. The financial statements are prepared in accordance with the accounting policies described in Note 2 to the financial statements to satisfy the financial information needs of the entity's members or users of the financial statements. As a result, the financial statements may not be suitable for another purpose.

Our report is intended solely for the Council of Common Market for East and Southern Africa (COMESA) and any other previously agreed recipients and should not be distributed to or used by parties other than the Council of Common Market for East and Southern Africa (COMESA) and any other previously agreed recipients. Our opinion is not modified in respect to this matter.

#### Other information

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The Secretary General is responsible for the other information. The other information comprises the Programme Report but does not include the financial statements and our auditor's report thereon. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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A list of Partners is available from the address above





## Report on the audit of the financial statements (continued)

### Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Secretary General for the financial statements

The Secretary General is responsible for the preparation of financial statements in accordance with the basis of accounting policies described in note 2 to the financial statements and for such internal control as the Secretary General determine 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, the Secretary General is responsible for assessing the Programme'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 the Secretary General either intend to liquidate the Programme or to cease operations, or have no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Programme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary General.



## Report on the audit of the financial statements (continued)

### Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of Secretary General'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 Programme'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 Programme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

*PricewaterhouseCoopers*

PricewaterhouseCoopers  
Chartered Accountants  
Lusaka

19/07/2019

*Charity Mulenga*

Charity Mulenga  
Practicing Certificate Number: AUD/F000945  
Partner signing on behalf of the firm

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EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME**

**FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

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**STATEMENT OF INCOME AND EXPENDITURE**

	Notes	7 Months to 31 Dec 2017 EUR
<b>Income</b>		
Deferred income released to income	8	<u>94,889</u>
<b>Expenditure</b>		
Programme expenditure:		
- Technical assistance and personnel		24,532
- Programme Implementation and management		57,550
- Administration		6,285
- Communication and visibility		356
- Audits, monitoring and evaluation		323
- Remuneration		<u>5,843</u>
<b>Total Programme expenditure</b>	5	<u>94,889</u>
<b>Surplus for the period</b>		<u>-</u>

The notes on pages 12 to 16 are an integral part of these financial statements

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PROGRAMME**


**FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

**STATEMENTS OF FINANCIAL POSITION**

	Notes	At 31 Dec 2017 EUR
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	3	<u>19,982</u>
<b>Current assets</b>		
Cash and cash equivalents	6	<u>1,673,457</u>
<b>Total Assets</b>		<u>1,693,439</u>
<b>Accumulated funds and liabilities</b>		
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payables	7	1,820
Amounts due to related parties	9	5,843
Deferred income	8	<u>1,685,776</u>
<b>Total Accumulated funds and liabilities</b>		<u>1,693,439</u>

The financial statements on pages 9 to 16 were authorised for issue by the Secretary General of Common Market for East and Southern Africa (COMESA) on 19/06/2017 and signed by:

  
Secretary General

  
Director Budget and  
Finance

**COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)**

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EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME**

**FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

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**STATEMENTS OF CASH FLOWS**

	Notes	7 months to 31-12-2017 EUR
<b>Cash flows from operating activities</b>		
Deferred income released to income in the period	8	(94,889)
<i>Adjustments for:</i>		
- Depreciation	3	425
<i>Adjustments for changes in working capital:</i>		
- Accounts payable	7	1,820
- Amounts due to related parties	9	<u>5,843</u>
<b>Net cash used in operating activities</b>		(86,801)
<b>Cash flows from investing activities</b>		
Additions to Programme equipment	3	(20,407)
<b>Cash flows from financing activities</b>		
Grant received during the period	4	<u>1,780,665</u>
<b>Net increase in cash and cash equivalents</b>		1,673,457
Cash and cash equivalents at beginning of the period		<u>-</u>
<b>Cash and cash equivalents at period ended 31 December</b>	6	<u><u>1,673,457</u></u>

The notes on pages 12 to 16 are an integral part of these financial statements

## COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

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#### FINANCIAL STATEMENTS

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

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#### NOTES TO THE FINANCIAL STATEMENTS

##### 1 Reporting entity and the Programme

The Common Market for Eastern and Southern Africa (COMESA) 11<sup>th</sup> EDF Enhancement of a Sustainable Regional Energy Market in Eastern Africa, Southern Africa and Indian Ocean (ESREM EA-SA-IO) Region Programme ("the Programme") is domiciled in Zambia. The address of its registered office is COMESA Secretariat, Ben Bella Road, P.O. Box 30051, Lusaka, Zambia. The overall objective of the Programme is to enhance a sustainable regional energy market in the EA-SA-IO region, which is conducive to investment and promoting sustainable development.

##### 2 Significant accounting policies

###### (a) Basis of accounting and preparation of the financial statements

These financial statements have been prepared in accordance with modified cash basis of accounting which is in line with the requirements of the protocol agreement between Common Market for Eastern and Southern Africa (COMESA) and the European Union Commission.

The financial statements are prepared in Euro (EUR).

###### (b) Property and equipment

The Programme follows the COMESA fixed asset policy which requires that property and equipment are initially recognized at cost. Subsequently, property and equipment are stated at historical cost less depreciation.

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

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

-Office equipment	20%
-Furniture and fittings	10%
-Computers and software	33 1/3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. The assets carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are included in the statement of income and expenditure within other income.

Further according to the protocol agreement between Common Market for Eastern and Southern Africa (COMESA) and the European Union Commission for this programme, property and equipment not in control of the secretariat is expensed immediately in the statement of income and expenditure.

###### (c) Accounts receivables

Accounts receivables consist of funds deposited to vendors, employees and expenses incurred for on behalf of a donor in the normal course of the business. Advances and prepaid expenses are recognized upon payment and derecognized when service has been rendered.

## COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

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#### FINANCIAL STATEMENTS

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

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#### NOTES TO THE FINANCIAL STATEMENTS

##### 2 Significant accounting policies (continued)

###### (d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

###### (e) Grant income recognition

Grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

###### (f) RAERESA Member Contributions

These relates to contributions that are made by the Energy Regulatory Authorities that are members of RAERESA. This annual contribution by each member state is based on the contribution formula approved by the RAERESA Board. Based on this formula an amount is calculated for each member state and COMESA secretariat raises an invoice to each member state on which income is recognised in statement of income and expenditure and a receivable is recognised in the statement of financial position.

The RAERESA Board reviews progress regarding the remittances on an annual basis and makes relevant directions, approving arrears repayment plans. Member states yet to settle outstanding amounts continue to receive full benefits of RAERESA membership and any foreseeable sanctions will be drafted into the Rules and Regulations.

Based on the above, it is concluded that the amount receivable will be remitted in full to COMESA secretariat. These receivables would be considered impaired if their carrying amounts (i.e. value in the books of accounts) exceeds recoverable amounts (i.e. what will eventually be received) and an assessment will be made on a yearly basis.

Member contributions are expected to commence in January 2018, and therefore there are no member contribution for the seven-month ended 31 December 2017.

###### (g) Deferred income

Deferred income are grants received from the European Union which have not been utilised in the period. Income is only recognised when related expenditure for which the grant was obtained has been incurred. The deferred amount recorded on the Programme's statement of financial position generally represents the cash received in advance, less the amount amortized for services performed to date.

###### (h) Programme expenditure

Programme expenditure relates to expenses arising from the course of operating activities and the depreciation expense of the Programme assets. Expenses that arise in the course of the operating activities of the Programme include, for example, cost of services rendered and salaries and wages. They usually take the form of an outflow of assets such as cash and cash equivalents. These are normally recognised when all the necessary conditions for the grant with regard to expenditure are met or when there is reasonable assurance that the Programme will comply with the conditions attaching to the grant with regard to expenditure. Depreciation expense is the appropriate portion of a Programme's fixed asset's cost that is being used up during the accounting period of the Programme's statement of income and expenditure.

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PROGRAMME

FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

NOTES TO THE FINANCIAL STATEMENTS

2 Significant accounting policies (continued)

(i) Income tax

The Programme is exempt from income tax under paragraph 4b of Part II of Second Schedule to the Income Tax Act 1966 (as amended), Cap 323 of Laws of Zambia.

(j) Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are presented as current liabilities unless payment is not due within twelve months after year end. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

(k) Foreign exchange

In preparing the financial statements, transactions in currencies other than Euros are recorded at the bank transfer rate on which the funds are exchanged when being transferred to another currency for Programme implementation based on the agreement signed.

There is thus no foreign exchange differences recognised in the income and expenditure statement at the end of the year in these financial statements.

(l) Functional and presentation currency

These financial statements are presented in EURO (EUR) which is the Programme's functional currency.

(m) Use of estimates and judgements

There were no estimates or judgements in the preparation of the financial statements.

3. Property and equipment

	Computer & Software EUR	Furniture & Fitting EUR	Office Equipment EUR	Total EUR
<b>Cost</b>				
At 1 June 2017	-	-	-	-
Additions	<u>7,575</u>	<u>6,802</u>	<u>6,030</u>	<u>20,407</u>
<b>At 31 December 2017</b>	<b><u>7,575</u></b>	<b><u>6,802</u></b>	<b><u>6,030</u></b>	<b><u>20,407</u></b>
<b>Depreciation</b>				
At 1 June 2017	-	-	-	-
Charge for the period	<u>152</u>	<u>192</u>	<u>81</u>	<u>425</u>
<b>At 31 December 2017</b>	<b><u>152</u></b>	<b><u>192</u></b>	<b><u>81</u></b>	<b><u>425</u></b>
<b>Carrying amount</b>				
At 31 December 2017	<u>7,423</u>	<u>6,610</u>	<u>5,949</u>	<u>19,982</u>



**COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)**

**11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN  
EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME**

**FINANCIAL STATEMENTS  
FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

**NOTES TO THE FINANCIAL STATEMENTS**

**4 Grant received in the period**

	<b>7 months to 31 Dec 2017 EUR</b>
Disbursement by the European Union in the period (Note 8)	<u>1,780,665</u>

Disbursement for the amount EUR 1,780,666 was effected by the European Union in February 2017 for the implementation of planned activities as per approved operation plan

**5 Programme expenditure**

	<b>7 months to 31 Dec 2017 EUR</b>
<b>Technical assistance and personnel costs</b>	
All-inclusive emoluments	6,800
Consultancy fees	<u>17,732</u>
	<u>24,532</u>
<b>Programme implementation and management expenses</b>	
Conference cost	35,990
Airfares - Staff	934
Airfares - Delegates	10,862
Subsistence allowance - Staff	3,797
Subsistence allowance - Delegates	<u>5,967</u>
	<u>57,550</u>
<b>Administration expenses</b>	
Office supplies	1,156
Computers & Computer accessories	3,786
Bank charges	918
Depreciation	<u>425</u>
	<u>6,285</u>
<b>Communication and visibility expenses</b>	
Office supplies	<u>356</u>
<b>Audits, Monitoring and Evaluation expenses</b>	
Audit fees	<u>323</u>
<b>Remuneration earned by COMESA Secretariat</b>	
Grant Counterpart Funding	<u>5,843</u>
<b>Overall Total expenditure in the period</b>	<u>94,889</u>

**COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)**

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EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME**

**FINANCIAL STATEMENTS**

**FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

**NOTES TO THE FINANCIAL STATEMENTS**

**6 Cash and cash equivalents**

	At 31 Dec 2017 EUR
Stanbic Bank (Z) Ltd – Euro Account	1,594,860
Stanbic Bank (Z) Ltd – USD Account	64,952
Stanbic Bank (Z) Ltd - ZMW Account	<u>13,645</u>
	<u>1,673,457</u>

**7 Accounts payable**

	7 months to 31 Dec 2017 EUR
Airlines	1,487
Staff imprest	10
Provision for audit fees	<u>323</u>
	<u>1,820</u>

**8 Deferred income**

Balance at the beginning of the period	-
Grant received from European Union in the period (Note 4)	1,780,665
Deferred income released to income	<u>(94,889)</u>
Closing balance 31 December	<u>1,685,776</u>

The closing balance relates to the unspent grant for the period under review from disbursement made by European Union. This amount will be carried forward to be used in the next financial period.

**9 Related party transactions**

**Amounts due to related parties**

	7 months to 31 Dec 2017 EUR
COMESA Secretariat	<u>5,843</u>

The amount due to COMESA Secretariat relates to payment for pre-financing after ESREM's work plan was approved by the EU

COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN  
EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME

APPENDICES

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

Appendix I: Delegation agreement budget as per contract/addendum

Ref.	Budget Item description	Budget as per contract (EUR)	Re-allocation allowed (article 11 of the DA) (EUR)	Budget as per contract/ addendum (EUR)	% share
		[1]	[2]	[3=[1+2]]	[4]
1	Technical assistance and personnel	2,760,000	-	2,760,000	39%
2	Programme implementation and management	2,454,700	-	2,454,700	35%
3	Administration	807,960	-	807,960	12%
4	Communication and visibility	200,000	-	200,000	3%
5	Audits, monitoring and evaluation	200,000	-	200,000	3%
6	Contingencies	227,340	-	227,340	3%
7	Remuneration	350,000	-	350,000	5%
	<b>Grand Total</b>	<b>7,000,000</b>	<b>-</b>	<b>7,000,000</b>	<b>100%</b>

COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION PROGRAMME

APPENDICES

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

Appendix II: Delegation Agreement Monitor

Ref.	Budget item description	Budget as per contract/addendum (EUR)	[1]	Initial Pre-financing (EUR)	[2]	Cumulated costs (before current report) (EUR)	[3]	Total Cost (current reporting period) (EUR)	[4]	Cumulated costs (from start of implementation to present report included) (EUR)	[5]=[3+4]	Difference of cumulated costs till present work plan budget (EUR)	[6]=[2-5]	Unutilised Funds (%)	[7]=[6/2]	Difference of cumulated costs till present budget as per contract/addendum (EUR)	[8]=[1-5]	Remaining Budget (%)	[9]=[8/1]
1	Technical assistance and personnel	2,760,000		690,000		-		24,532		24,532		665,468		96%		2,735,468		99%	
2	Programme implementation and management	2,454,700		613,675		-		57,550		57,550		556,125		91%		2,397,150		98%	
3	Administration	807,960		201,990		-		6,285		6,285		195,705		97%		801,675		99%	
4	Communication and visibility	200,000		50,000		-		356		356		49,644		99%		199,644		100%	
5	Audits, monitoring and evaluation	200,000		50,000		-		323		323		49,677		99%		199,677		100%	
6	Contingencies	227,340		-		-		-		-		-				227,340		100%	
7	Remuneration	350,000		175,000		-		5,843		5,843		169,157		97%		344,157		98%	
	<b>Grand Total</b>	<b>7,000,000</b>		<b>1,780,665</b>		<b>-</b>		<b>94,889</b>		<b>94,889</b>		<b>1,685,776</b>		<b>95%</b>		<b>6,905,111</b>		<b>99%</b>	

COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

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EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME

APPENDICES

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

Appendix III: Fund Accountability

1 Deferred income reconciled to cash and cash equivalents

	2017 EURO
Dr: General ledger - bank	1,673,457
- Charged to fund, unpaid from bank	(7,663)
- Paid from bank, uncharged to fund	<u>19,982</u>
Cr: General ledger - fund	<u>1,685,776</u>

2 Fund Accountability Statement

Grant financing agreement	7,000,000
Cash draw-down to date	<u>(1,780,665)</u>
Available	<u>5,219,335</u>

Assets: Analysis of cash received from 11EDF - ESREM as at 31  
December 2017.

Cash at Bank, as at 31-December 2017	1,673,457
Expenditure recognised to-date	94,889
Less: Amounts payable to third parties	(7,663)
Add: Amounts receivable from third parties	-
Add: Capitalised Assets	<u>19,982</u>
11EDF - ESREM Cash advance	<u>1,780,665</u>

Liabilities: Analysis of liabilities as at 31-December 2017

General ledger - fund, as at 31 December 2017	1,685,776
General ledger - income recognised to-date	<u>94,889</u>
Total 11 EDF -ESREM Fund to-date	<u>1,780,665</u>

**COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)**

**11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN  
EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION  
PROGRAMME**

**APPENDICES**

**FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

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**Appendix IV - Schedule of pre-financing/interim requests**

**2017**

<b>Reference</b>	<b>Amount requested</b>	<b>Amount disbursed</b>	<b>Amount received</b>
<b>Disbursement No.1 (1<sup>st</sup> pre-financing instalment)</b>	<u>1,780,665</u>	<u>1,780,665</u>	<u>1,780,665</u>

**Appendix V - Schedule of ineligible expenditure**

There were no ineligible expenditure during the period under review.

COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)

11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION PROGRAMME

APPENDICES

FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017

Appendix VI: Fixed Asset Register

Asset No.	Description	Funding (DA Ref)	Date of Purchase	Amount (EUR)
RAE/OFD001	Executive desk with link	FED/2017/385-621	18.09.2017	506
RAE/OFD002	Executive desk with link	FED/2017/385-621	18.09.2017	506
RAE/OFD003	Executive desk with link	FED/2017/385-621	18.09.2017	506
RAE/OFD004	Executive desk with link	FED/2017/385-621	18.09.2017	506
RAE/OFC001	High-Back Swivel Chair	FED/2017/385-621	18.09.2017	335
RAE/OFC002	High-Back Swivel Chair	FED/2017/385-621	18.09.2017	335
RAE/OFC003	High-Back Swivel Chair	FED/2017/385-621	18.09.2017	335
RAE/OFC004	High-Back Swivel Chair	FED/2017/385-621	18.09.2017	335
RAE/OFC005	Visitors Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC006	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC007	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC008	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC009	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC010	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC011	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFC012	Visitor's Chair	FED/2017/385-621	18.09.2017	264
RAE/OFS001	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS002	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS003	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS004	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS005	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS006	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS007	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OFS008	Stationery Cabinets Metal	FED/2017/385-621	18.09.2017	166
RAE/OEC001	Xerox Work Centre 7225 DADF 4 Tray Multifunction Printer	FED/2017/385-621	05.12.2017	3,580
RAE/OES001	Libra MX-C-20 Shredder	FED/2017/385-621	05.12.2017	379
RAE/OEP001	Epson EB-S31 Projector WDTK7702361	FED/2017/385-621	09.12.2017	459
RAE/OEP002	Epson EB-S31 Projector WDTK7702310	FED/2017/385-621	09.12.2017	459
RAE/OEP003	HP LaserJet Enterprise M607n Printer CNBVKBVONT	FED/2017/385-621	09.12.2017	576
RAE/OEP004	HP LaserJet Enterprise M607n Printer CNBUK8VONX	FED/2017/385-621	09.12.2017	576
RAE/OEI001	HP Elite x2 1012 G2 Tablet IDS UMA i5-7200U 5CG744311P	FED/2017/385-621	09.12.2017	1,894
RAE/OEI002	HP Elite x2 1012 G2 Tablet IDS UMA i5-7200U 5CG74430XP	FED/2017/385-621	09.12.2017	1,894

**COMMON MARKET FOR EAST AND SOUTHERN AFRICA (COMESA)**

**11<sup>th</sup> EDF ENHANCEMENT OF A SUSTAINABLE REGIONAL ENERGY MARKET IN EASTERN AFRICA-SOUTHERN AFRICA-INDIAN OCEAN (ESREM EA-SA-IO) REGION PROGRAMME**

**APPENDICES**

**FOR THE 7 MONTH PERIOD FROM 1 JUNE 2017 TO 31 DECEMBER 2017**

**Appendix VI: Fixed Asset Register (continued)**

<b>Asset No.</b>	<b>Description</b>	<b>Funding (DA Ref)</b>	<b>Date of Purchase</b>	<b>Amount (EUR)</b>
RAE/OEI003	HP Elite x2 1012 G2 Tablet IDS UMA i5-7200U 5CG74431G1	FED/2017/385-621	09.12.2017	1,894
RAE/OEI004	HP Elite x2 1012 G2 Tablet IDS UMA i5-7200U 5CG74430YL	FED/2017/385-621	09.12.2017	1,894
RAE/OEI005	HP Elite x2 1012 G2 Tablet IDS UMA i5-7200U 5CG74430ZQ	FED/2017/385-621	09.12.2017	1,894
RAE/OEI006	HP Elite x2 1012 G2 Tablet IDS UMA i5-7200U 5CG74430ZK	FED/2017/385-621	09.12.2017	1,894
<b>Grand Total</b>				<b>24,194</b>