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| **Name of Donor** | **Name of Project** |
| European Union | Enhancement of a Sustainable Regional Energy Market for Eastern Africa -Southern Africa - Indian Ocean Region ((ESREM EA-SA-IO) |
| **Grant start date**: | 31st May, 2017 |
| **Grant End date:** | 30th May, 2021 |
| **Grant Amount:** | USD 8,400,000 (Euro 7,000,000) |
| **Disbursed before current year:** (2019) | USD 2,136,798 (Euro 1,780,665) |
| **Balance:** | USD 6,263,202 (Euro 5,219,335) |
| **Disbursed in 2019**: | USD 3,776,822 (Euro 3,147,352) |
| **Balance yet to be disbursed:** | USD 2,486,380 (Euro 2,071,983) |

1. **Brief about the programme**

The 11th EDF cross-regional envelop on soft infrastructure support on energy provides through the Action, the development of further regulatory frameworks to nurture regional energy markets that are efficient, sustainable, harmonized and able to attract investments.

This programme focuses mainly on the electricity sector and is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of Sustainable Development Goal (SDG) 7 of ensuring access to affordable, reliable, sustainable and modern energy for all, but also promotes progress towards SDG 5 of achieving gender equality and empowering all women and girls and SDG 12 of ensuring sustainable consumption and production patterns.

The overall objective of ACTION 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 objective is**: “to achieve an enhanced harmonised, 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:

1. 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;
2. Develop frameworks that enhance efficient energy management from the supply and demand side;
3. Develop model frameworks that enhance the integration of gender perspectives in energy policy and regulation;
4. Enhance the capacity of regulators in providing and enforcing regulations that enhance the regional market; and
5. Enhance the renewable energy regulatory frameworks to promote investment in renewable energy.

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

Under this support spanning a period of 48 Months, commencing on 31st May 2017, a total of Euro 7 million has been allocated to assist the EA-SA-IO region achieve the intended results as highlighted in Box 1 below.

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| **Box 1: ACTION Results** | |
| **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. |
| **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. |
| **Result 3:** | Development and harmonizing the strategy on RES and EE for EA, SA and IO regions. |

1. **Overview of 2019 programme and expenditure implementation**

*Result 1: A Regionally Harmonized Energy Regulatory Framework*

The overall objective of this activity was to develop a harmonized framework for regulatory oversight of the regional energy market which should be adopted by regional and national regulatory institutions to promote investments and power trading in the EA-SA-IO region. The following activities were undertaken in the period under review:

1. **Framework for a Harmonized Regulatory Oversight of the Regional Energy Market**

* Tender launched for the procurement of non-key experts to develop a harmonized framework for regulatory oversight of the regional energy market
* Procurement ECA UK to develop a detailed transformation roadmap for the transformation of RERA into a Regional Regulatory Authority
* Memorandum of Understanding (MoU) signed with the Council of European Energy Regulators (CEER) to enable a framework for cooperation and to expose the Regional Regulatory Associations (RRAs) and their member regulators in the EA-SA-IO region to international best practices regarding regulating regional energy where:
  + Study Tour and Specialized Training on Wholesale and Retail Market Monitoring with participation of 12 senior regulatory officers of member regulatory institutions in the EA-SA-IO region was implemented in Brussels, Belgium
  + A high-level seminar for Member States without autonomous energy regulator was held for Senior government officials from Comoros, the Democratic Republic of Congo, Djibouti, Somalia and South Sudan, to provide the five (5) Member States an appreciation of the importance of establishing energy regulatory and institutional frameworks and their role in supporting National Governments’ long-term objectives of providing affordable and reliable energy supply and services to its citizens.
  + Comoros, Democratic Republic of Congo and Djibouti were identified as the three countries to be supported in enacting legislation to enable them establish energy regulators.

*Result 2: Enhancement of Regulatory Capacity of the National Regulatory Authorities**and Strengthening Capacity of the Regional Regulatory Associations and Power Pools.*

The main objective of Result 2 is to enhance the capacity of the National Regulatory Institutions 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 in the EA-SA-IO region. The following activities were undertaken in the period under review:

* Cooperation with the International Confederation of Energy Regulators (ICER) in their Women in Energy (WIE) Program with total of 9 women members of staff from 8 different Member States including Burundi, Kenya, Malawi, Namibia, Rwanda, South Africa, Sudan and Zimbabwe.15-member regulators are currently participating in ICER mentorship.
* Capacitation of Regional Power Pools inwhich nine (9) senior members of staff from the Eastern Africa Power Pool (EAPP) and the Southern African Power Pool (SAPP) and relevant Regional Economic Communities (RECs) participated in a training on comprehensive power market concepts conducted by the Nord Pool Academy the included case studies, practical exercises and panel discussions with leading experts and international faculty, with field trips to the Nord Pool trading desk and the financial trading desk of NASDAQ commodities’ derivative market.
* Peer Review of Zanzibar Utilities Regulatory Authority (ZURA) under the Energy Regulators Association of East Africa (EREA) which aimed at facilitating knowledge transfer and building the capacity of the National Regulatory Institution (NRI) through the peer learning, independent quality assessment and audit of internal systems.
* Capacitation of Regional Regulatory Association and National Regulatory Institutions in which Three (3) members of staff from member regulators of RAERESA, EREA and IRB attended short regulatory courses offered by the Public Utility Research Centre of the University of Florida, USA and the Florence School of Regulation in Florence, Italy
* concept note for possible collaboration with the International Confederation of Energy Regulators (ICER) developed and submitted to ICER.
* training needs assessment for women in energy in-conjunction with the RRAs in EA-SA-IO region undertaken to establish the baseline and training programs required to be implemented.

*Result 3: Development and Harmonization of the Strategy on Renewable Energy**Systems and Energy Efficiency for EA, SA and IO Regions*

The objective of Result 3 is to develop Renewable Energy Systems (RES) and Energy Efficiency (EE) policies, strategies, 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. The following activities were undertaken:

* CEEEZ procured as consultant to review existing renewable energy systems policies, strategies, action plans, regulatory frameworks and standards in order to establish best practices to inform the development of a synthesized regional renewable energy and energy efficiency strategy and action plan, and country visits and a consultative workshop were undertaken.
* framework for cooperation and collaboration with the Rocky Mountain Institute (RMI) to enable the development and implementation of regional energy efficiency programs in industry, transport and buildings for the EA-SA-IO region developed and MoU signed.
* framework for cooperation and collaboration with the Collaborative Labeling and Appliances Standards Programme (CLASP) developed and MoU signed. This collaboration will enable the acceleration of the development and implementation of regional energy efficiency programs specifically regarding an appliance and equipment labeling framework for the EA-SA-IO region.
* COMESA/CLASP market assessment and product prioritization proposal was developed in the period under review.
* Terms of reference for the development of a market integration model for renewable energy was completed in the period under review. Procurement of consultancy services to develop the market integration model for renewable energy to be finalized in the subsequent reporting periods.
* development of regional common Minimum Energy Performance Standards (MEPS) in-conjunction with the US based Collaborative Labelling and Appliance Standards Programme (CLASP) and the SADC Centre for the Renewable Energy and Energy Efficiency (SACREEE) for energy efficient lighting and appliances and identification and capacitating of testing facilities under SACREEE.

Table 1, below presents expenditure incurred in the period in implementing the above activities



As reflected in the above table, budget utilisation during the first half of the year was USD 689,977 representing 32% of the 2019 budget. The low absorption is mainly because procurement of experts was undertaken in the first quarter of 2019, with the commencement of inception meetings and studies in the first half of the year. Subsequently major consultative and validation meetings from the consultant studies are hence planned to be undertaken from the third quarter of 2019, with the major activities earmarked for the second half of 2019. Most of the first half of the year was a preparatory phase for activities to be undertaken in the various RECS, NRAs and Power Pools.

Further the project’s budget outturn is expected to be 122% and further pre-financing of USD 3,776,822 was disbursed by European Commission, and funds received on 19 July 2019 to support the revised budget.

1. **Risk Management**

Major risks faced by the programme include;

1. D+3 date of the project is 29 May 2020. All contracts should therefore be signed before this date, as no commitments can be entered into after that date. The budget line under which these commitments are required is the consultancy budget line.
2. **Recommendation**

Management has put in place the following measures :

**Budget outturn of 122%**

* + 1. a second pre-financing of USD 3,776,822 was disbursed, and the project has sufficient funds to cover the revised budget requirement.

**D+3 date of the project is 29 May 2020**

1. explore possibility of a no-cost extension for the D+3 date, and early discussions with the EU Delegation Zambia to be initiated.
2. The project launched a tender for a framework consultancy on 1 September 2019, which will commit the major part of the funds under the consultancy budget line
3. On demand support from the RECs, NRAs and Power Pools will ensure absorption of any funds that are not absorbed by the framework contract.