

Common Market for Eastern and Southern Africa (COMESA)
East African Community (EAC)
Southern African Development Community (SADC)

African Development Bank (AfDB) funded Programme
Tripartite Capacity Building Programme

Financial statements
for the year ended 31 December 2017



COMESA-EAC-SADC Tripartite Capacity Building Programme

Financial statements for the year ended 31 December 2017

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COMESA-EAC-SADC Tripartite Capacity Building Programme

Programme implementation report

for the year ended 31 December 2017

Background

The African Development Bank Group "AfDB" and the Common Market for Eastern and Southern Africa "COMESA" signed a Protocol of Agreement on 4 November 2013 to finance the COMESA-EAC-SADC Tripartite Capacity Building Programme "TCBP" at a total cost of US Dollars 7.5 million (Unit of Account 5 million).

The rationale for the programme is to support intra-Tripartite trade growth which is instrumental to boosting the economic welfare of over 587 million consumers in the 26 Tripartite countries through the removal of barriers to movement of goods and services, development of regional value chains, job creation and poverty alleviation thereby facilitating the realization of inclusive growth. The programme will provide technical assistance to the three Regional Economic Communities (RECs) and the 26 Tripartite Regional Member-Countries (RMCs).

The direct programme beneficiaries are the Tripartite RECs (COMESA, EAC and SADC), the Tripartite RMCs and the Tripartite Business Councils.

Some of the expected outputs of the programme include:

- (i) Installation of software for Non-Tariff Measures (NTMs) databases and enhancing capacity to manage Sanitary and Phytosanitary (SPS) measures and Technical Barriers to Trade (TBTs);
- (ii) Improved capacity to negotiate market access and undertake implementation; and
- (iii) Strengthened capacity to effectively develop industrial clusters and value chains.

The overall objective of the TCBP is to accelerate intra-Tripartite trade through provision of support to the negotiations process, development of industrial value chain action plans, and implementing trade facilitation instruments in the TFTA. The TCBP has four components agreed upon with the T-RECs as follows:

Component 1: Software Development for NTMs and Industrial Databases

The TCBP will seek to enhance availability of information on NTMs, emphasise on transparency and therefore make businesses more competitive. TCBP will support the development and roll out of NTMs databases in 10 RMCs as a first phase. Assistance will include a review of procedures for the regional use and maintenance of NTMs databases. Training on data collection will be provided to existing national NTMs committees, trade and statistics officials, frontline stakeholders on trade facilitation and border management, officials on the use of NTMs databases. Training is expected to result in improved services to economic operators including informal cross border traders - the majority of whom are women- who stand to benefit from more simplified and well-coordinated border procedures.

This component will target the development of comprehensive industrial databases at the national and regional levels and provide technical assistance to countries that wish to develop value chains and industrial clusters. The databases will provide up-to-date and detailed information on existing industrial capacity and potential. It will also provide information that can facilitate regional sourcing decisions, and the development of regional value chains and clusters. Furthermore, detailed information from the industrial databases will also help to facilitate business-matchmaking and investment promotion efforts. The TCBP will therefore contribute to job creation and inclusive growth.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Programme implementation report (*continued*)
for the year ended 31 December 2017

Component 2: Market Integration Capacity Development

TCBP will support RMCs and RECs through targeted short term technical assistance and technical studies to inform the negotiation process. The programme will target support through provision of specialised short term technical assistance and studies to tripartite business councils/private sector bodies to help formulate inputs into negotiations, and facilitate greater transparency of the Tripartite Free Trade Area (TFTA) process. The programme will establish a website to act as a platform for information flows on the TFTA process. Taken cumulatively, these measures will strengthen the private sector's voice and its understanding of the tripartite process.

The TCBP will support implementation of risk-based Sanitary and Phytosanitary (SPS)/ Technical Barriers to Trade (TBT) measures that entail lower costs to cross-border traders, providing a major boost to women traders. The support will include training to border authorities along selected corridors. This will facilitate the upgrading of their skills and understanding of risk based measures, to ensure that such facilitates rather than impede would promote trade. Workshops targeting economic operators and women cross-border traders will also be conducted. This will improve their awareness on the intended measures. Knowledge of applicable measures will reduce the risk of non-compliance and the costly inconveniences it entails to traders.

In addition, the TCBP will also provide support to the tripartite work programme to establish a framework for the free movement of business persons with special focus on countries that have made strides in liberalising the movement of people.

Component 3: Industrial Capacity Development

Support under this pillar will leverage the information from the tripartite industrial databases established under Component 1 to develop Tripartite Action Plans in targeted sectors, namely, pharmaceuticals, agro-processing and mining industries respectively. These industries have been identified as having strong potential for growth, improved competitiveness and industry linkages within priority value chains. Developing and implementing actionable industrial action plans constitutes what it would take Africa to move up the value chains. The action plans will help deepen regional value chains while creating avenues for mineral beneficiation. In so doing, the Programme will help to catalyse investments into the priority sectors by the Bank and other actors. The programme will also strengthen research and development, and innovation systems to support value addition and diversification of the industrial base. Component 3 also provides for the training on best practices in Industrial Policy management and on modern methodologies to collect industrial data and statistics by working with centres of excellence in the region.

Component 4: Project Management

Implementation, coordination and monitoring of the programme including the financial and administrative management of the project.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Programme implementation report (*continued*)
for the year ended 31 December 2017

Achievements

The following are the major achievements of the Programme in the period under review:

(i) Component 1: Software Development for NTMs and Industrial Databases

During the year, the Programme supported the SMS reporting mechanism which had 55 reported NTBs and 76 resolved. The Programme continues to fund the development and population of NTBs/NTMs databases. This involves collection, compiling and uploading of data from Standards regulations by the National Standards Bureaus. 5,942 NTMs have been classified and uploaded in the NTBs/NTMs database.

Under the Infrastructure Software Development of NTMs and Industrial Databases component, a total of 312 National Monitoring Committee members in Madagascar, Tanzania, Uganda, Comoros, Botswana, Malawi and Zimbabwe were trained on the use of NTMs databases classification and online reporting and monitoring mechanism.

Classification, categorization and uploading of NTMs was successfully undertaken in Mozambique and HS coding for trade related NTMs completed in Botswana, Rwanda, South Africa, Uganda and Kenya.

The component assisted some 46 data collectors from Zimbabwe and Botswana, 17 of them women (representing 37%) to gain admission to UNCTAD's online NTMs training.

The component successfully undertook systems upgrade to enable NTMs data entry in Portuguese. Arising from this, specific NTM's data can now be entered in both English and Portuguese.

In addition, Harmonized System coding for NTMs for all the 10 pilot countries was completed way ahead of the set timelines.

(ii) Component 2: Market Integration Capacity Development

Operationalization of the TFTA

Finalisation of Annexes II on Trade Remedies, Annex IV on Rules of Origin and Annex X on Dispute Settlement were completed and subjected to legal scrubbing and adopted.

The Tripartite Guidelines on Implementation of Trade Remedies was completed.

South Africa and Madagascar signed the TFTA Agreement.

Egypt and Uganda ratified the TFTA Agreement.

Tripartite Private Sector Sub-Component

The Tripartite Private Sector sub-component undertook training in food safety and management and successfully helped establish Local Sourcing Partnerships between 3 large buyers and 152 SMEs in the agro-processing and hospitality sectors in Tanzania, Madagascar and South Africa. The large buyers included Colbert Hotel, the Carlton Hotel, Shoprite supermarket and Leader Price supermarket, all in Madagascar, and Birchwood Hotel and Johannesburg Fresh Produce Market in South Africa.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Programme implementation report *(continued)*
for the year ended 31 December 2017

Achievements *(continued)*

(iii) Component 2: Market Integration Capacity Development *(continued)*

Tripartite Private Sector sub-component supported the development of a private sector position paper on the movement of business persons to guide deliberations in the Tripartite Technical Committee on The Movement of Business Persons.

Sanitary and Phyto-Sanitary/ TBT Sub-Component

The Programme supported a technical study on assessment of border operations to improve understanding of costs and benefits associated with SPS/TBT measures.

Border Assessments were finalized for all the pilot 7 pairs of member states namely Botswana, Zambia, South Africa, Zimbabwe, Uganda, Rwanda, Kenya.

Border assessment report finalised in readiness for integration into the border management

Technical Support and Advisory Services to the COMESA, EAC and SADC

TCBP continued to provide technical assistance through short term experts on Rules of Origin, Trade and Industry to enhance the capacities of the REC Secretariats to undertake negotiations. These experts have been instrumental in the development of technical papers as well as technical backstopping during negotiations. Furthermore, the Programme is capacitated the Tripartite Private Sector which developed common positions on rules of origin and movement of business persons.

(iv) Component 3: Industrial Capacity Development

A survey of industry related statistics including statistical business register for 14 member states was completed and a summary report for each of the countries prepared.

In addition, a roadmap and industrial cooperation framework was completed and priority projects for funding identified.

The study reports on Agro-Processing Value Chains and Industrial Statistics Capacities were finalized and policy briefs for each prepared and their recommendations adopted by the TTCID.

Action plans were prepared for development of Country/Regional Industrial Statistics Capacity and for development and upgrade of Value Chains.

Corporate Governance

TCBP Technical Committee (TC) is now fully functional and met twice in the year under review.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Programme implementation report (*continued*)
for the year ended 31 December 2017

Achievements (*continued*)

(iii) Component 2: Market Integration Capacity Development (*continued*)

Component 4: Project Management

Financial management

The Programme received total disbursement of \$2,130,351 during the year under review and accordingly the programme has submitted justification of expenditure for the year under review to the Bank.

KPMG Zambia conducted the external audit of the Programme for the year ended 31 December 2017 and was submitted to the Bank within the deadline of 30 June 2018.

As per the appraisal report dated 20 June 2011 COMESA has fulfilled counterpart obligations.

Focus for the year 2018

The Project will intensify and accelerate the implementation of the following ongoing activities:

- a) Integration of lower cost, risk based measures into the border management of pilot Member States.
- b) Implementation of mutual recognition arrangements and risk based conformity assessment procedures.
- c) Implementation of the study recommendations on industrial statistic study report.
- d) Organize a workshop by TTCID to review and adopt the outcomes/recommendations on the agro processing and Industrial Statistics Study reports.
- e) Support Member States to adjust their trade portals software to take in NTMs database.
- f) Facilitate the activation of the NTMs Database starting with countries whose data is ready for upload, namely, Botswana, Mauritius and Zimbabwe.
- g) Carrying out needs assessment missions in Kenya, Rwanda, and Zambia to establish SMS tool/NTMs infrastructure requirements and orient NMC members on the tools.
- h) Continue to clean and finalize NTMs data from trade related regulations for the 6 pilot countries Kenya, Rwanda, and Zambia.
- i) Complete HS coding for standards related NTMs for 6-member states- Botswana, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.
- j) Procure a consultancy to recommend relevant integrated industrial statistics database system.
- k) Implementation of TTCID recommendations.
- l) Procure a consultancy to train REC staff and National Statistics Offices.
- m) Prepare a costed action plan for short-term support activities for agro-processing value chains development.
- n) Prepare a policy brief on Agro-processing value chains development.
- o) Prepare a costed Action Plan and prioritizing of activities.
- p) Continue to support the tripartite online reporting, monitoring and eliminating mechanism. Completion of the consultancy to undertake mapping study on agro processing value chains in the Tripartite region.
- q) Consultancy to undertake base line survey to assess data collection for industrial statistics.



Sindiso Ngwenya
Secretary General
Date:

COMESA-EAC-SADC Tripartite Capacity Building Programme

Statement of responsibility in respect of the preparation of financial statements

In accordance with the COMESA financial rules and regulations, the Secretary General is responsible for the preparation and fair presentation of the COMESA-EAC-SADC Tripartite Capacity Building Programme financial statements, comprising the statement of financial position as at 31 December 2017, statements of income and expenditure and cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards, and the requirements of the COMESA financial rules and regulations and the Protocol of agreement between COMESA and African Development Bank.

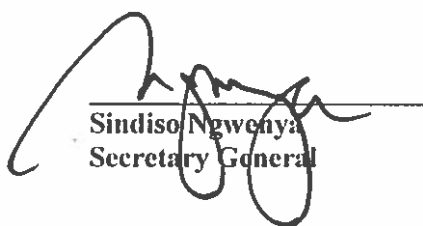
The Secretary General is also responsible for such internal control as he determines are necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management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

The Secretary General has made an assessment of the COMESA-EAC-SADC Tripartite Capacity Building 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 year 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 COMESA-EAC-SADC Tripartite Capacity Building Programme, as identified in the first paragraph, were approved by the Secretary General on30.....June 2018 and are signed by:



Sindiso Ngwenya
Secretary General



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P O Box 31282
Lusaka, Zambia

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Independent auditor's report

To the members of COMESA-EAC-SADC Tripartite Capacity Building Programme Report on the audit of the financial statements

Opinion

We have audited the financial statements of COMESA-EAC-SADC Tripartite Capacity Building Programme ("the Programme") set out on pages 10 to 25, which comprise the statement of financial position as at 31 December 2017, and the statements of income and expenditure and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of COMESA-EAC-SADC Tripartite Capacity Building Programme as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the COMESA financial rules and regulation and the Protocol of agreement between COMESA and African Development Bank.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the programme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Secretary General is responsible for the other information. The other information comprises the Programme implementation report, the statement of responsibility in respect of the preparation of financial statements and supplementary information set out on pages 26 - 30. The other information does not include the financial statements and opinion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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, 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.

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Responsibilities of the Secretary General for the financial statements

The Secretary General is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the COMSEA rules and regulations and the Protocol of agreement between COMESA and African Development Bank, and for such internal control as the Secretary General 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, 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 intends to liquidate the programme or to cease operations, or has no realistic alternative but to do so.

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

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

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

KPMG Chartered Accountants

30 June 2018

Cheelo Hamuwele
Audit Principal

AUD/F001044

COMESA-EAC-SADC Tripartite Capacity Building Programme

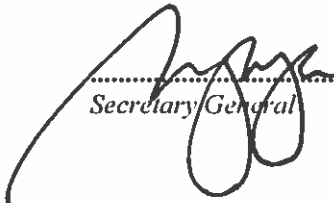
Statement of financial position

As at 31 December 2017

In United States Dollars

	Note	2017	2016
Assets			
<i>Current assets</i>			
Receivables	9	6,120	37,300
Amounts due from related parties	12	96,484	-
Cash and cash equivalents	10	465,993	691,720
Total assets		568,597	729,020
Liabilities			
<i>Current liabilities</i>			
Payables	11	266,267	297,096
Amounts due to related parties	12	106,590	160,629
Deferred income	13	195,740	271,295
Total liabilities		568,597	729,020

The financial statements were approved by the Secretary General on30.....June 2018 and signed by:


.....
Secretary General

The notes on pages 13 to 25 are an integral part of these financial statements.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Statement of income and expenditure for the year ended 31 December 2017

In United States Dollars

	<i>Note</i>	2017	2016
Income			
Grant received from the Africa Development Bank	5	<u>2,300,321</u>	<u>2,424,212</u>
Total income		<u>2,300,321</u>	<u>2,424,212</u>
Expenditure			
Staff related costs	6	116,000	180,000
Programme operating expenses	7	2,163,079	2,221,296
Administrative expenses	8	<u>21,242</u>	<u>22,916</u>
Total expenses		<u>2,300,321</u>	<u>2,424,212</u>
Surplus of income over expenditure for the year		<u>-</u>	<u>-</u>

The notes on pages 13 to 25 are an integral part of these financial statements.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Statement of cash flows for the year ended 31 December 2017

In United States Dollars

	<i>Note</i>	2017	2016
Cash flows from operating activities			
<i>Changes in:</i>			
- Receivables		31,180	2,676
- Due from related parties		(96,484)	-
- Deferred income		(75,555)	(841,712)
- Due to related parties		(54,039)	(1,640)
- Payables		(30,829)	275,824
		<u>(225,727)</u>	<u>(564,852)</u>
Net cash flows used in operating activities		<u>(225,727)</u>	<u>(564,852)</u>
Net decrease in cash and cash equivalents		<u>(225,727)</u>	<u>(564,852)</u>
Cash and cash equivalents at 1 January		<u>691,720</u>	<u>1,256,572</u>
Cash and cash equivalents at 31 December	<i>10</i>	<u>465,993</u>	<u>691,720</u>

The notes on pages 13 to 25 are an integral part of these financial statements.



COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements for the year ended 31 December 2017

In United States Dollars

1 Reporting Programme

COMESA-EAC-SADC Tripartite Capacity Building 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 main objective of the programme is to provide technical assistance to the three Regional Economic Communities (Common Market for East and Southern Africa, East African Community and Southern African Development Community) and their Member States with the view of increasing intra-tripartite trade.

2 Basis of accounting

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the requirements of COMESA financial rules and regulations and the Protocol of agreement between COMESA and African Development Bank.

3 Going concern

In accordance with his responsibilities, the Secretary General has considered the appropriateness of the going concern basis for the preparation of the financial statements. The Protocol of Agreement with the African Development Bank for the financing of the programme ends on 31 October 2018.

The financial statements have been prepared in accordance with IFRS with particular attention to the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, IAS 32 Financial Instruments: Presentation (with respect to the classification of the Programme’s debt and equity instruments), IAS 36 Impairment of Assets and IAS 37 Provisions, Contingent liabilities and Contingent Assets.

4 Functional and presentation currency

These financial statements are presented in the United States Dollars (USD), as required by the Protocol of agreement between COMESA and Africa Development Bank.

5 Income

	2017	2016
Transfer from deferred revenue (<i>note 13</i>)	2,206,231	2,424,212
Reimbursable expenses claimed	94,090	-
	<u>2,300,321</u>	<u>2,424,212</u>

6 Staff related costs

Basic salaries professional staff	<u>116,000</u>	<u>180,000</u>
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COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In United States dollars

7	Programme operating expenses	2017	2016
	Airfares	294,779	331,877
	Allowances	305,800	338,463
	Conference facilities	217,696	186,347
	Interpretation fees	236,164	257,894
	Printing and stationery	12,389	12,867
	Translation fees	171,240	158,643
	Hire of interpretation equipment	73,342	94,788
	Miscellaneous expenses	32,342	34,708
	Support to the Regional Economic Communities	252,000	252,000
	Non-tariff measures	567,327	553,709
		2,163,079	2,221,296
8	Administrative expenses		
	Office running costs	3,168	1,556
	Audit fees	5,200	5,200
	Bank charges	12,874	16,160
		21,242	22,916
9	Receivables		
	Unused ticket claims	5,620	24,515
	Staff advances	500	11,091
	Sundry receivables	-	1,694
		6,120	37,300
10	Cash and cash equivalents		
	United States Dollar Special Account	465,993	691,720
11	Payables		
	Airlines	64,454	6,260
	Audit fee accrual	5,200	6,240
	Consultancy fees – Andel Consultants	84,727	219,640
	Sundry creditors	111,886	64,956
		266,267	297,096

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In United States dollars

12 Related parties

Amounts due to related parties:

	2017	2016
COMESA Secretariat	<u>106,590</u>	<u>160,629</u>

Amounts due from related parties:

COMESA Secretariat	2,394	-
African Development Bank	<u>94,090</u>	<u>-</u>
	<u>96,484</u>	<u>-</u>

Other related party transactions are:

Key management salaries	<u>98,000</u>	<u>162,000</u>
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13 Deferred income

Balance at 1 January 2017	271,295	1,113,007
Grants received during the year	2,130,351	1,582,500
Realised exchange gain	325	-
Transfer to income statement <i>(note 5)</i>	<u>(2,206,231)</u>	<u>(2,424,212)</u>
Balance at 31 December 2017	<u>195,740</u>	<u>271,295</u>

This relates to amounts received from Africa Development Bank, but not utilised in the period under review.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements (continued)

for the year ended 31 December 2017

In United States Dollars

14 Financial instruments – Fair values and risk management

a) Fair values versus carrying amounts

The fair values of the Programme's financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Financial instruments not measured at fair value

Assets	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	465,993	465,993	691,720	691,720
Amounts due from related parties	96,484	96,484	-	-
Receivables	6,120	6,120	37,300	37,300
Total financial assets	568,597	568,597	729,020	729,020
Liabilities				
Payables	(266,267)	(266,267)	(297,096)	(297,096)
Amounts due to related parties	(106,590)	(106,590)	(160,629)	(160,629)
Total financial liabilities	(372,857)	(372,857)	(457,725)	(457,725)
Net assets	195,740	195,740	271,295	271,295

The carrying amounts equate fair value due to low impact of discounting, as the financial assets and liabilities are all short term.

b) Financial risk management

The Programme has exposure to the following risks arising from financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

(i) Risk management framework

The Secretary General has overall responsibility for the establishment and oversight of the Programme's risk management framework.

The Programme's risk management policies are established to identify and analyse the risks faced by the Programme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Programme's activities. The Programme, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Secretary General oversees how management monitors compliance with the

Programme's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Programme. The Secretary General undertakes both regular and ad hoc reviews of risk management controls and procedures.



COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

In United States Dollars

14 Financial management *(continued)*

(ii) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Programme.

The carrying amount of financial assets represents the maximum credit exposure.

The Programme's exposure to credit risk is influenced mainly by individual characteristics of each receivable.

No collateral is required in respect of financial assets. Reputable financial institutions are used for cash handling purposes. At reporting date, there was no significant concentration of credit risks.

The maximum exposure to credit risk at the reporting date was as follows:

		Carrying amount	
	Notes	2017	2016
Receivables	9	6,120	37,300
Amounts due from related parties	12	96,484	-
Cash and cash equivalents	10	465,993	691,720
		<u>568,597</u>	<u>729,020</u>

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institution counterparties.

(iii) Liquidity risk

Liquidity risk is the risk that the Programme will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Programme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Programme's reputation. The Programme ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Ultimate responsibility for

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*

for the year ended 31 December 2017

In United States Dollars

14 Financial management *(continued)*

(iii) Liquidity *(continued)*

Liquidity risk management rests with the Secretary General, who has built an appropriate liquidity risk management framework for the management of the Programme's funding and liquidity management requirements. The Programme manages liquidity risk by maintaining adequate reserves and banking.

The following are the contractual maturities of financial liabilities:

31 December 2017	Carrying amount	Contractual cash flows	6 months or less
Payables	266,267	266,267	266,267
Amounts due to related parties	<u>106,590</u>	<u>106,590</u>	<u>106,590</u>
Total	<u>372,857</u>	<u>372,857</u>	<u>372,857</u>
31 December 2016	Carrying amount	Contractual cash flows	6 months or less
Payables	297,096	297,096	297,096
Amounts due to related parties	<u>162,629</u>	<u>162,629</u>	<u>162,629</u>
Total	<u>459,725</u>	<u>459,725</u>	<u>459,725</u>

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Programme's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

i) Currency risk

Exposure to currency risk

The Programme has no exposure to currency risk as all transactions are in USD.

ii) Interest rate risk

Interest rate risk is the risk that the fair value of a financial instrument or the future cash flows will fluctuate due to changes in market interest rates. The Programme is not exposed to interest rate risk as none of its financial instruments are held on a variable rate basis.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

15 Commitments and contingent liabilities

As at 31 December 2017, the Project had commitments of \$282,782 (31 December 2016 – \$812,972) including \$85,000 for the completion of the Baseline Study on Industrial Statistics Capacity, \$197,782 for the assessment of border operations on costs and benefits associated with sanitary and phyto-sanitary.

There were no contingent liabilities as at 31 December 2017 (31 December 2016 – nil).

16 Subsequent events

There were no subsequent events requiring disclosure or adjustment to these financial statements.

17 Significant accounting policies

The accounting policies set out below have been applied consistently in these financial statements. Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow.

- a) Income recognition
- b) Deferred income
- c) Expenditure
- d) Income tax
- e) Financial instruments
- f) Foreign currency
- g) Related party transactions

a) Income recognition

Grant income is 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.

b) Deferred income

Deferred income are grants received from Africa Development Bank, which have not been utilised in the period. Income is only recognised when related expenditure for which the grant was obtained has been incurred.

c) Expenditure

Project expenditure is recorded when all the necessary conditions for the grant with regard to expenditure are met or when there is reasonable assurance that the project will comply with the conditions attaching to the grant with regard to expenditure.

d) Income tax

The project 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.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

17 Significant accounting policies *(continued)*

e) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability instrument of another entity.

Financial assets

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

Cash on hand and on call is carried at fair value. Deposits held on call are classified as loans originated by the Project and carried at amortised cost. Due to the short term nature of these, the amortised cost approximates its fair value.

Other receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Other receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts as the effect of imputing interest is considered to be insignificant. In relation to other receivables, a provision for impairment is made when there is objective evidence (such as significant financial difficulties of the debtor) that the Project will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Financial liabilities

Other payables

Other payables are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

- The Project derecognises financial liabilities when, and only when, the Project's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

17 Significant accounting policies *(continued)*

f) Foreign currency

In preparing the financial statements, transactions in currencies other than the United States Dollar are recorded at the exchange rate at the date the transaction first qualifies for recognition.

At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange differences are recognised in income and expenditure statement in the period in which they arise.

g) Related party transactions

Related parties are defined as those parties that directly or indirectly through one or more intermediaries, the party that:

- (i) controls, is controlled by, or is under common control with, the entity;
- (ii) has an interest in the entity that gives it significant influence over the entity

All dealings with related parties are transacted on an arm's length basis and accordingly included in income statement.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements (continued)
for the year ended 31 December 2017

18 New standards, amendments and interpretations

(i) *New standards, amendments and interpretations effective and adopted during the year*

The Programme has adopted the following new standards and amendments during the year ended 31 December 2017, including consequential amendments to other standards with the date of initial application by the Programme being 1 January 2017. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
- Disclosure Initiative (Amendments to IAS 7)	1 January 2017
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017
- Annual improvements cycle (2012-2014)	1 January 2017

Disclosure Initiative (Amendments to IAS 7)

The amendments in *Disclosure Initiative (Amendments to IAS 7)* come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The amendments apply for annual periods beginning on or after 1 January 2017 and early application is permitted.

The adoption of this standard did not have a material impact on the financial statements of the Programme.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*

for the year ended 31 December 2017

18 New standards, amendments and interpretations *(continued)*

i) *New standards, amendments and interpretations effective and adopted during the year (continued)*

Recognition of deferred tax assets for unrealised losses (Amendments to IAS 12)

The amendments in recognition of deferred tax assets for unrealised losses clarify the following aspects:

- Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The standard was effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The Board has not added additional transition relief for first-time adopters.

The adoption of this standard did not have a significant impact on the financial statements of the Programme.

Annual improvements cycle (2012-2014) – various standards

Standard	Amendments
IAS 19 Employee Benefits	Discount rate: regional market issue Clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid (thus, the depth of the market for high quality corporate bonds should be assessed at currency level).
IAS 34 Interim Financial Reporting	Disclosure of information 'elsewhere in the interim financial report' Clarifies the meaning of 'elsewhere in the interim report' and requires a cross-reference

The adoption of these changes did not have a significant impact on the financial statements of the Project.

COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

18 New standards, amendments and interpretations *(continued)*

(ii) *New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017*

A number of new standards, amendment to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statements. Those which may be relevant to the Project are set out below. The Project does not intend to adopt these standards early.

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2018	IFRS 15 Revenue from contracts with customers	<p>This standard replaces IAS 11 <i>Construction Contracts</i>, IAS 18 <i>Revenue</i>, IFRIC 13 <i>Customer Loyalty Programmes</i>, IFRIC 15 <i>Agreements for the Construction of Real Estate</i>, IFRIC 18 <i>Transfer of Assets from Customers</i> and SIC-31 <i>Revenue – Barter of Transactions Involving Advertising Services</i>.</p> <p>The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p> <p>(i) Identify contracts with the customer (ii) Identify performance obligations within the contract (iii) Determine the transaction price to the performance obligation in the contract (iv) Allocate the transaction price to the performance obligation in the contract (v) Recognise revenue as and when the entity satisfies a contract obligation.</p> <p>The Project does not have any stream of revenue, hence not applicable.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.</p>



COMESA-EAC-SADC Tripartite Capacity Building Programme

Notes to the financial statements *(continued)*
for the year ended 31 December 2017

18 New standards, amendments and interpretations *(continued)*

ii) *New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017(continued)*

Effective date	Standard, Amendment or Interpretation	Summary of Requirements
1 January 2019	IFRS 16 Leases	<p>The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.</p> <p>IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. The Project does not have any leases and the effective date of the standard is post Project closure date.</p>
1 January 2018	IFRS 9 Financial Instruments	<p>IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments. The Programme will adopt IFRS 9 effective 1 January 2018.</p> <p>IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics. The three principal classification categories for financial assets are: measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI).</p> <p>IFRS 9 replaces the “incurred loss” model in IAS 39 with a forward-looking “expected credit loss” (ECL) model. The Programme has assessed that the impact of this standard will be very low as receivables comprise mainly per diem advances.</p>

COMESA-EAC-SADC Tripartite Capacity Building Programme

Statement of the special account
for the year ended 31 December 2017

In United States Dollars

	2017	2016
1. Advances for the period		
Opening balance	691,720	1,256,572
Prior year receivables	37,300	39,976
Disbursements during the year	2,130,351	1,582,500
Realised exchange gain	325	-
Total grant advance received	<u>2,859,696</u>	<u>2,879,048</u>
2. Balance in the special account	465,993	691,720
3. Eligible expenditure paid during the period (Total expenditure less net movement in payables)	<u>2,291,099</u>	<u>2,150,028</u>
4. Total advances accounted for (2 + 3)	<u>2,757,092</u>	<u>2,841,748</u>
5. Difference (1 – 4)	<u>102,604</u>	<u>37,300</u>
Analysed in receivables:		
Receivables	6,120	37,300
Amount due from related parties	<u>96,484</u>	<u>-</u>
	<u>102,604</u>	<u>37,300</u>

COMESA-EAC-SADC Tripartite Capacity Building Programme

Reconciliation of funds received
*for the year ended 31 December 2017**In United States Dollars*

	2017	2016
Amount disbursed by African Development Bank	<u>2,130,351</u>	<u>1,582,500</u>
Amount received by the Programme in the special account	<u>1,900,000</u>	<u>1,582,500</u>
Amount reimbursed to COMESA Secretariat	<u>230,351</u>	<u>-</u>

COMESA-EAC-SADC Tripartite Capacity Building Programme

Schedule of withdrawals
for the year ended 31 December 2017*In United States Dollars*

2017

Reference	Amount requested	Amount disbursed	Amount received
TCBP0015 (Special account)	1,707,660	1,200,000	1,200,000
TCBP0016 (COMESA reimbursement)	168,176	168,176	168,176
TCBP0019 (Special account)	1,306,380	700,000	700,000
TCBP0020 (COMESA reimbursement)	62,175	62,175	62,175
	<u>3,244,391</u>	<u>2,130,351</u>	<u>2,130,351</u>

2016

Reference	Amount requested	Amount disbursed	Amount received
TCBP0010 (Special account)	<u>1,582,500</u>	<u>1,582,500</u>	<u>1,582,500</u>



COMESA-EAC-SADC Tripartite Capacity Building Programme

Schedule of ineligible expenditure *for the year ended 31 December 2017*

There were no ineligible expenditure during the period under review.

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Schedule of fixed assets *for the year ended 31 December 2017*

There were no fixed assets purchased during the period under review.