

2025 ANNUAL REPORT



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ABOUT REA

The Rural Electrification Authority (REA) is a statutory body established under REA Act No. 20 of 2003 which has since been repealed by REA Act No. 5 of 2023. Its mandate is to increase access to electricity in rural areas of Zambia, thereby enhancing productivity, stimulating economic growth, and improving the quality of life for the rural population.

REA is guided by the Rural Electrification Master Plan (REMP), which provides a strategic framework of projects and investment packages aimed at achieving universal access to affordable, reliable, sustainable, and modern energy by 2030. The Master Plan outlines both grid extension and off-grid renewable energy solutions, ensuring that rural communities are progressively connected to modern energy services.

Through its work, REA contributes directly to Zambia's national development agenda and supports the attainment of Sustainable Development Goal 7 (SDG7) — ensuring access to energy for all. By bridging the urban-rural energy divide, the Authority is laying the foundation for inclusive and sustainable socio-economic transformation across the country.



ABOUT THIS REPORT

This Report serves as the Rural Electrification Authority's (REA / the Authority) principal accountability document for the period 1 January 2025 to 31 December 2025. It presents the Authority's governance, operational performance, and audited financial statements for the year under review.

The Report further highlights progress made in the implementation of rural electrification projects, stewardship of financial and non-financial resources, and the creation of value for stakeholders. It was prepared to enhance transparency and accountability to the government and other relevant stakeholders by providing an accessible, comprehensive record of the Authority's functions and activities.

REPORT APPROVAL

Eng. Alex Mbumba
Chief Executive Officer

Eng. Charles M. Mboma
Board Chairperson

Rural Electrification Authority
Stand No. LUSAK/LN_15087/2, Great North Road,
Post Net Box 349 Private Bag E891
LUSAKA



CORPORATE PHILOSOPHY

This report is anchored on the Rural Electrification Authority's corporate philosophy, which is articulated through its Vision, Mission and Core Values as outlined below:



Vision Statement

"A beacon of excellence in providing access to electricity to all rural communities for improved livelihoods."



Mission Statement

"To electrify rural communities in an equitable and sustainable manner for social-economic transformation."



Our Core Values

The Board, Management and Staff of the Rural Electrification Authority are committed to upholding the following values and ethical principles, which guide their behaviour in discharging the Authority's mandate:

- i) Integrity;
- ii) Innovation;
- iii) Transparency;
- iv) Accountability; and
- v) Partnerships.

These core values are collectively represented by the acronym I²TAP.



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CHAIRPERSON'S STATEMENT



Eng. Charles M. Mboma

On behalf of the Board of Directors, it gives me great pleasure to submit this Annual Report for the year ending 31 December 2025, in accordance with Section 25 (1) of the Rural Electrification Authority Act No. 5 of 2023.

The year 2025 marked a period of recovery in the energy sector, following the devastating effects of the El Niño-induced drought of 2024, which significantly reduced hydropower generation and constrained electricity generation nationwide. This situation, though challenging, created an opportunity to reduce overdependence on the national grid and accelerate the deployment of Off-Grid renewable energy solutions. In line with the government's directive to align programmes to drought resilient solutions, the Authority commissioned eight solar mini grids across the country and provided technical assistance to fifty-five (55) public institutions in operationalising the presidential directive on rooftop solar systems.

Further, the Government of the Republic of Zambia aligned its National Energy targets to the United Nations (UN) Sustainable Development Goal (SDG) 7, which aims to achieve universal access by the year 2030. According to the 2023 National Energy Access Survey, the rural access rate stood at 34%. While this reflects measurable progress, the Board remains focused on actualising the policy objective of translating access into affordable household connectivity that stimulates rural productivity and inclusive growth.

Government's commitment to the rural electrification agenda was demonstrated through a ZMW 562,707,142 allocation to the Rural Electrification Fund (REF) in 2025. This financing enabled the Authority to implement 144 electrification projects nationwide, resulting in 23,810 new rural household connections, the highest undertaken in a single year recorded by the Authority to date. This milestone reflects our deliberate shift from infrastructure development alone to household connectivity. It also demonstrates the desire by the Authority to accelerate the provision of infrastructure that spur economic growth in rural communities.

A defining development during the year was the launch and implementation of two World Bank-supported programmes namely:

- ◆ Accelerating Sustainable and Clean Energy Access Transformation in Zambia (ASCENT Zambia)
- ◆ National Energy Advancement and Transformation (NEAT) connection subsidy program

These programmes represent a policy evolution towards universal access by actualising sustainable electrification through providing results-based mechanisms, affordable last-mile connections and institutional capacity building. They unlock last-mile barriers and strengthen accountability stimulating rural demand.

The Board's oversight during 2025 focused on:

1. Strengthening governance and fiduciary stewardship of the REF;
2. Enhancing sustainability and safeguards compliance frameworks
3. Supporting diversified financing and private sector participation; and
4. Aligning electrification delivery with Zambia's broader economic transformation agenda.

As we enter the final year of the current Strategic Plan, the Board's priority remains clear: to ensure policy coherence, sustainable financing, and strong accountability mechanisms to anchor the next phase of Zambia's electrification journey.

On behalf of the Board, I extend appreciation to Government, our development partners, management and staff, and the communities we serve for their continued support. We remain steadfast in delivering expanded, affordable electricity access that transforms lives and drives rural development in line with Sustainable Development Goal Number 7, which aims to ensure access to affordable, reliable, sustainable, and modern energy for all by 2030.



CHIEF EXECUTIVE OFFICER'S STATEMENT



It is my privilege to present the Chief Executive Officer's Statement for 2025. This was a year of real progress for the Rural Electrification Authority (REA) — A year in which we expanded access, strengthened our performance, and adapted to the evolving energy landscape. Above all, it was a year that set us on a path towards the national goal of universal electricity access.

Rural Electrification Fund

REA operated under a budget of ZMW 562.7 million, provided through the Rural Electrification Fund (REF). With this support, the Authority implemented projects across all ten provinces achieving a budget absorption rate of 84%, maintained 100% budget compliance, and received an unqualified audit opinion. These results clearly signify the Authority's commitment to accountability and sound financial management.

Expanding rural access rate

During the year, the Authority achieved 23,810 new rural household connections. The World Bank-supported NEAT programme delivered

18,257 last-mile connections, benefiting nearly 5,000 female-headed households. Building on this success, the Authority launched ASCENT Zambia, which is a USD 450 million programme that will deliver 369,500 new connections by 2030.

Project Implementation

Out of 144 planned projects, 84 were scheduled for completion in 2025. The Authority successfully completed 62 projects, representing a 73.8% completion rate, while all 60 projects planned for commencement were awarded, thereby securing a strong project pipeline for 2026. Procurement performance in the year reached 99%. To improve project completion rates, the Authority has introduced tighter oversight going forward.

Partnerships

Partnerships continued to drive results. We commissioned 8 solar mini-grids under public initiatives, while the EU-funded IAEREP project enabled private sector partners to deliver 16 solar mini-grids. Together, these brought the total to 38 operational mini-grids, with a combined capacity of 1.9 MW and 1,400 new connections. These collaborations highlight the importance of private sector and international support in reaching underserved communities.

Looking Ahead

In 2026, REA will scale up implementation under results-based financing frameworks, targeting 115,584 last-mile connections. We will focus on accelerating infrastructure-to-connection conversion, strengthening private sector participation, and improving efficiency and completion rates.

Closing

I extend my sincere appreciation to the Government, the Ministry of Energy, our Board, Cooperating Partners, contractors, staff, and all stakeholders. Together, we are not only lighting homes but also powering schools, health facilities, and enterprises — driving Zambia's broader development agenda.

GOVERNANCE AT A GLANCE

1.0 BOARD OF DIRECTORS

As at 31 December 2025, the Board of Directors was as follows:



Appointed: 28 November 2025

Key Skills and Experience:

A seasoned electrical engineer with more than 45 years of experience in Zambia's energy sector, covering power distribution, high-voltage design, and infrastructure development.

Institution: Private Sector - Energy

Board Committee Membership:
N/A



Appointed: 28 November 2025

Key Skills and Experience:

Executive professional with over 30 years of experience in Zambia's energy sector, policy development, strategic planning, human resource management, and corporate governance.

Institution: Private Sector - Mining

Board Committee Membership:
Technical Committee



Appointed: 28 November 2025

Key Skills and Experience:

A distinguished legal practitioner with over 15 years of experience in legislative drafting, human rights, and public sector governance.

Institution: Ministry of Justice

Board Committee Membership:
Audit and Risk Committee



Appointed: 28 November 2025

Key Skills and Experience:

Economist with 15 years of experience in economic policy analysis, development planning, and monitoring and evaluation across Zambia and the international development sector.

Institution: Economics Association of Zambia

Board Committee Membership:
Finance Committee



Appointed: 28 November 2025

Key Skills and Experience:

Public service professional with more than 28 years of experience in human resource management, administration, and policy implementation across Zambia's public sector.

Institution: Ministry of local Government and Rural Development

Board Committee Membership:
Human Resource and Administration Committee



Appointed: 28 November 2025

Key Skills and Experience:

Planning and policy expert with over 20 years of experience in Zambia's public sector, specialising in energy, national development, and social policy.

Institution: Ministry of Energy

Board Committee Membership:
Finance Committee





Mrs. Gladys Kristafor
Member

Appointed: 28 November 2025

Key Skills and Experience: Administrator and leadership coach with more than 40 years of experience in governance, policy implementation, organizational development, and community empowerment

Institution: Private Sector -

Board Committee Membership: Human Resource and Administration Committee



Eng. Josph Mwinga
Member

Appointed: 28 November 2025

Key Skills and Experience: An accomplished civil engineer and project manager with more than 25 years of experience in public sector infrastructure development.

Institution: Engineering Institute of Zambia

Board Committee Membership: Technical Committee



Ms. Brenda Muwaika
Member

Appointed: 28 November 2025

Key Skills and Experience: Banking and credit management professional with more than 30 years of experience in retail and corporate finance.

Institution: Non-Governmental Organisation – Community Deve

Board Committee Membership: Audit and Risk Committee



Eng. Alex Mbumba
Acting Chief Executive Officer
and Ex-Officio

Appointed: 6 June 2025

Key Skills and Experience: Seasoned engineering executive with more than 25 years of experience providing strategic and operational leadership within the electricity sector.

Professional Body: Engineering Institute of Zambia
Institute of Directors (IoD)
Project Management Institute (PMI)



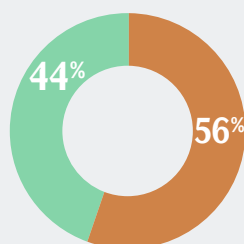
Mr. Nkomba Mulemba
Legal Counsel and Board
Secretary

Appointed: 13 January 2024

Key Skills and Experience: Experienced legal practitioner with a background spanning private practice, in-house legal advisory services, and board secretarial responsibilities.

Professional Body: Law Association of Zambia

Board Gender Diversity



● Female

● Male

Figure 1: Board Gender Diversity

1.1 Corporate Governance Overview

The Rural Electrification Authority (REA) is committed to high standards of corporate governance as a cornerstone for effective service delivery, accountability, and sustainable value creation. REA's governance documents are anchored on the tenets of corporate governance and applicable legislation. They include the following:

- ◆ Rural Electrification Act No. 5 of 2023
- ◆ Board Charter
- ◆ Terms of Reference for the Audit and Risk Committee
- ◆ Terms of Reference for the Technical Committee
- ◆ Terms of Reference for the Human Resources and Administration Committee
- ◆ Terms of Reference for the Finance Committee
- ◆ Internal Audit Charter
- ◆ Audit and Risk Committee Charter

Through the above documents, clear lines of authority, responsibility, and accountability between the Board and Management are defined, including the promotion of transparency, integrity, ethical leadership, and prudent stewardship of public resources. The Board seeks to ensure that REA's mandate of expanding access to electricity in rural areas is executed transparently, efficiently, equitably, and sustainably. The composition of the Board reflects a mix of skills, experience, and professional backgrounds relevant to REA's mandate, and is guided by statutory requirements as well as the principles of diversity, inclusiveness, and gender equity.

1.2 Responsibilities

The Board of Directors is the highest governing body of the Authority and is responsible for providing strategic direction, policy oversight, and fiduciary stewardship. The Board exercises its functions through Management while retaining overall accountability for the performance of the Authority. Key responsibilities of the Board include:

- I. Providing strategic leadership and approving the Authority's policies, strategies, annual work plans and budgets;
- II. Overseeing the administration and management of the Rural Electrification Fund;
- III. Ensuring the promotion and application of sound corporate governance principles;
- IV. Monitoring organisational performance against approved objectives and statutory obligations; and
- V. Advising the Minister responsible for energy on matters relating to rural electrification.

1.3 Board Activities

The Board works through its Board Calendar which is approved at the end of the previous year. In this respect, key meetings for 2025 were planned to consider and approve the annual report, audited financial statements, the Work Plan and Budget and quarterly reports from the Board Committees. Unfortunately, the Board did not hold its planned ordinary meetings due to unforeseen events. Instead, special meetings were held to attend to pending approvals for items that ought to have been considered at the ordinary meetings. This allowed the Board to review the performance of REA against the Strategic Plan and provide strategic guidance relating to risk mitigation, projects, planning and human resources issues, including the re-alignment of the budget and the REF Operating Guidelines. The number of meetings held against the planned meetings and the attendance rate is as shown below.

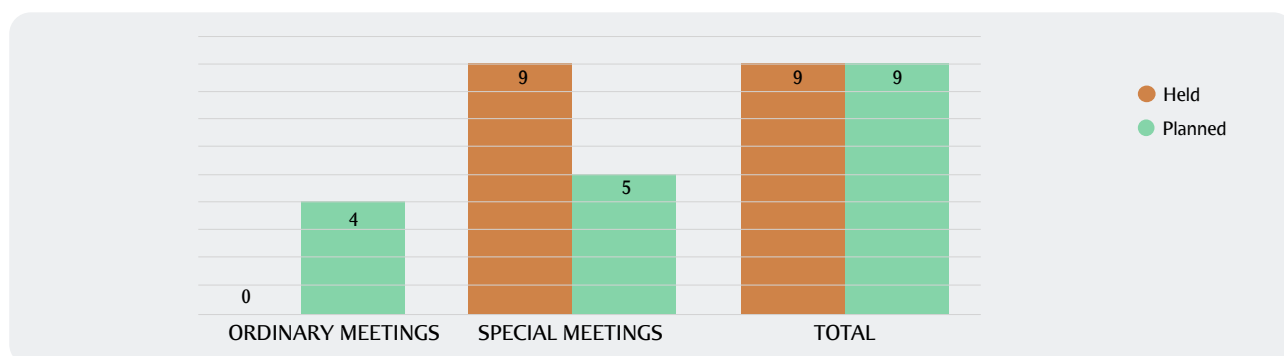


Figure 2: Board Meetings Held

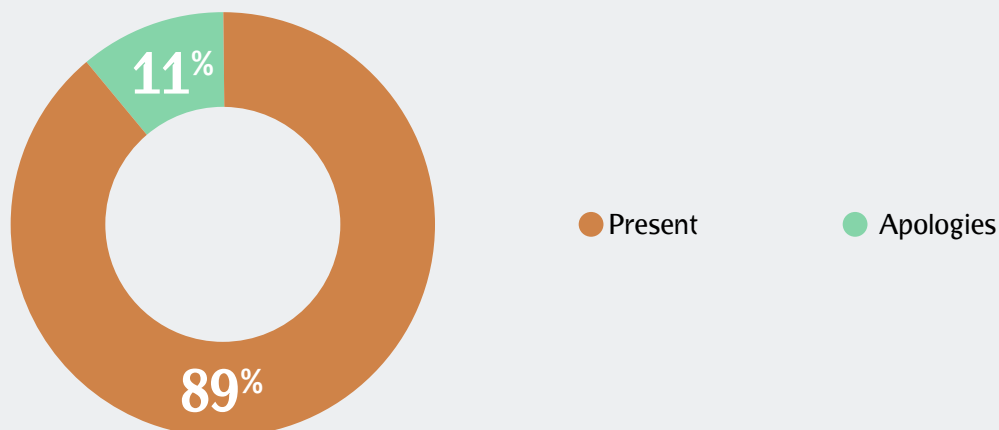


Figure 3: Board Meeting Attendance Rate

Among the highlights of the year was the approval of the Rural Electrification Fund Operating Guidelines, which are part of the disbursement-linked indicators under the World Bank's National Energy Advancement and Transformation Programme (NEAT).

The Board also scheduled other field activities such as Board visits to REA's strategic assets such as the Kasanjiku Mini Hydro Power Station, commissioning and inspection of projects across the country. The visits are designed to provide them with a deeper insight into REA's business operations. In August 2025, the Board inspected the Mitete Grid Extension Project which brought power across the Zambezi River into Mitete District at a total cost of over K50 Million. This project is significant because it not only demonstrates the size and readiness of REA in opening up Zambia, but it also introduces construction of overhead lines on concrete poles in Zambia. It is the first time that a 33kV overhead line has been constructed for close to 60km in Zambia.



Figure 4: Board Tour of REA's Head Office



Figure 5: Inspection of the Mitete Grid Extension Project led by the Minister of Western Province, Hon. Kapelwa Mbangweta M.P.

1.4 Committees and Oversight

To enhance the effectiveness of its oversight role, the Board operates through specialised committees established in accordance with the Rural Electrification Act and the Board Charter. These committees support the Board by providing focused review, analysis, and recommendations on specific areas of governance and operations. There are four committees of the Board, namely, the Technical Committee, the Finance Committee, the Audit and Risk Committee, and the Human Resource and Administration Committee. Key highlights of the Committees and their meetings are shown below. Due to changes in the Board composition the Committees could not hold the planned 4th quarter ordinary meetings.

1.4.1 Technical Committee

Key highlights from the Technical Committee included the adoption and presentation of the following to the Board of Directors:

- ◆ The revised Procurement Manual and the REF Operating Guidelines to the Board;
- ◆ Presentation on the Accelerating Sustainable and Clean Energy Access Transformation Programme (ASCENT);
- ◆ Re-alignment of the 2025 Work Plan; and
- ◆ Progress Report on the Implementation of Projects Under the Constituency Development Funds with Local Authorities.

The Technical Committee held the following number of meetings as planned in the Board Calendar.

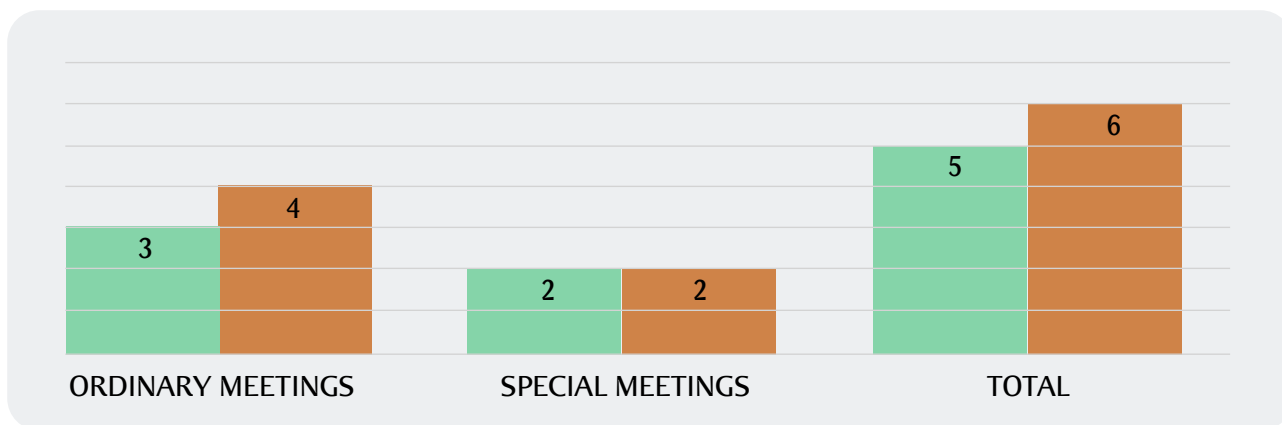


Figure 6: Technical Committee Meetings

● Held ● Planned

1.4.2 Finance Committee

Key highlights from the Finance Committee included the adoption and presentation of the following to the Board:

- ◆ The 2025 Budget and Quarterly Management Accounts;
- ◆ Re-alignment of the 2025 Work Plan;
- ◆ REF Operating Guidelines; and
- ◆ 2024 Audited Financial Statement.

The Finance Committee held the following number of meetings as planned in the Board Calendar. Additional special meetings were held to consider and adopt the REF Operating Guidelines and Re-alignment of the 2025 Work Plan.

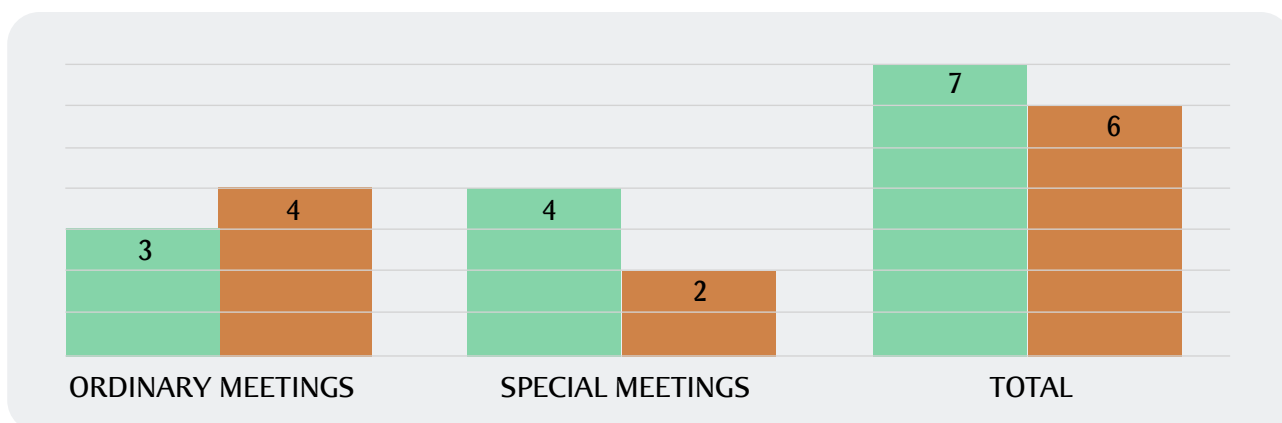


Figure 7: Finance Committee Meetings

● Held ● Planned

1.4.3 Human Resource and Administration Committee

Key highlights from the Human Resource and Administration Committee included the adoption and presentation of the following to the Board:

- ◆ The 2024 Annual Report;
- ◆ Information and Communication Technology Policy;

The Human Resource and Administration Committee held the following number of meetings as planned in the Board Calendar.

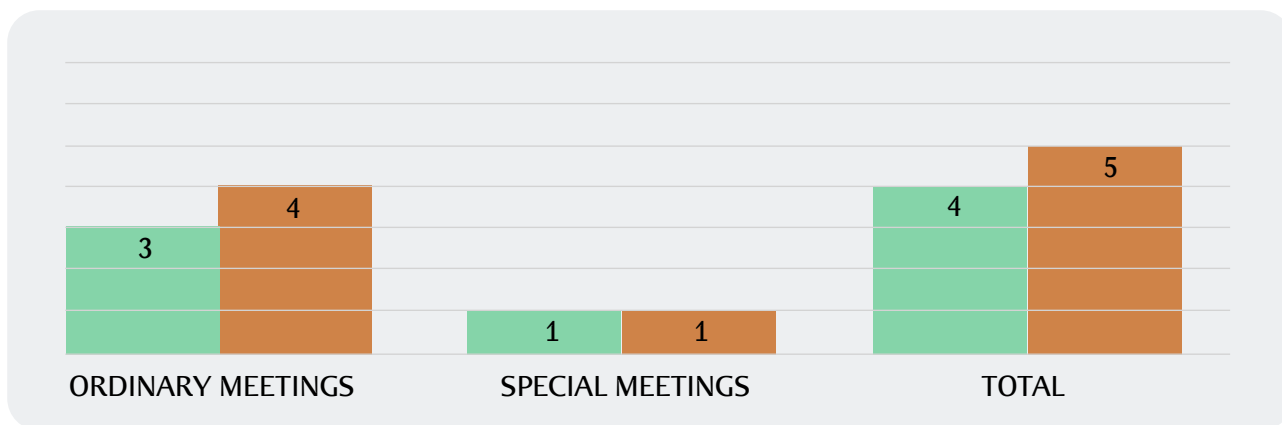


Figure 8: Human Resource and Administration Committee Meetings ● Held ● Planned

1.4.4 Audit and Risk Committee

Key highlights from the Audit and Risk Committee included the adoption and presentation of the following to the Board:

- ◆ Annual Work Plan and Budget for the Audit and Risk Unit;
- ◆ Performance and Systems Audits;
- ◆ Operations and Compliance Audit;
- ◆ Information Systems Audit;
- ◆ Financial Transaction and Management Accounts;
- ◆ Consultancy engagements; and
- ◆ Risk Assessment Reports.

The Audit and Risk Committee held the following number of meetings as planned in the Board Calendar.

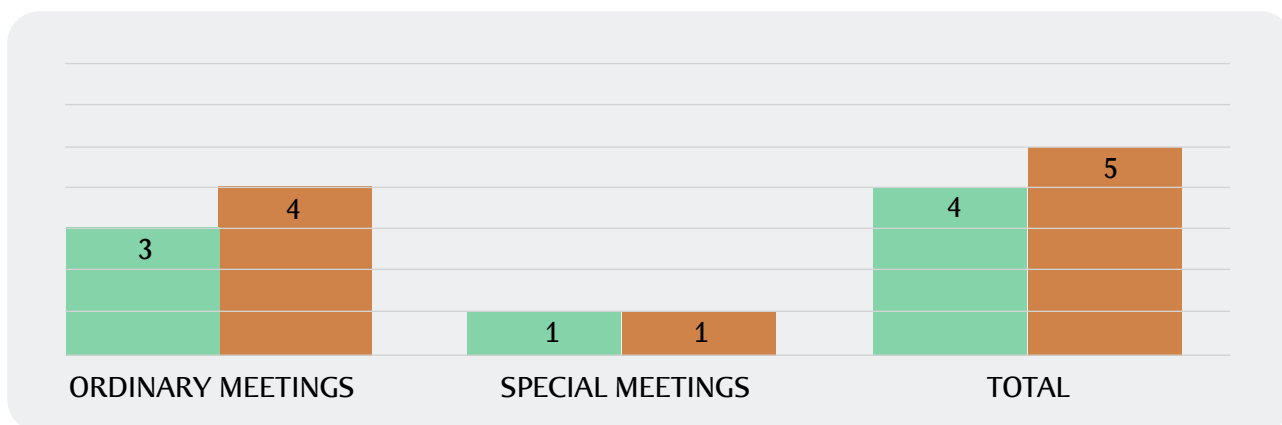


Figure 9: Audit and Risk Committee Meetings ● Held ● Planned

1.5 Board Evaluation

The Board did not undertake any evaluation as there was a change in membership which affected the activity. Nevertheless, the Board intends to identify strengths and weaknesses of its structure, strategy, risk management and individual director performance in 2026 and develop an action plan for improvement, through a Board Evaluation.

1.6 Senior Management Team

The Senior Management Team led by the Chief Executive Officer is responsible for the day-to-day operations of REA. As at 31 December, the Senior Management Team was as follows:



Eng. Alex Mbumba
Acting Chief Executive Officer

Professional Membership:
Engineering Institute of Zambia (EIZ)
Institute of Directors (IoD)
Project Management Institute (PMI)



Mrs. Mercedes Mwansa
Director Strategy and Planning

Professional Membership:
Zambia Institute of Chartered Accountants, Association of Chartered Certified Accountants, Institute of Internal Auditors, and ISACA



Mr Joseph Ntanda
Director Finance

Professional Membership:
Zambia Institute of Chartered Accountants
Association of Chartered Certified Accountants



Mrs. Adrine Muchimba
Director Human Resource and Administration

Professional Membership:
Zambia Institute of Human Resource Management



Eng. Suzyo Silavwe – Acting
Director Engineering Services

Professional Membership:
Engineering Institute of Zambia



Mr. Joseph Kenya
Manager Audit and Risk

Professional Membership:
Zambia Institute of Chartered Accountants
Institute of Internal Auditors
Association of Chartered Certified Accountants



Mr. Lennox Chilwa
Manager Procurement

Professional Membership:
Zambia Institute of Purchase and Supply



Mr. Nkomba Mulemba – Legal
Counsel and Board Secretary

Professional Membership:
Law Association of Zambia



Mr. Bright Chifulo - Acting
Manager Corporate Affairs

Professional Membership:
Information Communication Technology Association of Zambia and ISACA

1.7 Ethics and Compliance

The Board and Senior Management Team recognises ethical leadership and integrity as fundamental to effective governance and public trust. The Board sets the tone at the top by promoting a culture of ethical conduct, compliance with laws and regulations, and zero tolerance for corruption, fraud, and maladministration. Board Members, Management and staff are expected to discharge their duties honestly, in good faith, and in the best interests of REA and the public.

Key elements of REA's ethics and compliance framework include:

- ◆ Adherence to applicable laws, regulations, and government policies;
- ◆ Management of conflicts of interest through disclosure and recusal where necessary;
- ◆ Responsible use and safeguarding of public resources;
- ◆ Promotion of professionalism, objectivity, and respect in all stakeholder engagements; and
- ◆ Commitment to transparency and accountability in decision-making and reporting.

Through these measures, REA seeks to reinforce ethical governance, enhance institutional credibility, and support the sustainable achievement of its rural electrification mandate.



Figure 10: Launch of REA's Corruption Perception Index officiated by the Permanent Secretary Special Duties Mr. Kennedy Kalunga who was representing the Acting Secretary to Cabinet



STRATEGY IN ACTION

2.0 STRATEGY IN ACTION

2.1 Strategic Approach

REA's strategic direction in 2025 was anchored on its Strategic Plan for the period 2022–2026, which defines the strategic intent, institutional capabilities and results it seeks to deliver to achieve its mandate. The Strategic Plan is underpinned by a vision, mission, and core values, and is operationalized through strategic themes, strategic objectives, and associated strategies.

Progress reporting follows REA's Output-Based Budgeting (OBB) framework, where implementation is measured against approved output targets. Activities and inputs are aligned to deliver these outputs ensuring that results are both measurable and linked to desired outcomes.

2.1.1 Core Values

REA's mandate is guided by the following core values:

Table 1: REA Core Values & Description

CORE VALUE	DESCRIPTION
Integrity	Adhering to moral and ethical principles and working honestly and fairly with all Stakeholders.
Innovation	Exploring new technologies and approaches to deliver rural electrification at lower cost.
Transparency	Clear communication and unbiased guidance in discharging REA's duties.
Accountability	Taking ownership of decisions, actions, and results; being transparent and result oriented.
Partnership	Collaborating with key stakeholders to execute REA's mandate.

2.1.2 Strategic Themes and Intended Results

The Strategic Plan (2022–2026) groups REA's strategic focus into three strategic themes, each linked to a clear strategic result:

Table 2: Strategic Themes and Strategic Results

Strategic Theme	Strategic Result
Rural Electrification Excellence	Electrified rural households
Stakeholder Partnerships	Strong stakeholder support
Operational Excellence	Quality services

2.2 Planned Outcomes Versus Delivered Outcomes

2.2.1 Corporate Scorecard 2025

REA tracked performance through its Corporate Balanced Scorecard. Table 3 summarises the institutional performance using 2025 results against approved targets as at 31 December 2025.

Perspective	Strategic Objective	Measure	2025 Target	2025 Result	RAG
Stakeholder	Improve Rural Electrification	Cumulative % of rural access rate	1.6% increase in rural electrification access rate by 31 Dec 2025	REA 2025 contribution estimate: 0.99%	●
		Cumulative number of rural households electrified	35,926 households by Dec 2025	23,810 achieved in 2025	●
	Improve Stakeholder Collaboration	Project completion (%)	95% by Dec 2025 (80/84)	62/84 Completed Projects = 73.8%	●
Finance/ Stewardship	Improve Financial Capacity & Management	Budget absorption (%)	90% by Dec 2025	62% Achieved	●
		Budget compliance (%)	100% by Dec 2025	100% Achieved	●
		Unqualified audit opinion (No.)	1 by Dec 2025	1 unqualified audit opinion achieved	●
Internal Processes	Improve Operational Processes & Procedures	Power quality & reliability compliance (%)	75% by Dec 2025	91% achieved	●
		High-risk materialized (%)	95% reduction by Dec 2025	77.8% reduction	●
		Staff performance against targets (%)	100% by Dec 2025	55% Achieved	●
Learning & Growth	Improve Human Capacity	Institutional Corruption Perception Index (%)	60/100 by Dec 2026	90 percentage points Achieved	●
	Improve Administrative & Logistical Capacity	Tools & equipment procured (%)	100% by Dec 2025	99% Achieved	●

RAG method used: ● Met/Exceeded target | ● Near target ($\geq 80\%$ of target) | ● Off target ($< 80\%$ of target)

Table 3: Corporate Scorecard 2025

2.2.2 Performance Against Strategic Objectives

In 2025, REA planned to undertake 64 outputs, monitored through four strategic performance reviews held Quarterly. Overall, REA completed 40 of 65 outputs representing an institution performance rating of 63%. REA achieved full delivery under Strategic Objective 2 (100%) and had a strong performance under SO3 (86%). However, performance under Strategic Objective 1 and Strategic Objective 4 showed a comparatively low performance at 38% and 47% respectively.

This poor performance was attributed to a failure to complete some of the key outputs in both SOs, these include failure to launch the updated REMP, undertake the customer satisfaction survey, complete 95% of planned projects (SO1), and failure to develop an M&E system, operationalise the BIS and implement a Safety Health, Environmental and Quality Policy (SO4). These are some of the key Outputs that the Authority began to implement in 2025 but was unable to complete during the reporting period. As remedial measure, these outputs have been prioritised in 2026 for completion and implementation.

Table 4 shows the performance and performance rating against each Strategic Objective as of 31 December 2025.

Table 4: Annual Performance for Strategic Objective Output Targets in 2025

Strategic Objective	Planned Outputs	Achieved Outputs	Achieved (%)
SO1: Improve Rural Electrification	13	5	38%
SO2: Improve Stakeholder Collaboration	11	11	100%
SO3: Improve Financial Capacity & Management	7	6	86%
SO4: Improve Operational Processes and Procedures	17	8	47%
SO5: Improve Human Capacity	14	9	64%
SO6: Improve Administrative and Logistical Capacity	2	1	50%
TOTAL	64	40	63%

From a Balanced Scorecard (BSC) lens, results show REAs strongest performance under Financial & Stewardship and above average performance the Stakeholder and Organizational Capacity perspectives. Performance in the Internal Processes perspective, which performed below average, was affected by delays in completing key systems, partial progress on ICT and business improvement initiatives.

Table 5 shows institutional performance against the 4 perspectives of the BSC as at 31 December 2025.

Table 5: Overall Performance for Strategic Objective Outputs (Annual, 2025)

BSC Perspective	Strategic Objective	Planned Outputs	Achieved Outputs	Achieved (%)
Stakeholder	SO1	24	13	67%
	SO2			
Financial & Stewardship	SO3	7	6	86%
Internal Processes	SO4	18	5	47%
Organisational Capacity	SO5	16	10	63%
	SO6			
TOTAL		814	65%	63%

2.2.3 Notable Achievements

In 2025, REA recorded several notable achievements that demonstrate progress under the Strategic Plan, combining scaled project delivery, engineering innovation, strengthened integrity systems, and key programme and planning milestones. Key highlights included:



Completed a record 62 out of 84 planned projects by year-end, representing a 73.8% project completion rate.

Achieved a record 23,810 new rural household connections in 2025.



Technical Commissioning of the Mitete Phase I project, marking a key electrification milestone for the District. This project demonstrated the scale of our engineering capability and our ambition to leave no one behind.

Technical Commissioning of the Chishi Grid Extension project, demonstrating technical innovation in delivering electricity using a submarine cable, to connect to an island community that previously seemed impossible to achieve.

Connection of Lavushimanda district. Opening areas for governments decentralization agenda to thrive.





3rd Best Performer

3rd in the Best Overall Integrity Champion and Statutory Bodies categories at the 2025 Integrity Committee Chief Executive Officers' Forum out of 267 Integrity Committees, reflecting strengthened integrity leadership and governance practices.

Achieved 90 points out of 100 score on the institutional Corruption Perception Index (CPI) conducted by Transparency International Zambia, signaling strong ethical controls and reduced exposure to corruption risks.



90%

Integrity Rating

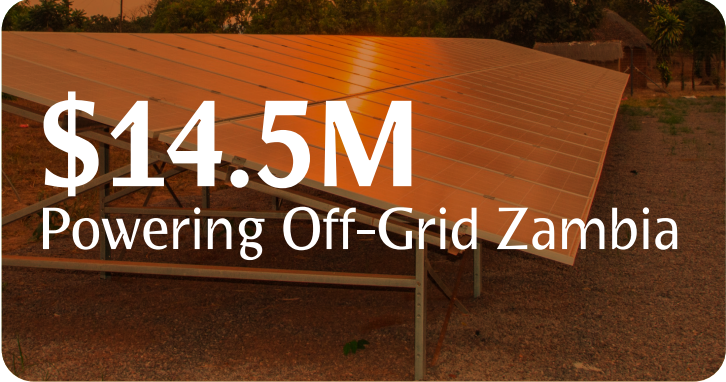


\$200M

Powering Zambia's Future

Launched the USD 200 million Accelerating Sustainable and Clean Energy Access Transformation in Zambia (ASCENT Zambia) Program.

Signed the USD 14.5 million Africa Minigrid Programme (AMP) Zambia Minigrid Project (ZMG); and Signed Memoranda of Understanding with all Local Authorities for the provision of Technical Assistance under the Priority Rural Electrification Projects (PREPs) funded under the Constituency Development Fund (CDF).



\$14.5M

Powering Off-Grid Zambia

2.2.4 Flagship Projects

The Authority implemented high-impact flagship projects aimed at reaching universal electricity access by 2030. These projects combine traditional grid extensions using concrete poles to connect Mitete district to the national grid with innovative renewable energy solutions to power households, schools, palaces and health centres.

The following are key flagship Project implemented by the Authority:

Lunga District Solar Mini Installation

The project is designed to provide clean, reliable energy to remote fishing and agricultural communities on the islands of Lake Bangweulu to 8 village communities using Solar Mini grids. The project is designed to serve approximately 1,600 households, Secondary School, Primary Schools, the Rural Health Centers, the Post Office, Civic Centre, Police Post, District Administration offices and local businesses.



Meheba Refugee Grid Extension Project

This is a major energy infrastructure initiative in Zambia's North-Western designed to connect the Meheba Refugee Settlement and its surrounding host communities to the national electricity grid. The Refugee Settlement, established in 1971, is one of the largest and oldest refugee settlements in Africa.



Chishi Submarine Cable Project

The first of its kind in Zambia, the K32.7 million project involved laying 32km of marine cable over an 8km stretch of underwater submarine cable beneath Lake Bangweulu to connect Chishi Island to the national grid.



Mitete District Concrete Poles Grid Extension

This is a historical project to successfully connect the newly pronounced Mitete District to the national power grid for the first time utilize 12-meter reinforced concrete poles instead of traditional wooden poles in August 2025. This decision was driven by the district's environmental conditions, specifically its seasonal flooding from January to April. The facilities to be connected include Mitete Secondary School, the Rural Health Centre, the Post Office, Civic Centre, and District Administration offices.





PROGRAMME AND PROJECT IMPLEMENTATION

3.0 PROGRAMME AND PROJECT IMPLEMENTATION

Under the 2025 Work Plan and Budget, the Authority implemented a portfolio of projects financed through both Government of the Republic of Zambia (GRZ) and Cooperating Partners (CP). Implementation focused on

- I. Completing planned GRZ-funded projects,
- II. Awarding new projects for execution, and
- III. Delivering last-mile connections and mini-grid outputs through both REA-led interventions and private sector delivery arrangements.

3.1 Portfolio Overview

3.1.1 GRZ portfolio

A total of 144 projects were planned for implementation in 2025, of which 84 were scheduled for completion by 31 December 2025 as presented in Figure 10. A further 60 projects were planned for procurement in 2025, for completion in 2026.

The implementation of these projects will connect a total of 20,587 beneficiaries across the country. These comprise of 157 rural schools, 116 rural health centres, 31 other public facilities, 59 markets, and 56 palaces, contributing to the overall enhancement of community services. Notably, 20,168 households are set to benefit directly, reflecting a substantial improvement in the quality of life for rural areas

Project close-out progressed steadily during the year. By 31 December 2025, REA had completed 62 of 84 projects scheduled for completion in 2025, translating to a 74% completion rate. While this represents substantial delivery progress, it remained below the year-end completion ambition of 95% (80 out of 84 projects), indicating that a portion of the portfolio shifted into the 2026 completion pipeline.

In parallel, the Authority sustained strong procurement execution for future delivery, with all 60 planned (scheduled for completion in 2026) new projects awarded by mid-December 2025 (100% award rate),

Table 6: 2025 Achievement

No	Description	Grid Development	Off-Grid	Total
1.	Completed Projects	56	06	62
2.	Procured Projects	54	06	60

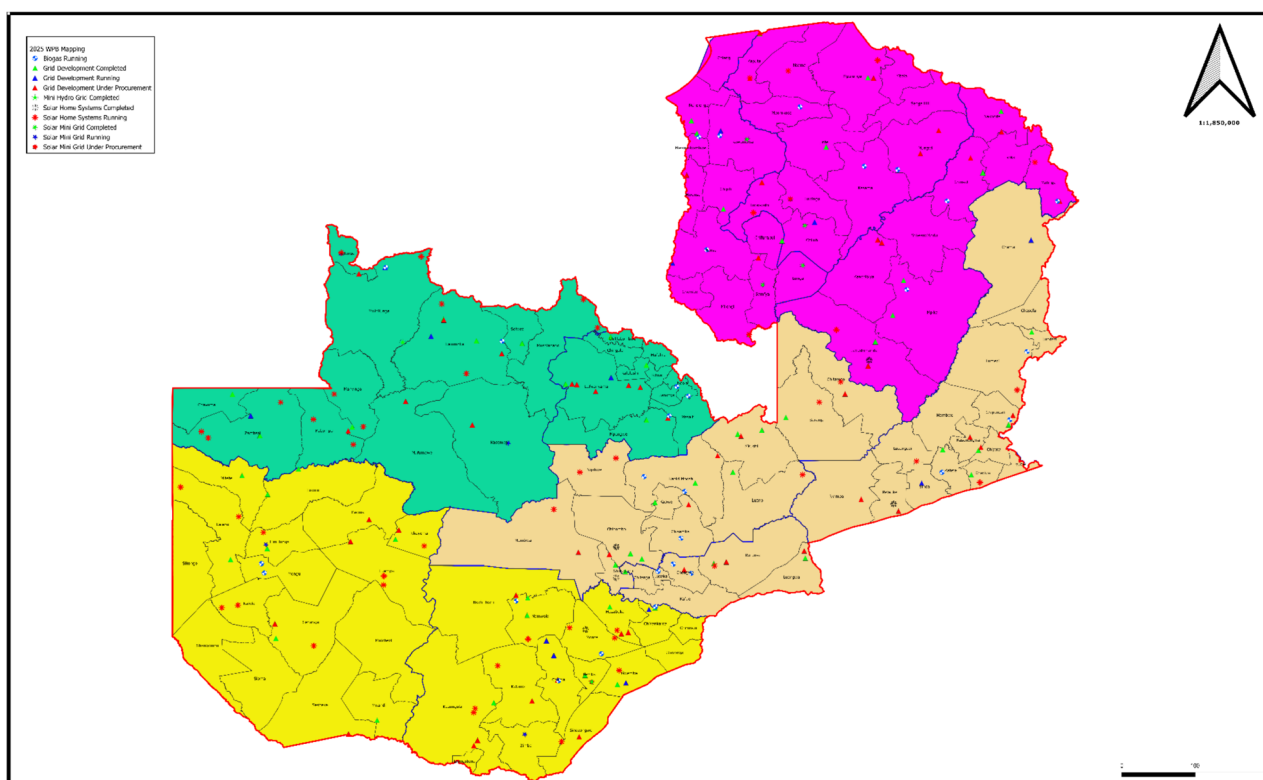


Figure 11: Project Portfolio for the year 2025

Additionally, the REA continued the management of operation and maintenance of 25 Mini Grids nationwide, comprising one Mini Hydro and 24 Solar Mini Grids. Table 7 shows the list of REA active Mini grids while Table 8 shows list of Mini grids implemented by REA in partnership with the Private Sector.

Table 7: List of Operational REA Mini Grids

No	Project	District	Province	Capacity (kWp)	No. Connections
1.	Chunga SMG	Mumbwa	Central	111	90
2.	Mumeno SMG	Ngabwe	Central	19.5	54
3.	Mukatamwene SMG	Ngabwe	Central	9.95	35
4.	Ngabwe CBD SMG	Ngabwe	Central	28	30
5.	Chiweza	Lumezi	Eastern	20	3
6.	Lundu I	Chama	Eastern	113	147
7.	Lundu II	Chama	Eastern	40	89
8.	Mwanya	Lumezi	Eastern	66	20
9.	Chama I	Kawambwa	Luapula	50	8
10.	Chama II	Kawambwa	Luapula	30	17
11.	Chama II	Kawambwa	Luapula	40	26
12.	Ninge	Samfya	Luapula	30	165
13.	Lunga Primary School 1	Lunga	Luapula	20	0
14.	Lunga Primary School 2	Lunga	Luapula	20	0
15.	Lunga 3: New Apostolic Church	Lunga	Luapula	20	0
16.	Lunga 4: Itala Primary School	Lunga	Luapula	20	0
17.	Chaba	Chilubi	Northern	48.5	280
18.	Chilubi Hospital	Chilubi	Northern	100	87
19.	Chilubi Boarding	Chilubi	Northern	90	0
20.	Moyo Hospital	Pemba	Southern	48.5	50
21.	Ndankanzovu	Kalomo	Southern	34	90
22.	Kasanjiku Mini Hydro	Mwinilunga	North-Western	640	1,203
23.	Mpidi	Zambezi	North-Western	60	230
24.	Natukoma	Shangombo	Western	100	306
Total				1,758	2,930

Table 8: List of Mini grids REA in partnership with Private sector

No	Project	District	Province	Capacity (kWp)	No. Connections
1.	Kampeke	Chongwe	Lusaka	5	70
2.	Kabamba	Serenje	Central	45	43
3.	Ntantumbila	Nakonde	Muchinga	121	445
4.	Chibwika	Mwinilunga	North-Western	30	180
Total				201	738

Cooperating Partners portfolio

The Authority oversaw planning and implementation of various CP funded and collaboration projects. CP-funded programmes and collaboration initiatives remained a key driver of REA's delivery pipeline, supporting both accelerated connections and the rollout of Decentralised Renewable Energy (DRE) solutions, while also strengthening institutional systems required for scale. The following CP funded programmes were under implementation during the year:

i. Increased Access to Electricity and Renewable Energy Production (IAEREP) Project.

The IAEREP Project is being implemented under a Euro 40 million under a financing Agreement with the European Union. The project aimed at supporting Zambia's energy sector through increased access to clean, reliable, and affordable energy and promotion of renewable energy production and energy efficiency.

The project comprises two (2) Technical Assistance components focusing on:

- Enhancement of policy, legal and regulatory environment as well as capacity building for renewable energy and energy efficiency
- Capacity building for renewable energy and energy efficiency-feasibility studies and demonstration projects. The projects were being implemented under grant contracts with the private sector at a co-financing ratio of 1:1.



The Authority continued monitoring implementation of projects by the six (6) grant beneficiaries. Under the Second Call for proposal, the grant beneficiaries OnePower, World Vision and Turbulent signed the grant contracts. Table 9 below highlights the implementation status for the grant beneficiaries.

Table 9: Implementation Status of Grant Beneficiaries

No	Developer	Planned Sites	Implemented Sites
1	Solar23	4	4
2	Ignite Energy Access	60	30
3	SMZ	4	4
4	Onepower	24	0
5	World Vision	10	0
6	Turbulent	1	0
Total		103	38

ii. National Energy Advancement and Transformation (NEAT) Program.

The NEAT Program is 3-year Program for Results (PforR) supported by the World Bank (WB) with a funding allocation of US\$10 million for rural electrification. The program focuses on operationalization of the Rural Electrification Fund (REF) which involves Development of REF Operating Guidelines and implementation of projects using the guidelines under the following two (2) disbursement linked results (DLR):

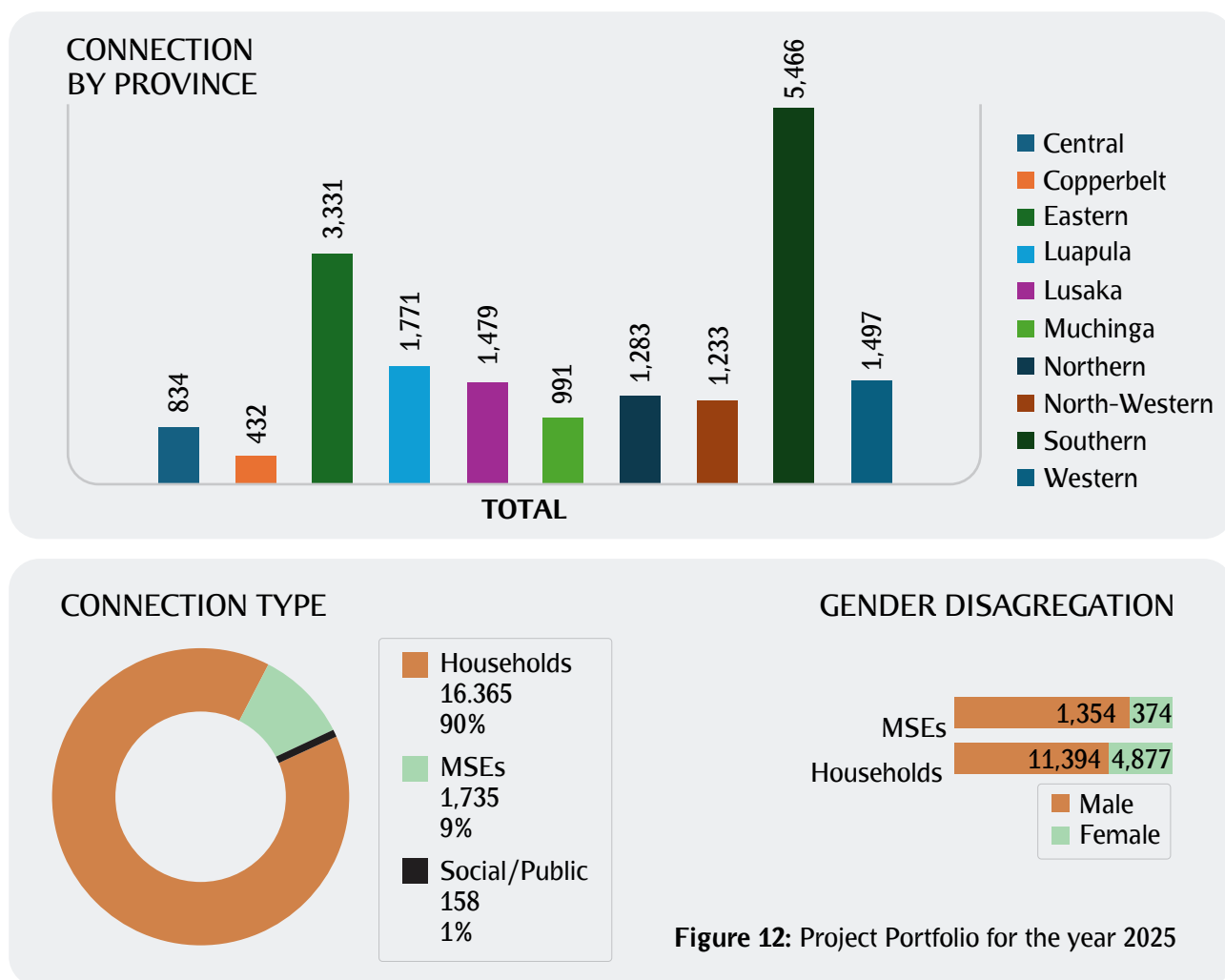
- DLR 2.1: REA Board adopts Operating Guidelines for Rural Electrification Fund.
- DLR 2.2: Rural Electrification Fund (REF) Year 1 Annual Report submitted, as per the REF Operating Guidelines

REA is utilizing the funds disbursed under the NEAT program to implement the following projects:

- Last Mile Connection Fee Subsidy programme with ZESCO Limited targeting 23,695 connections
- Off-grid Rural Electrification Smart Subsidy (OGRESS) program targeting to deliver 6,719 solar home system and 31 solar mini grid connections.

The following achievements were made during the year:

- ◆ REA Board adopted Operating Guidelines for Rural Electrification Fund.
- ◆ Development of an Environmental Safety Health Social Risk Impact Management (ESHSRIM) manual. The Grievance Redress Mechanism (GRM) was developed as an integral part of the manual.
- ◆ A cumulative total of 18,257 connections under the last mile subsidy connection were achieved of which 4,877 were female-headed households.
- ◆ Delivered more than 2,200 Solar Home Systems under the OGRESS program.



iii. Accelerating Sustainable and Clean Energy Access Transformation in Zambia (ASCENT Zambia)

The ASCENT Zambia Program is a five-year program supported by the World Bank (WB) with a funding allocation of US\$200 million complementing Government committed funds of US\$250 million to the rural electrification programme for the period 2025 to 2030. The Program Development Objective (PDO) is to increase access to clean energy in rural and peri-urban areas of Zambia by connecting over 1.6 million people on both on-grid and off-grid systems using a Programme for Result (PfR) model.



Figure 13: Launch of the Accelerating Sustainable and Clean Energy Access Transformation in Zambia (ASCENT-Zambia) Program

The Program is being implemented using the PforR financing framework as per table below.

Table 10: PforR Framework

Result Areas	Disbursement Linked Indicators	No. of	Implemented Sites
DLRs	Allocation (US\$)	4	4
RA 1: Increasing Supply of Distributed Renewable Energy	DLI 1: Cumulative number of Distributed Renewable Energy Solutions based electricity connections made under the Program	6	87million
RA 2: Expanding On-Grid Access to Electricity	DLI 2: Cumulative number of grid-based electricity connections made under the Program	2	105million
RA 3: Strengthening National Platform for Energy Access	DLI 3: Policy and Regulatory Framework for RE & Grid Based Electrification strengthened	8	8million
Total	3	16	200million

The following were achieved in the year under review:

- ◆ USD200 million Program Financing Agreement between the World Bank and Ministry of Finance and National Planning signed on 13 August 2025.
- ◆ The Program Implementation Agreement between the World Bank and REA signed on 13 August 2025.
- ◆ REA achieved the following effectiveness conditions by 5th November 2025:
 - ◆ Signing of a Subsidiary Agreement with Ministry of Finance and National Planning
 - ◆ Establishing a Program Implementation Team (PIT)
 - ◆ Developing the Program Operations Manual (POM)
 - ◆ Signing of Co-execution Agreement with ZESCO Limited
- ◆ On 7 November 2025, the World Bank declared the Program to be effective.
- ◆ Launched the ASCENT Zambia Program on 3 December 2025.
- ◆ Commenced connection of the last mile subsidy component for on grid projects on 22 December 2025.

iv. Zambia Refugee Hosting Communities Project (ZRHCP)

ZRHCP was aimed is improved access to socio-economic opportunities for refugees and host communities targeting to benefit Meheba Refugee Camp and hosting communities. The project was being implemented by the Commissioner of Refugees under the Ministry of Home Affairs and Internal Security with funding from the World Bank. Under this project, REA was the implementing agent for the electrification component which involved the following:

- a. Expansion of the national grid to Meheba Settlements C-H targeting more than 5,000 connections including households, businesses, and public/social institutions.
- b. Construction of Solar Mini Grids to electrify Matebo areas providing electricity supply to more than 400 beneficiaries including households, businesses, and public/social institutions.

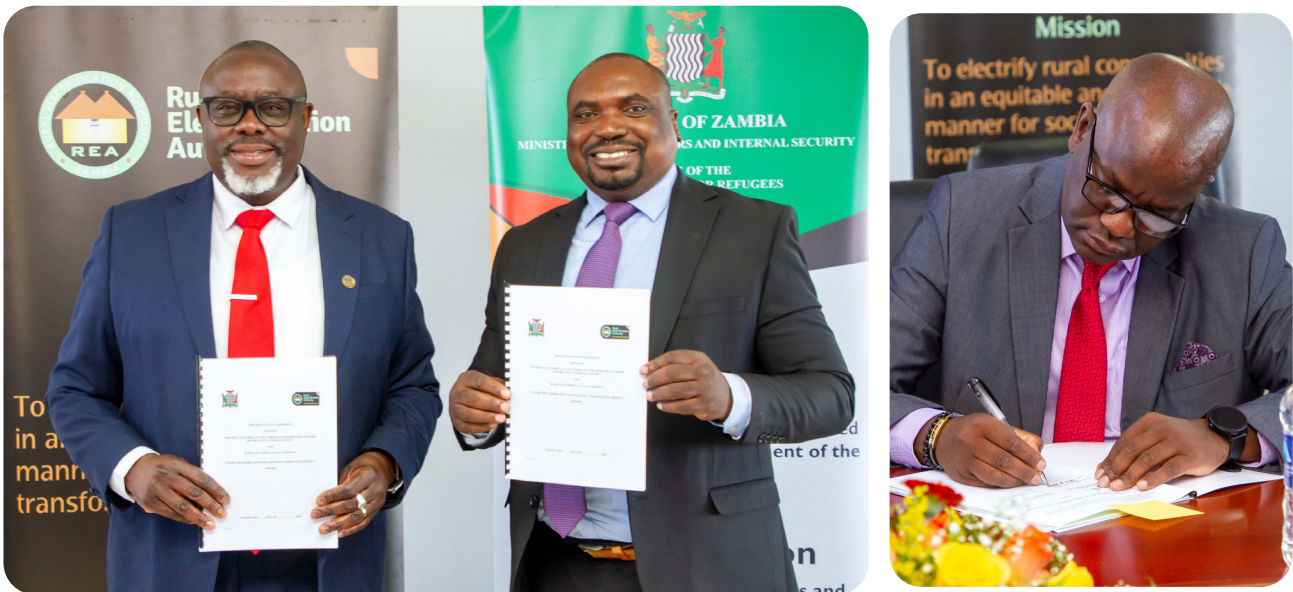


Figure 14: Signing of an MoU for the Zambia Refugee Host Communities Project (ZRHCP)

In the year under review the following were achieved:

- ◆ Implementation of the Zambia Refugee Host Communities Project (ZRHCP).
- ◆ The project planning including environmental/social screening and line route survey were completed in preparation for tendering in 2026.

v. Constituency Development Fund (CDF) Projects

The Authority continued offering Technical Assistance (TA) to Local Authorities (LAs) in the implementation of electrification projects under the Constituency Development Fund (CDF) in line with the revised guidelines for the utilisation of the CDF under the Minister of Local Government and Rural Development that allowed LAs to allocate ZMW1 million to electrification of public facilities and surrounding areas. The implementation of the CDF funded projects was facilitated through Memorandums of Understanding entered into between REA and the LAs.

The following were achieved in the year under review:

Signed an additional 14 MoUs with Local Authorities, bringing the total number to 156

115 packages submitted to the Local Authorities for tendering, of which 45 have been successfully evaluated.

Scoped 261 out of 413 submitted sites.

3 projects successfully awarded.

13 projects completed out of the 21 under implementation.

74%
**Completion
Progress**

In 2025, the Authority achieved 74% implementation of electrification projects to increase access to electricity and improving the livelihood of the rural populace. The projects delivered significant improvements in rural access and socio-economic outcomes

REA facilitated a total of 23,810 new household connections, representing the highest annual performance in the Authority's history. These connections were delivered through a combination of grid and off-grid interventions

23.8K
Homes Connected



PROJECT MONITORING AND EVALUATION

4.0 PROJECT MONITORING AND EVALUATION

4.1 Baseline Surveys

In 2025, REA undertook Baseline Surveys across 72 Project sites comprising 52 on-grid and 20 off-grid. These surveys are undertaken before project implementation in order to collect socio-economic and demographic data in new project areas to be used as a benchmark to measure effectiveness of the intervention, both during and after implementation. The baseline surveys revealed several common implementation and community readiness issues that may influence the success of rural electrification initiatives. The most prominent findings indicated that low household income levels may limit the ability of communities to pay connection fees and undertake internal wiring, which could reduce electricity uptake. Additionally, poor road infrastructure and seasonal access challenges, particularly during the rainy season, may hinder the transportation of project materials and delay implementation. The surveys also identified security risks such as theft of project materials and limited technical capacity within communities to operate or maintain systems such as solar installations. Social factors such as alcohol and drug abuse among youths may affect productivity and community engagement, and limit locally sourced labour or technical support. Further, the limited awareness of productive uses of electricity may also affect electricity uptake. Overall, the findings highlight the need for strong improved affordability mechanisms such as subsidies or flexible payment models, enhanced security measures, and early logistical planning to ensure successful implementation and sustainable uptake of electrification projects.

4.2 Project Monitoring

The Authority continued to monitor all projects under implementation. Field visits were routinely conducted to track progress and document challenges encountered during the implementation of rural electrification projects. This was done to generate evidence for informed decision-making.

As of 31 December 2025, REA undertook field monitoring exercises for 37 project sites that were under implementation comprising of 31 on-grid and 6 off-grid sites. The monitoring exercise found that rural electrification projects have made notable progress in expanding electricity infrastructure to schools, health facilities, and surrounding communities, with several projects either nearing completion or progressing steadily within their planned budgets. The implementation of Grid Development Projects, Solar Mini-Grids, and other initiatives demonstrates strong potential to improve access to electricity in rural areas, thereby enhancing social services and supporting economic activities. Additionally, communities have shown positive engagement and readiness for electrification, with some households already constructing standard houses and undertaking internal wiring in anticipation of connection. However, the overall project monitoring results also reveal that, despite this progress, implementation remains uneven and largely behind schedule in some sites. While some projects are advancing well, others have stalled or slowed significantly due to contractor inefficiencies, material shortages, and weak planning. Nonetheless, the continued receptiveness and preparedness of communities highlight strong demand and reinforce the potential for significant impact once these implementation challenges are addressed.

4.3 End of Project Evaluation

The Rural Electrification Authority (REA) conducted End-of-Project Evaluations across 45 projects completed between 2023 and 2025. These sites comprised 31 on-grid and 14 off-grid projects. The following indicators were tracked during the exercise:

- I. Projects completed within schedule, budget and scope
- II. Number of businesses connected to electricity
- III. Number of households connected
- IV. Productive uses of electricity
- V. Electrical appliances used in households
- VI. Number of schools connected and improved service delivery
- VII. Number of Rural Health Centres connected and improved service delivery
- VIII. Beneficiary satisfaction and usage patterns

Further the evaluation findings from the End of Project Evaluation exercise indicated that the households connected to electricity had begun transitioning from traditional sources of energy for cooking and lighting, such as firewood and candles, to more modern and efficient alternatives electric cookstoves, induction plates, and electric kettles for cooking, as well as LED bulbs, fluorescent lighting, and solar-powered lighting systems. In addition, businesses that gained access to electricity reported extended business operating hours, and expansion and diversification of their operations, reflecting the positive impact of electrification on local economic activities. Further, schools reported reduced operational costs, particularly in printing and ICT-related activities, and improved effectiveness of teaching through practical ICT lessons and evening study programmes. Rural Health Centres indicated improved quality of service delivery, especially for night-time operations, vaccine and blood sample storage, and digital reporting.

However, the evaluation revealed that the high connection fees and high cost of internal wiring were barriers for most beneficiaries to connect to electricity. To address this challenge, the Authority commenced implementation of last mile connection subsidy programme, reducing the connection fee from ZMW4,846 to ZMW300.

Further, some of the lessons learned from the evaluation are as follows;

- I. Effective and detailed planning at the early stages of a project is critical to minimizing variations during implementation. Incomplete designs, unclear scope definitions, and insufficient coordination among stakeholders during planning are major causes of variations that affect project cost, time, and quality.
- II. Contract management ensures delivery, deadlines, and terms are properly followed, as poor management can cause delays, higher costs, or project failure. The evaluated projects showed that strong collaboration, transparency, and clear understanding of contractual roles, by all parties involved, helped deal with issues early and ensured successful and timely delivery.
- III. Electricity can significantly improve livelihoods when used productively, not just for access but for generating income. While communities served by REA have started using electricity to boost their earnings, greater awareness and education on its productive uses are still needed to maximize development and improving living standards.





FINANCIAL
MANAGEMENT

5.0 FINANCIAL MANAGEMENT

5.1 Institutional Budget

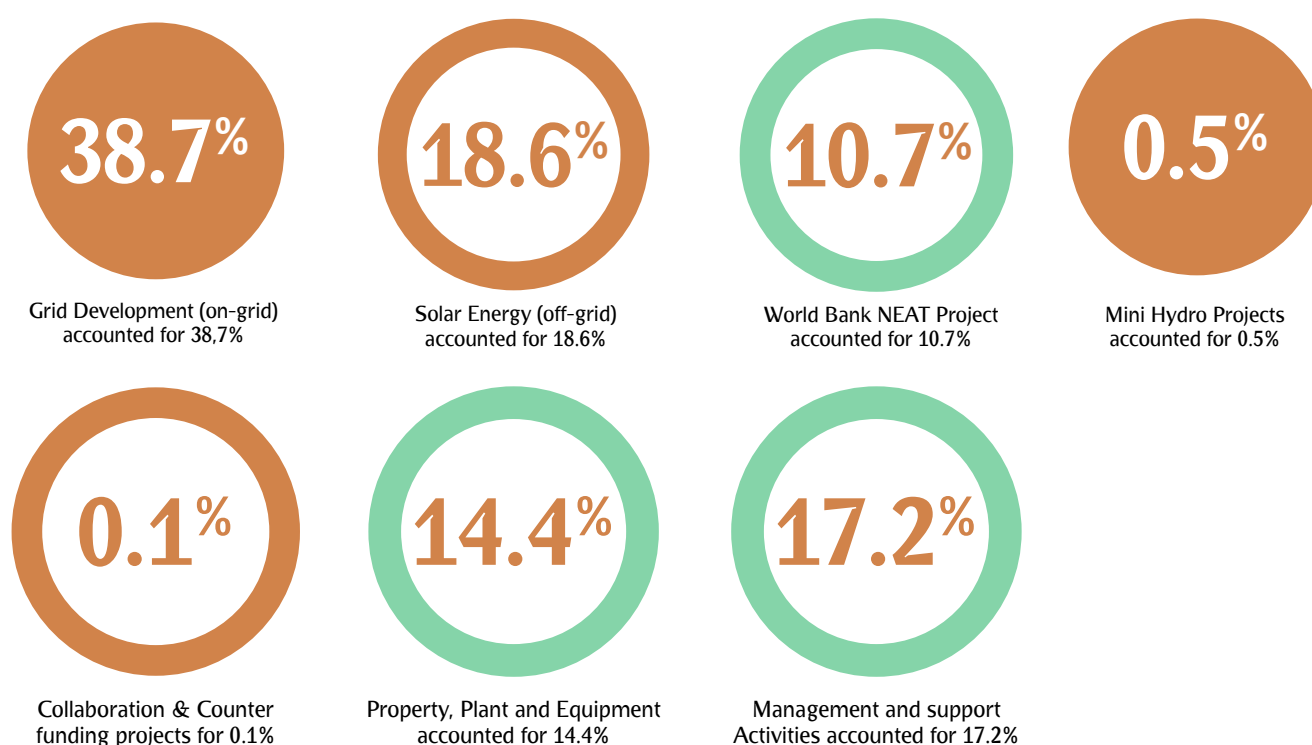
The Rural Electrification Act No.5 of 2023 specifies the sources of funding for the REF. The sources include an appropriation by Parliament, 3% electricity levy, loans, grants, and donations from Cooperating Partners (CP). In the year 2025, the main contributor to the REF was the Government of the Republic of Zambia. The 2025 institutional total budget amounting to K713,138,083 was apportioned as follows:

Table 11: Summary of 2025 Budget Allocations

No.	Details	Budget Allocation (ZMW)	Actual Expenditure (ZMW)	Budget Absorption
1	Grid Extension Development	276,101,312	189,509,905	69%
2	Solar Projects	132,511,605	72,481,382	55%
3	World Bank-NEAT Project	76,428,707	76,428,707	100%
4	Mini Hydro Projects	3,386,205	2,645,581	78%
5	Collaboration and Counter Funding Projects	698,227	0	0%
6	Property Plant and Equipment	101,029,896	806,438	1%
7	Other Project Management Activities	122,138,083	103,470,094	84%
Total		713,138,083	445,342,107	62%

The overall budget absorption rate for the Authority was as follows;

Figure 15: Overall budget absorption for 2025



**CORPORATE
SUSTAINABILITY**

6.0 CORPORATE SUSTAINABILITY

6.1 Operational Sustainability

6.1.1 Business Information System

The Authority advanced the implementation of the Business Information System (BIS) during the reporting period. This flagship initiative underpins the Authority's Strategic Plan (2022–2026) and supports with the Government's broader digital transformation agenda as articulated in Vision 2030. The BIS is designed to standardise processes, improve data quality, strengthen internal controls, and enhance service delivery.

As at 31 December 2025, the project had achieved 44% completion rate with key milestones including the completion of requirements analysis and documentation of the As-Is processes and Future processes having completed the requirement analysis documenting the As-Is Processes and Future processes. The Project remains on schedule and is expected to be completed by 30th June 2026.

6.1.2 REAPAY Digital Payment Platform

During the review period, the Authority achieved a major milestone with the successful launch of the REAPAY digital payment platform, a key initiative to modernize revenue collection across its mini grid portfolio.

REAPAY provides customers connected to REA supported mini grids with a secure and efficient digital channel to purchase electricity using mobile money services. The platform was initially rolled out in March 2025 on the Zamtel mobile network, ensuring immediate access for users. Engagements with Airtel and MTN followed, with the goal of achieving full interoperability and expanding accessibility nationwide. This multi operator integration remains central to the Authority's strategy of promoting inclusivity and convenience.

All revenues collected through REAPAY are deposited directly into the Government Treasury Account (Control 99), reinforcing transparency and accountability. Notably, during the period under review, over K600,000 was collected from two mini grids vending on the platform, with more than 1,000 customers actively using the service and over 17,000 transactions recorded. Progress was also made toward onboarding an additional 22 mini grids, connecting approximately 22,500 customers.

By digitizing the payment process, REAPAY has significantly enhanced financial controls, auditability, and operational efficiency, while reducing risks historically associated with cash handling. The continued expansion of REAPAY's features and coverage is a cornerstone of the Authority's commitment to reliable, transparent, and financially sustainable mini grid operations across the country.

6.2 Environmental and Social Governance, Risk and Safeguards Framework

In 2025, the Authority strengthened its environmental and social governance arrangements to ensure that electrification investments were planned, implemented, and monitored in a manner that is environmentally responsible, socially inclusive, and compliant with national and international safeguard requirements. This framework provides the foundation for systematically identifying, assessing, and managing environmental, social, health and safety (ESHS) risks and opportunities across the full project life cycle.

6.3 Environmental Achievements

In 2025, REA reaffirmed its commitment to environmental and social sustainability as a core pillar of its strategic direction and contribution to the national development agenda. The Authority's environmental and social achievements support SDGs 7 and 13 through expanded access to clean energy and climate mitigation actions. Throughout the year, REA maintained a strong focus on minimizing its ecological footprint through strengthened environmental and social risk management, increased integration of renewable energy solutions, and enhanced conservation and environmental stewardship initiatives. To reinforce this, REA renewed its collaboration with ZEMA through the signing of a three-year MoU to strengthen coordination in the issuance of environmental clearances.



6.3.1 Environmental and Social Impact Assessments

In the year 2025, the Authority conducted 60 Environmental and Social Impact Assessments (ESIA) at various project sites as outlined in Table 12. The conduct of ESIA supports SDGs 11, 15, and 16 by ensuring environmentally sound development, protection of ecosystems, and inclusive decision-making.

Table 12: Environmental and Social Impact Assessments

No.	Technology	No. of ESIA Conducted
1	Grid Intensification	38
2	Grid Extension	20
3	Solar Mini Grids	2
Total		60

6.3.2 Climate Change and Renewable Energy Transition

The deployment of renewable energy technologies such as solar photovoltaic systems, mini-grids, small hydropower, and hybrid solutions is a priority area for REA. As a result, climate risks and resilience considerations are increasingly integrated into project design and infrastructure planning to ensure sustainability and long-term service delivery.

In 2025, with support from the World Bank, REA provided input into the climate risk and vulnerability mapping exercise for Distributed Renewable Energy (DRE) projects in Zambia to identify climate-related risks associated with proposed technologies and locations. Building on this work, the Authority will strategically integrate climate resilience considerations into the planning, design, operation, and maintenance of DRE projects until 2030.

This aligns with SDGs 7, 9, and 13 by promoting renewable energy deployment and climate-resilient infrastructure.

6.3.3 Development of the Environmental, Social, Health and Safety, Risk, and Impacts Management (ESHSRIM) Manual

During the year under review, the Environmental, Social, Health and Safety, Risk and Impacts Management (ESHSRIM) Manual was finalised and approved as the primary institutional framework for managing ESHS risks associated with the Authority's projects. The Manual outlines detailed procedures and safeguards for managing environmental and social risks in line with NEAT Programme requirements and applicable national legislation. The Manual supports the implementation of SDGs 7, 8, 11, and 16

To support effective implementation, the Authority integrated the ESHSRIM requirements into project bidding and contract documents, thereby strengthening contractor accountability and ensuring that environmental and social obligations were embedded in procurement and project execution processes. The adoption of the Manual further marks a significant step towards institutionalising a consistent, transparent, and risk-based approach to environmental and social management across all REA-supported projects.



6.3.4 Grievance Redress Mechanism (GRM)

REA developed a formal Grievance Redress Mechanism (GRM) to provide accessible, transparent, and timely channels for addressing grievances arising from project implementation activities. The GRM is structured as a multi-tier system operating at four levels namely Community, Regional, Technical, and Management, with clearly defined roles and committees to facilitate effective grievance resolution. Further and as part of the Bank requirements, the GRM was uploaded on the REA website for ease of access.

Following the development of the GRM, REA undertook rollout exercises. GRM committees were established at the community level, regional offices, as well as at technical and management levels within REA. The mechanism was implemented across 30 project sites in the Central, Northern, and Southern regions. Communities were sensitised on the GRM, including the procedures for lodging grievances and accessing resolution channels. The committees are expected to commence operations in 2026. They will provide a clear first point of contact for grievances and support structured and timely resolution across all levels.

The GRM advances SDG 10 and SDG 16 by promoting inclusive access to remedy and transparent grievance resolution.

6.4 Social Achievements

As part of the project implementation, REA conducted community engagement and social inclusion sessions in line with SDGs 10, 11, and 16 to strengthening community participation, social inclusion, and access to remedy.

In 2025, REA conducted 60 Social Impact Assessments (SIAs) as part of the Environmental Impact Assessment process to identify and manage social risks linked to project implementation. The Authority carried out inclusive stakeholder engagements with local authorities and Traditional Leaders to guide project design and mitigation planning. At the community level, consultations were held with Project Affected Persons and beneficiary groups such as households, schools, and health facilities to ensure community priorities, concerns, and potential impacts were fully incorporated into the EIA framework.



STAKEHOLDER MANAGEMENT

7.0 STAKEHOLDER MANAGEMENT

7.1 Publicity and Awareness Activities

The Authority continued to inform the nation about its activities and progress being made through various publicity and awareness programs. During the period under review, the Authority undertook the following publicity activities:

- I. Media engagements: The Authority hosted fifteen media engagements to strengthen public awareness and media relations. These engagements included media appearances in print and electronic media including live television appearances on Zambia National Broadcasting Corporation TV1 main news. Of note was the launch of the Accelerating Sustainable and Clean Energy Access Transformation (ASCENT Zambia) Programme.
- II. Project commissioning ceremonies: The Authority commissioned four energy projects, comprising two on-grid and two off-grid installations. A key highlight was the commissioning of the Ishima Grid Extension Project in Zambezi District by Her Honour Dr. W.K. Mutale-Nalumango, MP, Vice President of the Republic of Zambia.



Figure 16: Her Honour the Vice President Dr. Mutale W.K Nalumango during the commissioning of the Ishima Grid Development Project in Zambezi district

- III. Media facility visits to selected projects: The Authority organized five media facility visits to selected project sites, including the widely featured Chishi Island Project, providing firsthand exposure to project impact, and reinforcing positive media coverage.
- IV. Level of Awareness and Perception survey: REA undertook a Level of Awareness and Perception Survey to gather valuable insights from internal and external stakeholders regarding their levels of satisfaction, perceptions, and overall engagement with the Authority. The findings inform strategic communication interventions to strengthen the Authority's corporate image.

7.2 Community Development and Stakeholder Management

In accordance with Section 5(2)(d) of the Rural Electrification Act No. 5 of 2023, the Authority implemented comprehensive community development, stakeholder engagement, and sensitisation initiatives across on grid and off grid project areas.

These initiatives were designed to enhance community ownership, promote social inclusion, promote gender responsive economic empowerment, ensure sustainability of rural electrification projects and safeguard electricity infrastructure while optimising socio economic benefits for beneficiary communities.

7.2.1 Community Sensitisation and Capacity Building

During the year under review, the Authority conducted sensitisation and awareness programmes in 61 out of the targeted 67 on grid and all the 8 targeted off grid projects with a view to achieving the following objectives:

- To sensitise the beneficiary stakeholders on the Productive uses of electricity to ensure impactful project outcomes
- To increase community understanding of the Authority's mandate, project scope, and implementation processes;
- To strengthen stakeholder, buy in to facilitate smooth project execution;
- To promote community ownership and protection of installed infrastructure; and
- To establish and train community project committees in line with the Community Mobilisation Manual and Stakeholder Management Plan.

Additionally, re-sensitisation and monitoring activities were undertaken in all the targeted 20 project areas. These follow up engagements helped assess committee performance, strengthen governance structures, and close identified capacity gaps. As a result, communities demonstrated improved participation, greater accountability, and reduced risk of infrastructure vandalism.

7.2.2 Public Health Awareness

Recognizing the link between infrastructure development, health, and community productivity, the Authority conducted HIV/AIDS sensitisation campaigns in 35 project areas during the year under review.

The campaigns focused on prevention, awareness, and mitigation strategies, contributing to healthier communities and safeguarding both workers and beneficiaries in project locations.

7.2.3 Stakeholder Management and Strategic Partnerships

To further strengthen collaboration and development impact, consistent with Section 5(j) of the Rural Electrification Act, the Authority deepened partnerships with key stakeholders. These partnerships allow the Authority to leverage specialised expertise, promote social inclusion, and ensure alignment between electrification projects and broader national development goals. In the year under review, these collaborations led to the following outcomes:

- I. **Renewable Energy Access:** In partnership with World Vision Zambia, the Authority provided Technical Assistance (TA) in the implementation of solar energy projects in Chigoma, Kapichilasenga, and Chikwa communities of Chama North in Eastern Province. The Technical Assistance was in form of Market Assessments, Community sensitization, Project designs, human capital and project evaluation. These interventions expanded access to clean, reliable energy for households and public institutions, enhancing service delivery and stimulating local economic activities.
- II. **Women's Economic Empowerment and Food Security:** Through NGOCC, the Authority supported five women led cooperatives in Lavushimanda, Petauke, Vubwi, Luampa, Shibuyunji, and Choma Districts with solar powered agricultural technologies. The initiative promoted climate smart agriculture, improved household food security, increased productivity, and strengthened gender responsive economic empowerment.
- III. **Capacity Strengthening:** In collaboration with the Ministry of Community Development and Social Services, the Authority provided mentorship, training, and routine supervision to rural electrification project committees. This support enhanced governance, strengthened project oversight, and ensured sustained community participation and accountability.
- IV. **Stakeholder Engagement Forums:** The Authority convened multi stakeholder collaboration forums in Southern, Eastern, Northern, North-Western, and Luapula Provinces. These platforms facilitated dialogue on project implementation, partnership opportunities, and emerging stakeholder concerns, reinforcing the Authority's commitment to transparency, inclusiveness, and responsive community engagement.

Additionally, REA entered into three (3) new Memoranda of Understanding (MoUs) aimed at strengthening collaborative efforts in rural electrification and environmental compliance as highlighted in Table 13 below.

Table 13: List of MoUs signed with Private Sector in 2025

No.	Institution Engaged	Purpose of Engagement
1	GEO Schützt den Regenwald e.V (GEO Rainforest)	Jointly electrifying 3 communities in the Chiawa Game Management Area in Chirundu District, Southern Province
2	Sustainable Energy for All (SEforAll)	Mutual support towards accelerated efforts to increasing access in rural areas through development of the updated REMP as well as various programmes such as Mission 300 and ASCENT.
3	Zambia Environmental Management Agency (ZEMA)	Enhance coordination in undertaking of the Environmental Screening process of REA projects

7.3 Policy Review and Institutional Strengthening

To enhance the efficiency of stakeholder engagement processes, the Authority reviewed and updated key policy tools, including the Stakeholder Engagement Manual and the Stakeholder Management Plan. The review process which was undertaken through highly consultative and participatory engagements ensured that these instruments remained aligned with evolving stakeholder dynamics, best practice in community engagement, and the Authority's strategic objectives.



INTERNAL AUDIT & RISK MANAGEMENT

8.0 INTERNAL AUDIT & RISK MANAGEMENT

8.1 Internal Audit

During 2025, the Internal Audit function continued to play a key role in supporting effective governance by providing objective assurance and advisory services to the Board and Management. Audit activities were designed to evaluate the robustness of internal controls, promote sound risk management practices, and strengthen organisational accountability.

Audit engagements undertaken during the year were guided by the Board approved 2025 Internal Audit and Risk Plan and focused on areas with the greatest operational and financial significance. Key audit areas of coverage included:

- I. Audits of Financial and Management Accounts;
- II. Project Management Audits;
- III. Project Material Reconciliation Audits;
- IV. Systems and Performance Audits; and
- V. Targeted Consultancy Engagements.

The audits examined compliance with applicable laws, policies, and internal procedures, while also assessing the effectiveness of operational processes.

Audit outcomes were reported to the Audit and Risk Committee during its scheduled meetings. Management responses and corrective actions were monitored, resulting in gradual improvement in control effectiveness and governance practices.

8.2 Risk Management

Throughout 2025, the Authority operated within a moderate risk exposure, aligned to its approved risk appetite framework. The Authority maintains a conservative approach to risks affecting its core mandate of rural electrification, while allowing limited flexibility in areas that support innovation, financial sustainability, and capacity development.

The risk environment during the year remained stable, with a noticeable reduction in high-impact risks. This improvement reflected strengthened risk oversight and enhanced mitigation efforts across the organisation. Materialised high risks declined significantly from 27 cases in 2024 to 6 cases in 2025, indicating improved risk management and mitigation measures over the period.

Key risk management initiatives implemented during the year included:

- I. Regular assessment of project-related risks to improve asset protection;
- II. Structured risk awareness engagements to enhance understanding and ownership of risks at departmental level;
- III. Continuous updating and review of departmental and corporate risk registers;
- IV. Active reporting and management of risk incidents to prevent escalation; and
- V. Ongoing monitoring of mitigation measures through engagements between Risk Officers and Departmental Heads.

8.3 Strategic Risks

In 2025, the Authority identified and monitored the strategic risks as presented in Table 14 below that could affect long-term performance and sustainability. These risks were regularly reviewed by Management and the Board, and appropriate mitigation strategies were pursued.

Table 14: REA's Strategic Risks during the year 2025

No.	Strategic Risk	Key Mitigants / Control Measures
1	Failure to Meet Electrification Targets	Strengthened strategic engagement with Government to advocate for increased budgetary allocations and timely disbursement of funds.
2	Project Delays and Vandalism	Enhancement community engagement and local ownership initiatives.
3	Human Resource Capacity Constraints	Strengthening of institutional collaboration with other public institutions and cooperating partners to leverage shared expertise and technical support.
4	Low Electricity Uptake	Increased connection fee subsidy programmes, differentiated tariffs and improved Productive Use of Electricity (PUE).
5	Planning and Budgetary Limitations	Development of a Resource Mobilisation Strategy.
6	Cybersecurity Risks and security breaches	Deployment of antivirus on every device and continuous scanning of the environment for threats.



HUMAN CAPITAL MANAGEMENT

9.0 HUMAN CAPITAL MANAGEMENT

9.1 Workplace Demographics

As of 31 December 2025, REA operated with a staff establishment of 130 employees against an approved establishment of 287 positions as per Figure 17 below.

The Authority is currently operating at approximately 55 percent of its approved staff establishment, placing considerable pressure on the available workforce and negatively affecting operational efficiency. As a result of inadequate manpower, the Authority has experienced delays in the implementation of rural electrification projects and programmes, reduced field supervision and monitoring, slower response times to stakeholder needs, and limited technical support. Key activities such as project monitoring and evaluation, maintenance inspections, community engagement, technical assessments, and the expansion of electrification coverage could not be fully undertaken within planned timelines. Additionally, some strategic initiatives and operational targets were not fully achieved due to insufficient personnel to effectively support the growing scope of the Authority’s operations, thereby adversely affecting service delivery and the execution of its rural electrification mandate.



Figure 17: REA's Staff Establishment as of 31 December 2025

The gender distribution of the staff compliment was as presented in Figure 17 with 26% of the 130 staff being female.

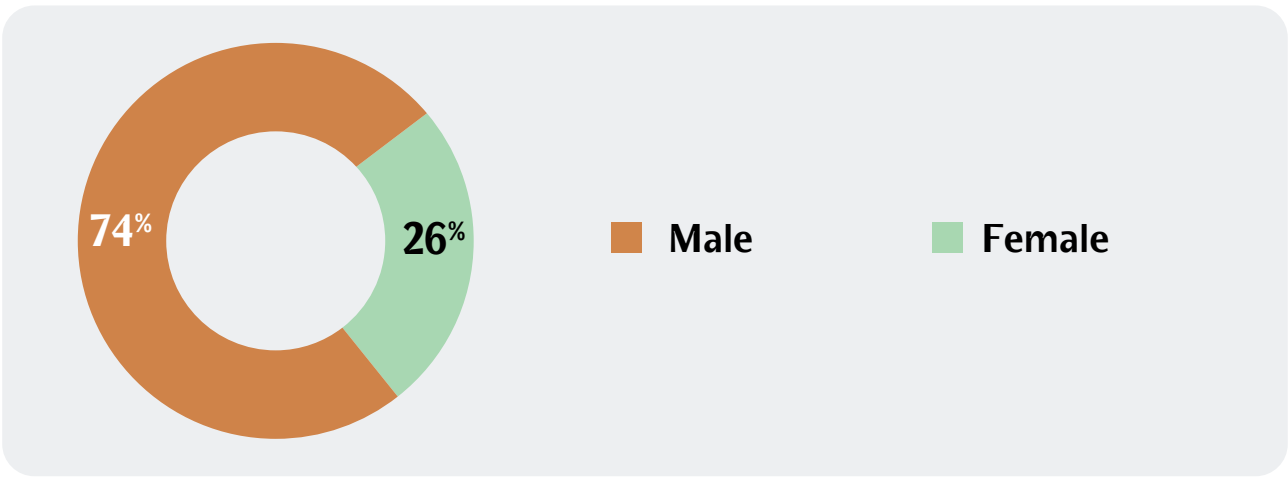


Figure 18: Gender Distribution for Staff Compliment

Women were predominantly represented in administrative and support roles, while men were more prevalent in technical and managerial positions. Figure 18 shows that female representation in managerial roles stood at 22%.

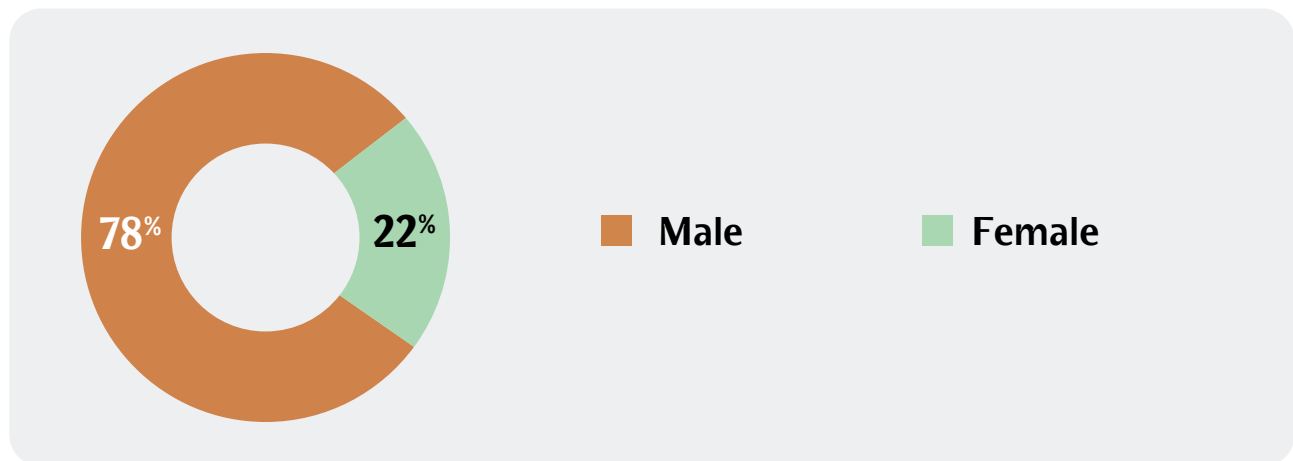


Figure 19: Gender Distribution in Managerial Roles

9.2 Employee Welfare

The Authority continued to support employee welfare through various initiatives, namely; Employee wellness programmes, Health and Workplace Safety Awareness activities, Gym membership support, medical scheme provision and Funeral assistance in line with institutional policy provisions. These initiatives were aimed at promoting physical, mental, and social well-being among staff.

Talent Management and Capacity Building: Throughout 2025, the Talent Management function focused on executing approved capacity-building initiatives, strengthening alignment between performance management and training, and improving governance of training feedback mechanisms.

Transport and Logistics: The Transport and Logistics function continued to support operational mobility through fleet management, vehicle maintenance coordination, and logistical planning.

Security : The Security function focused on implementing measures to safeguard Authority assets, personnel, and general infrastructure. Security deployments and monitoring continued throughout the year with the Authority recording mostly minor incidents.

Integrity and Ethics: Integrity and Ethics activities continued in line with the Authority's commitment to ethical conduct, accountability, and compliance with statutory obligations.

Administrative Support: Administrative support continued to play a key role in promoting internal efficiency. This was achieved through management of various service contracts, compliance with administrative procedures, maintenance of records management systems and the coordination of day-to-day operational activities.



1. 2025 Valentine's Day
2. 2025 Women's Day
3. Transport and Logistics Training
4. KAIZEN Big Cleaning day in Kasama
5. Chief Executive Officers Forum
6. Participation in the 2025 ABSA Marathon

ASCENT

Accelerating Sustainable &
Clean Energy Access Transformation



OUTLOOK 2026

10.0 OUTLOOK 2026

10.1 Strategic Outlook

The year 2026 will mark the conclusion of the current Strategic Plan, REA's primary target remains finishing strong and closing out the current plan on a successful note. This will ensure REA sets the tone for the successor Strategic Plan.

On the periphery of the Strategic Plan, 2026 represents a critical delivery phase for REA as the Authority complements its infrastructure development with scaling up the access rate by addressing the high connection costs through subsidies. REA will focus on expanding reliable and affordable electricity services in rural and peri-urban communities, while strengthening climate resilience, safeguards compliance, and delivery systems.

10.2 Delivery Priorities and Planned Outputs

10.2.1 Last-Mile Connections Target

Under the 2026 Work Plan and Budget, REA plans to deliver 115,584 last-mile connections, comprising:

Table 15: Planned last-mile connections for 2026

Category	Description	Estimated connections
ON-GRID	Completed projects (up to Dec 2025)	52,416
	2026 projects (including running projects)	47,584
	NEAT backlog	5,438
	Subtotal (On-grid)	105,438
OFF-GRID	Existing mini-grids – last-mile (running contracts)	2,490
	Existing mini-grids – expansion	800
	New Mini Grids	1,303
	Public facilities	553
	Subtotal (REA off-grid projects)	5,146
	Last-mile connection subsidy (Energy Service Providers)	5,000
	Subtotal (Off-grid)	10,146
Total (2026 last mile connections)		115,584

To enable uptake, REA will implement last-mile connection fee subsidies for both on-grid and off-grid served rural and peri-urban areas, with connections drawn from a mix of completed projects, new projects, and private sector-led delivery.

0.3 Project Pipeline

10.3.1 Rural Electrification Projects Planned

In 2026, the Authority plans to implement 149 rural electrification projects comprising 125 Grid Development Projects (GDPs) and 24 Off-grid Projects (OGPs), targeting 52,730 connections across all ten provinces.

Table 16: Summary of 2026 rural electrification project outputs

Technology	No. of projects	Schools	Health facilities	Other public facilities	Chiefs Palaces	Households	Total connections
GDP	125	120	58	76	19	47,268	47,584
OGP	24	504	19	4	34	4,585	5,146
Total	149	655	89	80	53	51,853	52,730

10.4 Key Programmes, Reforms, and Institutional Enablers

10.4.1 Cooperating Partner and Collaboration Programmes

REA will continue implementing and scaling cooperating partner and collaboration programmes and projects, including:

- I. Increased Access to Electricity and Renewable Energy Production (IAEREP) Project – EU;
- II. Zambia Refugee Hosting Communities Project (ZRHCP) – WB through MoHAIS;
- III. National Energy Advancement and Transformation (NEAT) program – WB;
- IV. Accelerating Sustainable and Clean Energy Transformation in Zambia (ASCENT Zambia) – WB;
- V. Africa Minigrids Program-Zambia Minigrid Project – UNDP;
- VI. Constituency Development Fund (CDF) Projects – Ministry of Local Government and Rural Development through Local Authorities;

10.4.2 Results-Based Delivery under PforR

The NEAT and ASCENT Zambia will be implemented under a Programme-for-Results (PforR) approach, where disbursements are linked to verified achievement of Disbursement Linked Indicators (DLIs) and associated Disbursement Linked Results (DLRs). This structure is intended to strengthen accountability, verification discipline, and the conversion of plans into measurable outcomes.

The ASCENT Program promotes expansion of energy access through multiple technologies such as grid extension, mini-grids, off-grid solar systems, and clean cooking solutions, using Results-Based Financing (RBF) where funding is disbursed based on verified results. To effectively manage these interventions, REA requires a robust digital Monitoring, Reporting, and Verification (MRV) system capable of tracking installations, verifying performance, automating reporting, and supporting RBF claims. Given the limitations of current manual and fragmented monitoring processes, REA plans to establish a national Digital MRV (d-MRV) platform that will provide a centralized, secure, and scalable system for real-time tracking, verification, and reporting of energy access initiatives. Beyond ASCENT, the platform will serve as REA's institutional performance system to support future programs, climate finance initiatives, carbon market participation, and data-driven decision-making.

10.4.3 Priority Management and Support Activities

To strengthen delivery and sustainability, REA will prioritise the following operational areas and respective activities:

Table 17: Management Planned Operational Priority Areas and Activities

No	Priority Area	Planned Activities
1	Strategic Management	Initiate the Process of terminal evaluation of the 2022-2026 Strategic Plan and development of the successor Strategic Plan Operationalise the Rural Electrification Fund
2	REMP Update	Finalise the REMP visualisation platform and undertake an 11kV network survey Launch the updated REMP.
3	Environmental Management	Roll-out of the ESHSRIM manual, capacity building, engagement of a licensed firm for battery disposal, and undertaking the 2026 annual ESHS audit.
4	Monitoring and evaluation	Undertake ex-post evaluation for eligible projects and the finalisation of the Institutional M&E System.
5	Digital systems	Implementation of the Business Information System (BIS/REA ERP) and the D-MRV system (national monitoring platform aligned to ASCENT).

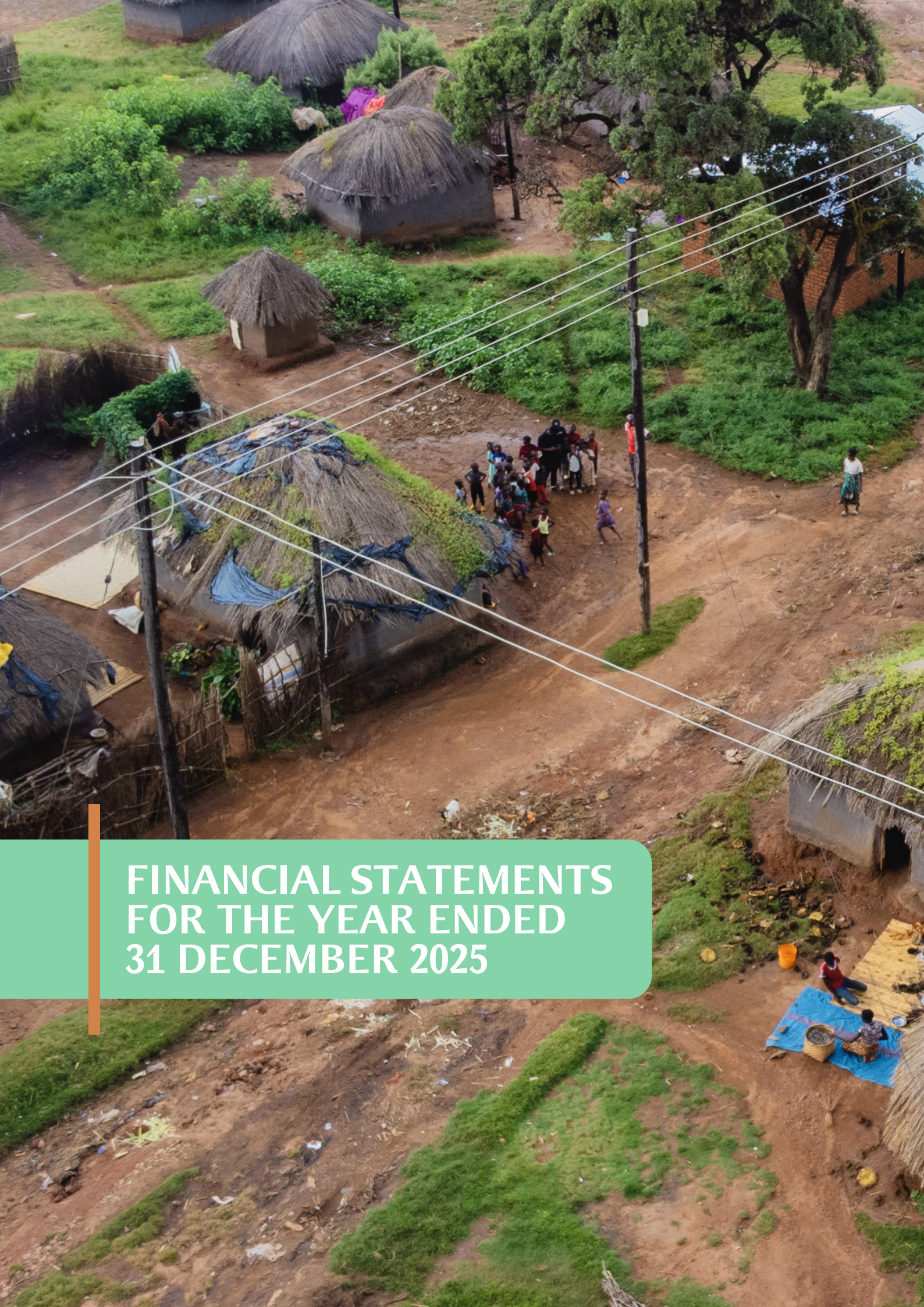
10.4.4 Strategies, Guidelines and Key Stakeholder Engagement

The Authority intends to develop and strengthen the following operational instruments:

- I. Support the development of the National Electrification Strategy (NES)- Led by the Ministry of Energy;
- II. Support the development of the Clean Cooking Strategy (CCS) Led by the Ministry of Energy;
- III. Develop the Results-Based Financing (RBF) operating guidelines under the ASCENT support;
- IV. Launch of the REF operating guidelines and related financing instruments;
- V. Launch of the Africa Minigrid Programme (AMP)-Zambia Minigrid Project (ZMG);
- VI. Develop guidelines for the electrification of public facilities;
- VII. Develop a Productive Uses of Energy (PUE) Strategy;
- VIII. Develop a Business Continuity Plan (BCP);
- IX. Undertake Provincial stakeholder engagement and sensitisation on the updated REMP; and
- X. Review and update of the Stakeholder Management Plan.

11.0 REA'S CHALLENGES AND MITIGATION MEASURES

Challenges	Root Cause(s)	Mitigation
Failure to undertake operational activities	Inadequate operational funding	Engage Ministry of Finance and National Planning (MoFNP) to increase budgetary allocation for operations
Low uptake levels of electricity in rural areas	a.Low-income levels in rural areas b.High connection fees and tariffs Inadequate subsidy allocation to meet the demand	Reduce connection fee by providing subsidy programmes, differentiated tariffs and improved Productive Use of Electricity (PUE)
Increased project costs	Exchange rate fluctuations	Streamline procurement process and enhance internal administrative efficiencies
Inadequate private sector participation in off-grid projects	a. Low return on investment Change in foreign policies by development partners b. Change in foreign policies by development partners	Develop resource mobilisation strategy; and increased smart capital subsidies for private sector players
Failure to undertake and achieve planned institutional activities under the 2025 activities	Inadequate human capital	Fully operationalise the approved organisational structure
Delayed project completion	Delayed supply and delivery of project materials	Procure from local suppliers with readily available project materials
Loss and damage to electrical infrastructure	Vandalism of electrical infrastructure	a. Insurance of assets b. Enhance security measures and community engagements

An aerial photograph of a rural village. Several traditional huts with thatched roofs are visible, some with blue tarps covering parts of them. A group of people, including children and adults, are gathered in a dirt clearing in the center. Power lines run across the scene. The ground is a mix of dirt and patches of green grass. In the bottom right, two people are sitting on a blue tarp near a hut.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2025

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BOARD MEMBERS, MANAGEMENT AND ADVISORS

Board Members (dissolved on 3 September 2025)

Mr. Bruce Jaani	Chairperson
Mrs. Mazuba Mwambazi	Vice Chairperson
Mrs. Loveness Mubisi	Member
Mr. Paul Kolala	Member
Mr. Caesar Cheelo	Member
Eng. Kenneth Muteto	Member
Eng. Bright Sepiso	Member
Eng. Clement Chiwele	Member
Ms. Diana Mwewa	Member

Board Members (appointed on 28 November 2025)

Eng. Charles M. Mboma	Chairperson
Ms. Claire K. Limbwambwa	Vice Chairperson
Ms. Bubala Chibbonta	Member
Dr. John Musantu	Member
Ms. Gladys Z. Kristafor	Member
Mr. Roy Chihinga	Member
Ms. Brenda S. Muwaika	Member
Eng. Joseph Mwiinga	Member
Mrs. Ozirior S. Chaila	Member

Management

Eng. Linus Chanda	Chief Executive Officer (Up to 5 June 2025)
Eng. Alex Mbumba	Director - Engineering Services (Acting CEO-6 June 2025)
Mr. Joseph Ntanda	Director - Finance
Ms. Adrine Muchimba	Director - Human Resources and Administration
Mrs. Mercedes Imasiku Mwansa	Director - Strategy & Planning
Mr. Suzyo Silavwe	Acting Director Engineering Services (September 2025)
Mr. Nkomba Mulemba	Legal Counsel & Board Secretary
Mr. Lennox Chilwa	Manager - Procurement
Mr. Justin Mukosa	Manager - Corporate Affairs
Mr. Joseph Kenya	Manager - Audit & Risk

BOARD MEMBERS, MANAGEMENT AND ADVISORS (CONTINUED)

Legal Advisors

Mosha and Company

Bankers

Zambia National Commercial Bank Plc

Bank of Zambia

Citi Bank Zambia Limited

ABSA Bank Zambia PLC

Auditors

The Auditor General

Office of the Auditor General

Stand No. 7951

Haile Selassie Avenue, Longacres

P.O. Box 50071

Lusaka, Zambia

Registered Office and Principal Place of Business

Plot No. LN15087/2

Great North Road

Lusaka, Zambia



DIRECTORS REPORT

The Directors present their report and the financial statements for the year ended 31 December 2025.

Principal activities

The Rural Electrification Authority (REA) was established by an Act of Parliament No. 20 of 2003, now repealed Act No. 5 of 2023. Its primary aim is to provide electricity infrastructure to the whole nation targeting rural communities as mandated by Government. The principal activity of Rural Electrification Authority ("the Authority") is to increase the availability of electricity in the rural areas and access to electricity by the rural population.

Under the Act, REA is mandated with the tasks of administering and managing the Rural Electrification Fund. The Authority shall apply the moneys of the Fund to increase the availability of electricity in rural areas and access to electricity by rural populations.

According to the Rural Electrification Act No. 5 of 2023, the functions of the Authority shall be to:

- a. Administer and manage the Rural Electrification Fund;
- b. Develop, implement and update rural electrification master plans for the systematic electrification of rural areas;
- c. Promote the utilization of available rural electrification technological options to enhance the contribution of energy to the development of agriculture, industry, mining and other economic activities in rural areas;
- d. Mobilise funds from within and outside Zambia in support of rural electrification;
- e. Offer on a competitive basis, the construction of rural electrification projects and periodically publish information on programmes being carried out;
- f. Design and offer, on a competitive basis, to developers or operators, smart subsidies for capital costs on projects that are designed to supply energy for development of rural areas;
- g. In conjunction with stakeholders, develop mechanisms for the operation of grid extension networks for rural electrification and other rural energy supply systems;
- h. Finance project preparation studies for rural electrification projects in accordance with guidelines developed and approved by the Authority;
- i. Recommend to Government policies for enhancement of access to electricity by the rural populations; and
- j. Undertake such other activities as are conducive or incidental to the performance of its functions under the Act.

Financial results

The Rural Electrification Authority recorded a deficit of income over expenditure of K29,256,389 for the period ended 31 December 2025 (2024: deficit of income over expenditure of K19,237,720).

The Rural Electrification Fund recorded a surplus of income over expenditure of K233,527,708 for the period ended 31 December 2025 (2024: surplus of income over expenditure of K333,492,796).



DIRECTORS REPORT (CONTINUED)

Directors

The Directors who held office during the year up to 3 September 2025 were:

Mr. Bruce Jaani	Chairperson
Mrs. Mazuba Mwambazi	Vice Chairperson
Mrs. Loveness Mubisi	Member
Mr. Paul Kolala	Member
Mr. Caesar Cheelo	Member
Eng. Kenneth Muteto	Member
Eng. Clement Chiwele	Member
Ms. Diana Mwewa	Member
Mr. Linus K. Chanda	Chief Executive Officer
Mr. Nkomba Mulemba	Board Secretary

Board Members (appointed on 28 November 2025)

Eng. Charles M. Mboma	Chairperson
Ms. Claire K. Limbwambwa	Vice Chairperson
Ms. Bubala Chibbonta	Member
Dr. John Musantu	Member
Ms. Gladys Z. Kristafor	Member
Mr. Roy Chihinga	Member
Ms. Brenda S. Muwaika	Member
Eng. Joseph Mwiinga	Member
Mrs. Ozirior S. Chaila	Member

Directors' expenses

The Directors' expenses for the year were K1,275,259 (2024: K3,455,223).

Property and equipment

The following are the additions to property and equipment during the year:

Directors' expenses

The Directors' expenses for the year were K1,275,259 (2024: K3,455,223).

Property and equipment

The following are the additions to property and equipment during the year:

	Rural Electrification Fund	Rural Electrification Authority
	K	K
Capital work in progress (CWIP)	342,437,036	-
Motor vehicles	920,000	-
Office equipment	2,247,994	-
Furniture and fittings	62,000	-
Land & buildings	806,437	-
	<u>346,473,467</u>	<u>-</u>

During the period, the Authority implemented capital project works amounting to K342,437,036 (2024: K414,602,818)



DIRECTORS REPORT (CONTINUED)

Health and Safety of Employees

The Directors are aware of their responsibilities regarding the health and safety of employees and have put appropriate measures in place to safeguard the health and safety of employees. There were no fatalities during the year and the Directors have put in place health and safety measures as directed by the Ministry of Health to avoid the spread of any disease outbreak.

Donations

There were no donations made during the year. (2025: Nil)

Employees

The average number of employees during the year was 129 (2024: less than 131). The total remuneration paid to the employees during the year was K78,809,638 (2024: K104,914,939).

Authorisation of financial statements

The financial statements for the year ended 31 December 2025 have been approved by the Board of Directors.

Auditors

The Auditor General is our auditor as stipulated under Section 20(1) of Act No. 5 of 2023 which authorizes the Auditor General to audit and certify the Financial Statement for the Authority.

By order of the Board



SECRETARY

Lusaka, Zambia

Date: 27th March 2026

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

Section 24 of the Rural Electrification Act No. 5 of 2023 requires the Authority to submit a report to the Minister concerning its activities during the financial year which shall include information on the financial affairs of the Authority. This report must give a true and fair view of the financial position of Rural Electrification Authority and of its financial performance and its cash flows for the year then ended, including such other information as the Minister may require. In preparing such financial statements, the Directors are required to be responsible for

- Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error;
- Selecting appropriate accounting policies and applying them consistently;
- Making judgements and accounting estimates that are reasonable in the circumstances; and
- Preparing the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS), and on the going concern basis unless it is inappropriate to presume that the Authority will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority and enable them to ensure that the financial statements comply with the IPSAS and the Rural Electrification Act No. 5 of 2023. They are also responsible for safeguarding the assets of the Authority and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that in their opinion

- a. The financial statements give a true and fair view of the financial position of the Rural Electrification Authority as of 31 December 2025, and of its financial performance and its cash flows for the year then ended;
- b. At the date of this statement there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due; and
- c. The financial statements are drawn up in accordance with IPSAS and the Rural Electrification Act No. 5 of 2023.

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

Signed on behalf of the Board at Lusaka on 27th March 2026



Board Chairperson



Chief Executive Officer

INDEPENDENT AUDITOR'S REPORT

**HAILE SELASSIE AVENUE, LONGACRES
P.O BOX 50071
LUSAKA, ZAMBIA**

E-mail: auditor@ago.gov.zm
Website: www.ago.gov.zm
Telephone: +260252611/252771

To the Board - Rural Electrification Authority

Report on the Audit of the Financial Statements

Opinion on Financial Statements

I have audited the financial statements at 31st December 2025, and the Statement of Financial Performance, Statement of Changes in Accumulated Funds and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 16 to 36.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Rural Electrification Authority, as at 31st December 2025 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Rural Electrification Authority in accordance with the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics together with the ethical requirements that are relevant to my audit of the financial statements in Zambia, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the INTOSAI Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters of the audit are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards (IPSASs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Rural Electrification Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Authority's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs 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 ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Rural Electrification Authority'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 Rural Electrification Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority 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.

I 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 I identify during my audit. I also provide those charged with governance a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

In accordance with the Rural Electrification Authority Act. No 20 of 2023, I report that in my opinion, the required accounts records and other records relating to REA's accounts have been properly kept in accordance with the Act.



Dr. Ron M. Mwambwa – FCMA, FZICA, CGMA, CFE
ACTING AUDITOR GENERAL

DATE: 31/03/ 2026

RURAL ELECTRIFICATION AUTHORITY

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD ENDED 31 DECEMBER 2025

	Notes	2025			2024		
		Consolidated K	Rural Electrification Authority K	Rural Electrification Fund K	Consolidated K	Rural Electrification Authority K	Rural Electrification Fund K
Revenue from non-exchange transactions							
International donor funding	5	-	-	-	135,297,478	-	135,297,478
Government grants	6	357,570,261	85,144,031	272,426,230	368,721,703	25,114,031	343,607,672
		<u>357,570,261</u>	<u>85,144,031</u>	<u>272,426,230</u>	<u>504,019,181</u>	<u>25,114,031</u>	<u>478,905,150</u>
Revenue from exchange transactions							
Finance income	7	13,298,800	13,298,800	-	9,664,626	9,338,213	326,413
Other income	8	<u>7,614,340</u>	<u>1,148,848</u>	<u>6,465,492</u>	<u>9,982,005</u>	<u>3,704,562</u>	<u>6,277,443</u>
		<u>20,913,140</u>	<u>14,447,648</u>	<u>6,465,492</u>	<u>19,646,631</u>	<u>13,042,775</u>	<u>6,603,856</u>
Total revenue		<u>378,483,401</u>	<u>99,591,679</u>	<u>278,891,722</u>	<u>523,665,812</u>	<u>38,156,806</u>	<u>485,509,006</u>
Expenses							
Employee costs	9	78,809,638	78,809,638	-	104,914,939	28,648,292	76,266,647
Administration expenses	10	38,573,428	25,536,337	13,037,091	27,758,533	9,380,562	18,377,971
Project studies and consultancy	11	35,059,902	3,732,807	31,327,095	52,388,521	5,876,651	46,511,870
Depreciation expense	13	15,532,797	14,616,907	915,890	13,420,587	13,129,371	291,216
Rental expense	21	5,679,806	5,679,806	-	6,109,482	-	6,109,482
Exhibition and publicity	12	<u>556,511</u>	<u>472,573</u>	<u>83,938</u>	<u>4,818,674</u>	<u>359,650</u>	<u>4,459,024</u>
Total expenses		<u>174,212,082</u>	<u>128,848,068</u>	<u>45,364,014</u>	<u>209,410,736</u>	<u>57,394,526</u>	<u>152,016,210</u>
Surplus/(deficit) for the year		<u>204,271,319</u>	<u>(29,256,389)</u>	<u>233,527,708</u>	<u>314,255,076</u>	<u>(19,237,720)</u>	<u>333,492,796</u>

The notes on pages 16 to 39 form part of these Financial Statements.

RURAL ELECTRIFICATION AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

		2025		2024		
Notes	Consolidated K	Rural Electrification Authority K	Rural Electrification Fund K	Consolidated K	Rural Electrification Authority K	Rural Electrification Fund K
Assets						
Non-current assets						
Property and equipment	13	29,412,739	27,797,690	40,899,106	2,530,941	38,368,165
Capital work in progress	14	1,714,080,263	1,714,080,263	1,835,021,746	-	1,835,021,746
		<u>1,743,493,002</u>	<u>1,741,877,953</u>	<u>1,875,920,852</u>	<u>2,530,941</u>	<u>1,873,389,911</u>
Total non-current assets						
Current assets						
Receivables	16	471,445,613	465,236,278	461,918,244	13,638,594	448,279,650
Inventory	17	73,999,721	73,999,721	89,286,635	-	89,286,635
Cash and cash equivalents	18	112,129,459	108,118,332	233,222,483	14,820,632	218,401,851
Total current assets		<u>657,574,793</u>	<u>647,354,331</u>	<u>784,427,362</u>	<u>28,459,226</u>	<u>755,968,136</u>
Total assets		<u>2,401,067,795</u>	<u>2,389,232,284</u>	<u>2,660,348,214</u>	<u>30,990,167</u>	<u>2,629,358,047</u>



RURAL ELECTRIFICATION AUTHORITY

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2025 (CONTINUED)

		2025			2024		
	Notes	Consolidated K	Rural Electrification Authority K	Rural Electrification Fund K	Consolidated K	Rural Electrification Authority K	Rural Electrification Fund K
Funds and liabilities							
Funds and reserves							
Rural Electrification Authority (page 13)		(58,669,585)	(58,669,585)	-	(29,413,196)	(29,413,196)	-
Rural electrification fund (page 13)		2,380,562,328	-	2,380,562,328	2,610,413,139	-	2,610,413,139
Total funds		<u>2,321,892,743</u>	<u>(58,669,585)</u>	<u>2,380,562,328</u>	<u>2,580,999,942</u>	<u>(29,413,196)</u>	<u>2,610,413,139</u>
Non-current liabilities							
Capital grants	19	85,242	85,242	-	85,242	85,242	-
Total non-current liabilities		<u>85,242</u>	<u>85,242</u>	-	<u>85,242</u>	<u>85,242</u>	-
Current liabilities							
Payables	20	79,089,810	70,419,854	8,669,956	79,263,029	60,318,121	18,944,908
Total current liabilities		<u>79,089,810</u>	<u>70,419,854</u>	<u>8,669,956</u>	<u>79,263,029</u>	<u>60,318,121</u>	<u>18,944,908</u>
Total liabilities		<u>79,175,052</u>	<u>70,505,096</u>	<u>8,669,956</u>	<u>79,348,272</u>	<u>60,403,363</u>	<u>18,944,908</u>
Total funds and liabilities		<u>2,401,067,795</u>	<u>11,835,511</u>	<u>2,389,232,284</u>	<u>2,660,348,214</u>	<u>30,990,167</u>	<u>2,629,358,047</u>

The financial statements on pages 10 to 39 were approved by the Board of Directors on 27 March 2026 were signed on its behalf by:

Board Chairperson

Chief Executive Officer

Director Finance

RURAL ELECTRIFICATION AUTHORITY

STATEMENT OF CHANGES IN ACCUMULATED FUNDS FOR THE PERIOD ENDED 31 DECEMBER 2025

	Rural Electrification Authority K	Rural Electrification Fund K	Total K
Balance at 1 January 2024	(10,175,476)	2,276,920,343	2,266,744,867
Surplus/Deficit for the year	<u>(19,237,720)</u>	<u>333,492,796</u>	<u>314,255,076</u>
Balance at 31 December 2024	(29,413,196)	2,610,413,139	2,580,999,943
Transfer of Assets to ZESCO	-	(463,378,519)	(463,378,519)
Surplus/Deficit for the year	<u>(29,256,389)</u>	<u>233,527,708</u>	<u>204,271,319</u>
Balance at 31 December 2025	<u>(58,669,585)</u>	<u>2,380,562,328</u>	<u>2,321,892,743</u>



RURAL ELECTRIFICATION AUTHORITY

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2025

	Note	2025 K	2024 K
Cash flows from operating activities			
Surplus/deficit) for the year			
- Rural Electrification Authority		(29,256,389)	(19,237,720)
Surplus for the year			
- Rural Electrification Fund		233,527,708	333,492,796
Adjusted for:			
Amortisation of capital grants	19	-	-
Depreciation expense	13	15,522,797	13,420,587
Finance income	7	(13,298,800)	(9,664,626)
Operating cash flows before working capital movements		<u>206,495,316</u>	<u>318,011,037</u>
Movement in operating funds			
Increase in receivables		(9,527,365)	(74,384,970)
(Increase)/decrease in inventory		15,286,916	16,067,097
(Decrease)/increase in payables		<u>(173,224)</u>	<u>16,759,620</u>
Net cash generated from operating activities		<u>212,081,643</u>	<u>276,452,784</u>
Cash flows from investing activities			
Investments purchased/Redeemed	15	-	18,901,585
Interest received	7	13,298,800	9,664,626
Acquisition of plant and equipment	13	(4,036,431)	(19,030,520)
Additions to capital work in progress	14	<u>(342,437,036)</u>	<u>(414,602,818)</u>
Net cash used in investing activities		<u>(333,174,667)</u>	<u>(405,067,127)</u>
Cash flow from financing activities			
Capital grants received	19	-	-
Net cash generated from financing activities		-	-
Net increase in cash and cash equivalents		(121,093,024)	(128,614,343)
Cash and cash equivalents at beginning of year		<u>233,222,483</u>	<u>361,836,826</u>
Cash and cash equivalents at end of year	18	<u>112,129,459</u>	<u>233,222,483</u>

RURAL ELECTRIFICATION AUTHORITY

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 31 DECEMBER 2025

	Budget K	Actual K	Performance Difference K
Revenue			
International donor funding	76,428,707	76,428,707	-
Government grants	562,707,142	357,570,261	(205,136,881)
Committed Funds	51,778,059	51,778,059	-
Finance income	14,801,452	13,298,800	(1,502,652)
Other income	<u>7,422,723</u>	<u>7,422,723</u>	<u>-</u>
Total income	<u>713,138,083</u>	<u>506,498,550</u>	<u>(206,639,533)</u>
Expenses			
Employee costs	80,001,790	78,809,638	1,192,152
Administration expenses	65,201,607	54,106,225	11,095,382
Project studies and consultancy	555,389,286	306,189,927	249,199,359
Rental expense	5,680,000	5,679,806	194
Exhibition and publicity	<u>6,865,400</u>	<u>556,511</u>	<u>6,308,889</u>
Total expenses	<u>713,138,083</u>	<u>445,342,107</u>	<u>267,795,976</u>
Surplus for the year	<u>-</u>	<u>61,156,443</u>	<u>61,156,443</u>



NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

1. General Information

Establishment

The Rural Electrification Authority ("the Authority") was established by the Rural Electrification Act No. 20 of 2003, now repealed Act No. 5 of 2023 of the Laws of Zambia (the "Act"). The principal activity of Rural Electrification Authority is to increase the availability of electricity in the rural areas and access to electricity by the rural population.

The Authority is mandated with the tasks of administering and managing the Rural Electrification Fund (REF); developing and implementing the Rural Electrification Master Plan (REMP), mobilizing funds to support rural electrification, encouraging private sector participation in rural electrification through provision of smart subsidies, competitive bidding and community mobilisation, financing project preparation studies for rural electrification and recommending to government suitable policies.

The address of its registered office and principal place of business is disclosed on page 2.

2. Statement of compliance and basis of preparation

a Statement of Compliance

The financial statements of the Authority have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Zambian Kwacha (K), which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The statement of cash flows is prepared using the indirect method. The financial statements are prepared on an accrual basis.

3. Summary of significant accounting policies

a. Revenue recognition

Revenue from non-exchange transactions Electricity levies

The Authority recognizes the revenues from electricity levy when the event occurs and the asset recognition criteria are met to the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from Government and Donors

Revenues from non-exchange transactions with Government and donors are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation

Depreciation on assets is charged on a straight-line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

• Office equipment	25%
• Furniture and fittings	20%
• Computer equipment	33%
• Office furniture	25%
• Motor vehicles	25%
• Buildings	1%
• Land	0%
• Capital work in progress	Nil

The assets residual values and useful lives are reviewed, and adjusted prospectively, if appropriate, at the end of each reporting period.

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

The Authority derecognizes items of property and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

c. Impairment of non-financial assets

At each reporting date, the Authority assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the

Authority estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the statement of financial performance in those expense categories consistent with the nature of the impaired asset.

d. Inventory

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-



exchange transactions (for no cost or for a nominal cost), the cost of inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for at purchase cost using the weighted average cost method.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

f. Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

g. Contingent liabilities

The Authority does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

h. Contingent assets

The Authority does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not

wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

i. Employee benefits

All non-management employees are on permanent and pensionable contracts while employees in management are on 5 years fixed term contracts. The provision for gratuity is made on an accruals basis for the employees on fixed term contracts at the rate of 35% of basic salary.

Membership of the statutory National Pension Scheme ('NAPSA') is compulsory and monthly contributions by both employer and employees are made. The employer's contribution is accounted for in the statement of financial performance as it arises.

j. Leasing

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

k. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Creditors or debtors denominated in foreign currency are reported at the reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

l. Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. The Rural Electrification Authority is a statutory body which was created by an Act of Parliament and is controlled by the Government of the Republic of Zambia (GRZ). There are other entities that are related to the Authority through common control.

m. Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

n. Capital grants

Capital grants are not recognized until there is reasonable assurance that the Authority will comply with the conditions attached to them and that the grants will be received.

o. Financial instruments Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 "Financial Instruments: Recognition and Measurement" are classified as loans and receivables or held-to-maturity investments, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketable (regular way trades) are recognized on the trade date, i.e., the date that the Authority commits to purchase or sell the asset. The Authority's financial assets include: cash and short-term deposits; and loans and receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

The Authority derecognizes a financial asset or where applicable, a part of a financial asset or part of a group of similar financial assets when:

- i. The rights to receive cash flows from the asset have expired or waived.
- ii. The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i. The debtors or a group of debtors are experiencing significant financial difficulty;
- ii. Default or delinquency in interest or principal payments;
- iii. The probability that debtors will enter bankruptcy or other financial reorganization; and
- iv. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present values of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the Authority. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition

3. Summary of significant accounting policies (continued)

(o) Financial instruments (continued)

All financial liabilities include trade and other payables, bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification. Financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognized on an effective yield basis.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts in surplus or deficit.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position if, and only if, there is currently an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions), without any deduction for transaction costs.

4. Significant judgements and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Authority based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The Directors reviewed the estimated useful lives of property, plant and equipment at the end of each annual reporting period to determine the appropriate level of depreciation and whether there is any indication that those assets have suffered an impairment loss. The Directors judged a residual value of zero as a result of the fact that plant and equipment are not held for trading and are normally scrapped.

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

5. International donor funding	2025 K	2024 K
Rural Electrification Fund		
Received from the World Bank	=	<u>135,297,478</u>

International donor funding represents those funds received for specific projects undertaken by the Authority to enhance infrastructure. These funds were received on the basis of the project budgets submitted. Accordingly, the Authority is contractually bound to spend funds only in connection with the projects.

Furthermore, the contracts stipulate that funds received for the project may only be applied to the costs incurred for the project, as and when the phases of the project are certified as complete by an independent engineer. The conditions remaining therefore represent phases of the projects that are yet to be certified as complete by an independent engineer. Furthermore, the contract stipulates that where funds are not spent as specified within the contract, they must be returned to the donor.

6. Government Grants	2025 K	2024 K
Rural Electrification Fund	272,426,230	343,607,672
Rural Electrification Authority	<u>85,144,031</u>	<u>25,114,031</u>
	<u>357,570,261</u>	<u>368,721,703</u>
Unconditional grants		
Rural Electrification Authority	<u>85,144,031</u>	<u>25,114,031</u>
Conditional grants		
Rural Electrification Fund	<u>272,426,230</u>	<u>343,607,672</u>
Consolidated	<u>357,570,261</u>	<u>368,721,703</u>

The Rural Electrification Fund was used in the Authority's quest to provide electricity to the rural populace. The unspent portion of the grant relates to projects in progress at year-end for which the funds are already committed.

7. Finance income	2025 K	2024 K
Rural Electrification Authority		
Interest on short term investments	12,607,726	9,221,055
Interest on staff loans	<u>691,074</u>	<u>117,158</u>
	<u>13,298,800</u>	<u>9,338,213</u>
Rural Electrification Fund		
Interest on staff loans	=	<u>326,413</u>
	=	<u>326,413</u>
Consolidated	<u>13,298,800</u>	<u>9,664,626</u>

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

8. Other income

	2025	2024
	K	K
Rural Electrification Authority		
Capital grant-amortised (note 19)	-	-
Exchange gains		3,591,302
Other income received	1,088,852	91,260
Income from sale of assets & Tender documents	59,996	22,000
	<u>1,148,848</u>	<u>3,704,562</u>
Rural Electrification Fund		
Exchange gains	-	-
Capital grant-amortized (note 19)	-	-
Other income received	539,367	2,383,103
Liquidated Damages	5,926,125	3,894,340
	<u>6,465,492</u>	<u>6,277,443</u>
Consolidated	<u>7,614,340</u>	<u>9,982,005</u>

Other income received refers to income that does not fall under any prescribed account. Liquidated damages are recoveries from contractors due to non-performance.

9. Employee costs

	2025	2024
	K	K
Rural Electrification Authority		
Salaries and wages	64,917,124	21,172,105
Gratuity	4,503,330	3,084,941
Accrued leave pay	3,881,562	1,392,663
Medical scheme expenses	-	76,210
Staff welfare and benefits	5,507,622	2,922,373
	<u>78,809,638</u>	<u>28,648,292</u>
Rural Electrification Fund		
Salaries and wages	-	51,301,845
Gratuity	-	12,920,910
Accrued leave pay	-	5,229,480
Medical Scheme expenses	-	2,309,300
Staff welfare and benefits	-	4,505,112
	<u>-</u>	<u>76,266,647</u>
Consolidated	<u>78,809,638</u>	<u>104,914,939</u>



RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

	2025 K	2024 K
10. Administration expenses		
Rural Electrification Authority		
Fuel, lubricants, and oils	1,937,529	2,173,525
Communication	243,766	72,207
Training, workshops, and seminars	771,952	452,434
Cleaning and materials	1,147,046	755,475
Security charges	1,256,102	284,880
Board of Directors fees	986,010	-
Bank charges	119,523	47,387
Office refreshments	911,654	770,153
Legal fees expenses	1,190,662	-
Board meeting expenses	289,249	-
Subscriptions	554,886	735,023
Electricity and water	307,855	274,561
Stationery, printing and publications	660,630	404,151
Maintenance of equipment and buildings	360,333	292,268
Computer software and consumables	1,497,194	50,123
Rental expenses	-	182,729
Motor vehicle repairs	2,655,416	483,488
Software and licenses	2,946,480	659,176
Local Travel expense	1,503,236	2,150
Other admin costs	640,800	1,740,832
Medical Expenses	3,083,235	-
Audit Expenses (Note 10)	1,081,572	-
Motor Vehicle Insurance	<u>1,391,207</u>	-
	<u>25,536,337</u>	<u>9,380,562</u>

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

10.	Administration expenses (continued)	2025	2024
		K	K
	Rural Electrification Fund		
	Audit Expenses	-	1,649,509
	Motor Vehicle Repairs		2,970,847
	Legal fees	876,168	-
	Communication	-	1,284,120
	Motor vehicle insurance	-	275,760
	Training, workshops, and seminars	-	752,675
	Fuel, lubricants, and oils	-	220,928
	Procurement management	-	1,359,250
	Other administrative costs	-	1,527,657
	Computer software and consumables	-	55,668
	Board of Directors allowances	-	1,229,928
	Stationery, printing, and publications	-	739,378
	Software and licenses	1,503,834	2,021,847
	Bank charges	16,680	130,115
	Maintenance of equipment and buildings	-	159,803
	Staff subscriptions	-	4,720
	Security charges	-	796,017
	Cleaning materials	-	83,666
	General insurance	367,592	854,549
	Board meeting expenses	-	1,167,039
	Board Training Expense		1,058,255
	Office refreshments	-	35,040
	Electricity and water		1,200
	Project Risk Management	131,573	-
	Net Exchange Loss	<u>10,141,244</u>	-
	Subtotal	<u>13,037,091</u>	<u>18,377,971</u>
	Consolidated	<u>38,573,428</u>	<u>27,758,533</u>
	Below is the detailed breakdown for the audit expenses:	2025	2024
		K	K
	External audit fees	650,000	551,841
	Project Risk Management	-	286,591
	Other Internal Audit Expenses	<u>431,262</u>	<u>811,077</u>
	Consolidated	<u>1,081,262</u>	<u>1,649,509</u>
11.	Project Expenses		
	Rural Electrification Fund	31,327,095	46,511,870
	Rural Electrification Authority	<u>3,732,807</u>	<u>5,876,651</u>
	Consolidated	<u>35,059,902</u>	<u>52,388,521</u>
	Project expenses are expenses that are directly associated with project implementation and monitoring. Activities that give rise to project expenses include monitoring and evaluation, project commissioning, compensation to displaced people, environmental clearing fees and rental of project offices.		
12.	Exhibitions and Publicity	2025	2024
	Rural Electrification Fund	83,938	4,459,024
	Rural Electrification Authority	<u>472,573</u>	<u>359,650</u>
	Consolidated	<u>556,511</u>	<u>4,818,674</u>



RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

13. Property and equipment

	Land and Buildings K	Motor Vehicles K	Office equipment K	Furniture and fittings K	Office machinery K	Total K
Cost						
At 1 January 2024	5,817,268	58,531,065	19,842,691	3,151,524	408,622	87,751,170
Additions	-	16,001,199	2,730,011	299,310	-	19,030,520
Disposals	-	-	-	-	-	-
At 31 December 2024	5,817,268	74,532,264	22,572,702	3,450,834	408,622	106,781,690
Additions	806,437	920,000	2,247,994	62,000	-	4,036,431
Disposals	-	-	-	-	-	-
At 31 December 2025	6,623,705	75,452,264	24,820,696	3,512,834	408,622	110,818,121
Depreciation						
At 1 January 2024	-	38,830,369	11,322,239	1,900,767	408,622	52,461,997
Charge for the year	-	9,266,295	3,794,161	360,131	-	13,420,587
Disposals	-	-	-	-	-	-
At 31 December 2024	-	48,096,664	15,116,401	2,260,898	408,622	65,882,584
Charge for the year	-	11,605,674	3,546,369	370,754	-	15,522,797
Disposals	-	-	-	-	-	-
At 31 December 2025	-	59,702,338	18,662,770	2,631,652	408,622	81,405,381
Carrying amount						
At 31 December 2025	6,623,705	15,749,926	6,157,926	881,182	=	29,412,739
At 31 December 2024	5,817,268	26,435,600	7,456,301	1,189,936	-	40,899,106

Depreciation Expense Allocation

Rural Electrification Fund
Rural Electrification Authority

Consolidated

	2025	2024
	915,890	291,216
	14,616,907	13,129,371
	<u>15,532,797</u>	<u>13,420,587</u>

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

14. Capital Work In Progress

Rural Electrification Fund

Capital work in progress represents projects being undertaken by the Rural Electrification Authority in its quest to provide electricity to the rural populace. At the end of the project circles, the completed projects are transferred to ZESCO, for operations and maintenance at no cost consideration because ZESCO and REA are agencies of the Government of the Republic of Zambia.

	2025	2024
Work in progress	K	K
At beginning of year	1,835,021,746	1,420,418,928
Additions during the year	342,437,036	414,602,818
Completed projects transferred to ZESCO	(463,378,519)	-
Total Capital Work In Progress	<u>1,714,080,263</u>	<u>1,835,021,746</u>

NB: Capital Work In Progress figure of K1,714,080,263 includes K209,724,900 for completed Mini Grids Solar Projects that have not been fully operationalised due to lack of an Approved Business Model. REA is in the process of developing Business Models subject to approval by the Board of Directors.

15. World Bank – NEAT PROGRAM

National Energy Advancement and Transformation (NEAT) is a World Bank funded program implemented in phases. NEAT – Phase I is a 3-year Program for Results (PforR) being implemented by REA and ZESCO Limited over financial years 2024 to 2026 with a funding allocation of US\$100,000,000 of which US\$10,000,000 is for rural electrification.

The specific budget lines at REA that form part of the Program Expenditure Framework along with their respective expenditures incurred during the period are:

Account code	Description	Expenditure incurred in the year (Jan-Dec 2025)	Cumulative Expenditure incurred to date (start date to Dec 2025)
		K	K
6400>010/020	Rural Electrification (On & Off Grid)	84,763,794	84,763,794
3000>000/4530/4600>000	Consultancy & Support Services	16,679,023	16,679,023
Total Expenditure		101,442,817	101,442,817

16. **Receivables**

Rural Electrification Authority	2025	2024
	K	K
Staff Loans and Advances	5,966,177	13,140,532
Prepayments	68,000	117,852
Staff Imprest	<u>175,158</u>	<u>380,210</u>
	<u>6,209,335</u>	<u>13,638,594</u>

Under staff receivables an interest of 5% is charged for each employee loan over the period of the loan.

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

16. Receivables (continued)

	2025	2024
Rural Electrification Fund	K	K
Receivables	<u>465,236,278</u>	<u>448,279,650</u>
	<u>465,236,278</u>	<u>448,279,650</u>
Consolidated	<u>471,445,613</u>	<u>461,918,244</u>

Receivables refer to advance payments made to contractors before the commencement of the rural electrification projects. These amounts are recoverable in full from the contractor.

17. Inventory

	2025	2024
Rural Electrification Fund	K	K
Grid extension materials and solar energy equipment and spares	<u>73,999,721</u>	<u>89,286,635</u>

There were no write-downs of inventories recognised as an expense during the year 2025 (2024: K nil).

	2025	2024
	K	K
18. Cash and cash equivalents		
Rural Electrification Authority		
Total cash and cash equivalents	<u>4,011,127</u>	<u>14,820,632</u>
	<u>4,011,127</u>	<u>14,820,632</u>
Rural Electrification Fund		
Bank and cash balances	<u>32,118,332</u>	<u>142,401,851</u>
	<u>32,118,332</u>	<u>142,401,851</u>
<i>Short-term investments classified as cash equivalents:</i>		
Atlas Mara (Finance Bank Zambia Plc)	48,000,000	48,000,000
Access Bank Zambia Limited	<u>28,000,000</u>	<u>28,000,000</u>
	<u>76,000,000</u>	<u>76,000,000</u>
Total cash and cash equivalents	<u>108,118,332</u>	<u>218,401,851</u>
Consolidated	<u>112,129,459</u>	<u>233,222,483</u>

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Authority and earn interest at the respective short-term deposit rate. The fixed deposit accounts are for 28 days and renewable accordingly. These investments were done after due approval was obtained from the Secretary to the Treasury in line with the Public Finance Regulations.



RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

	2025 K	2024 K
19. Capital grants		
At beginning of the year	85,242	2,247,258
Additions during the year	-	-
Grant amortisation for the year	-	(2,162,016)
At end of the year	<u>85,242</u>	<u>85,242</u>
Maturity analysis:		
Current	-	-
Non-current	<u>85,242</u>	<u>85,242</u>
	<u>85,242</u>	<u>85,242</u>
20. Payables		
Rural Electrification Authority		
Payables	10,659,888	775,268
Gratuity provisions (note (a))	630,716	15,959,387
Leave pay provisions (note (b))	454,028	3,795,279
Amount payable to the Government ((Note 23 (d))	<u>119,748</u>	<u>(43,746)</u>
	<u>11,864,380</u>	<u>20,486,188</u>
General Suppliers/Creditors	<u>58,555,474</u>	<u>39,831,933</u>
Consolidated	<u>70,419,854</u>	<u>60,318,121</u>
Rural Electrification Fund		
Contractor payables	<u>8,669,956</u>	<u>18,944,908</u>
Consolidated	<u>79,089,810</u>	<u>79,263,029</u>
a) Gratuity provision		
At beginning of the year	15,959,387	14,921,812
Charge during the year	4,503,330	16,005,851
Payment during the year	<u>(19,832,001)</u>	<u>(14,968,276)</u>
Balance at the year end	<u>630,716</u>	<u>15,959,387</u>
b) Leave pay provision		
At beginning of the year	3,795,279	1,945,180
Charge during the year	3,881,562	6,622,143
Payments during the year	<u>(7,222,813)</u>	<u>(4,772,044)</u>
Balance at the year end	<u>454,028</u>	<u>3,795,279</u>

Provision for gratuity is made in full at all times, for the purposes of prudence, for the gratuities payable to employees from the date of commencement of employee's contract through the expiry of the contracts.

The Authority controls liquidity risk through monitoring of rolling forecasts of cash and cash equivalents on the basis of expected cash flow. In addition, the Authority's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet liabilities.

The Directors consider that the carrying amount of payables approximates their fair value.

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

21. Operating lease arrangements

Rural Electrification Authority had an operating lease with Lusaka North Trade and Investment Center involving the occupancy of Plot No. Lusak/In15087/2 along Great North Road in Lusaka. The operating lease relates to all those premises erected upon the said plot with lease term of 1 year and the rented warehouse, with an option to renew the lease agreement. The operating lease contract contains market review clauses in the event that the Authority exercises its option to renew. The Authority does not have an option to purchase the leased property at the expiry of the lease period.

	2025 K	2024 K
Minimum lease payments under operating leases recognized as an expense in the year	5,679,806	6,109,482

22. Financial Instruments

Categories of financial instruments	2025 K	2024 K
Financial assets		
- Cash and cash equivalents	112,129,459	233,222,483
- Receivables	<u>471,445,613</u>	<u>461,918,244</u>
	<u>583,575,071</u>	<u>695,140,727</u>
Financial liabilities		
- Payables	<u>79,089,810</u>	<u>79,263,029</u>

Financial risk management objectives

The ultimate responsibility for managing risks rests with the Board of Directors. The key financial risks for the Authority are liquidity risk and foreign exchange rate risk. The Board has in place a risk management framework for the Authority's short term, medium term and long-term funding requirements. The Authority manages the risk by continuously monitoring forecasts and actual cash flows and matching maturity profiles of financial assets and liabilities.

Market risk

The Authority's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see below) and interest rates (see below). The Authority does not enter into contracts to manage its exposure to interest rate and foreign currency risk to hedge the exchange rate risk arising on the borrowings from foreign entities.

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

Liquidity risk profile

Loans, advances and other receivables, cash and cash equivalents are classified as loans and receivables whilst all liabilities are classified as other liabilities in line with International Public Service Accounting Standards (IPSAS) N0. 30. The Authority's Board of Directors reviews the capital structure of the Authority regularly. As part of the review, it considers the cost of capital and the risks associated with each class of capital. The Authority manages capital to ensure that it will be able to continue as a going concern, while maximising the return to stakeholders through the optimisation of the debt and net asset balances. The capital structure of the Authority consists of the net debt (borrowing offset by cash and bank balances) and equity (comprising of General Fund, Rural Electrification Fund and surplus). The Authority is not subject to any externally imposed capital requirement.



RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

22. Financial Instruments (continued)

Fair value measurements

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation.

The following methods and assumptions were used to estimate the fair values:

Cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Fair value hierarchy

The Authority uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, Lusaka Securities Exchange).

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Authority considers relevant and observable market prices in its valuations where possible.

Fair value of the Authority's financial assets and financial liabilities that are measured at fair value on a recurring basis

There were no financial assets and liabilities that are measured at fair value on a recurring basis during the period.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair value.

	2025		2024	
	Carrying Amount K	Fair value K	Carrying amount K	Fair value K
Financial assets				
Loans and receivables:				
- receivables	<u>471,445,613</u>	<u>471,445,613</u>	<u>461,918,244</u>	<u>461,918,244</u>
Financial liabilities				
Financial liabilities held at Amortised cost:				
- payables	<u>79,089,810</u>	<u>79,089,810</u>	<u>79,263,029</u>	<u>79,263,029</u>

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

22. Financial Instruments (continued)

Categories of financial instruments (continued)

<u>Fair value hierarchy as at 31 December 2025</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>K</u>	<u>K</u>	<u>K</u>	<u>K</u>
Financial assets				
Loans and receivables:				
- receivables	<u>-</u>	<u>471,445,613</u>	<u>-</u>	<u>471,445,613</u>
Financial liabilities				
Financial liabilities held at amortised cost:				
- payables	<u>-</u>	<u>79,089,810</u>	<u>-</u>	<u>79,089,810</u>

<u>Fair value hierarchy as at 31 December 2024</u>				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>K</u>	<u>K</u>	<u>K</u>	<u>K</u>
Financial assets				
Loans and receivables:				
- receivables	<u>-</u>	<u>461,918,244</u>	<u>-</u>	<u>461,918,244</u>
Financial liabilities				
Financial liabilities held at amortised cost:				
- payables	<u>-</u>	<u>79,263,029</u>	<u>-</u>	<u>79,263,029</u>

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties. Due to the short-term maturity dates these amounts have not been discounted as the Directors are of the view that carrying or fair value approximates the fair value.

Credit risk

Credit risk is the risk of financial loss to the Authority if customers or counterparties to financial instruments fail to meet their contractual obligations, and it arises principally from the Authority's investments, receivables, and cash and cash equivalents. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 31 December 2025 was:

	2025	2024
	K	K
Cash and cash equivalents	112,129,459	233,222,483
Receivables	471,445,613	461,918,244
Maximum exposure to credit risk	583,575,072	695,140,727



RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

22. Financial Instruments (Continued)

Liquidity risk

Liquidity risk is the risk of the Authority not being able to meet its obligations as they fall due. The Authority's approach to managing liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Authority's reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operating expenses through the use of cash flow forecasts.

At 31 December 2025

	1 - 3 Months K	3 months to 1 year K	1 – 5 years K	Total K
Liabilities				
Payables	<u>7,908,945</u>	<u>15,817,890</u>	<u>55,362,975</u>	<u>79,089,810</u>
Assets				
Bank and cash equivalents	112,129,459	-	-	112,129,459
Receivables	<u>471,445,613</u>	<u>-</u>	<u>-</u>	<u>471,445,613</u>
Total	<u>583,575,072</u>	<u>=</u>	<u>=</u>	<u>583,575,072</u>

At 31 December 2024

	1 - 3 Months K	3 months to 1 year K	1 – 5 years K	Total K
Liabilities				
Payables	<u>750,838</u>	<u>19,724,661</u>	<u>58,787,530</u>	<u>79,263,029</u>
Assets				
Bank and cash equivalents	233,222,483	-	-	233,222,483
Receivables	<u>583,882</u>	<u>13,154,272</u>	<u>448,180,090</u>	<u>461,918,244</u>
Total	<u>233,806,365</u>	<u>13,154,272</u>	<u>448,180,090</u>	<u>695,140,727</u>

RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

22. Financial Instruments (Continued)

Capital management

The primary objective of managing the Authority's capital is to ensure that there is sufficient cash available to support the Authority's funding requirements, including capital expenditure, to ensure that the Authority remains financially sound.

Currency risk

The Authority is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the Dollar denominated contractor receivables and payables balances.

At 31 December 2025, if the Kwacha had strengthened/weakened by 5% against the US dollar with all other variables held constant, increase in net assets for the year would have been K68,089 higher/lower (2024: K392,910).

At 31 December 2024, if the Kwacha had strengthened/weakened by 5% against the dollar with all other variables held constant, increase in the Authority's financial instruments denominated in foreign currency for the year would have been as follows:

Financial assets	2025 K	2024 K
United States Dollar (USD)	<u>-</u>	<u>2,497,345</u>
Financial liabilities		
United States Dollar (USD)	<u>-</u>	<u>68,903</u>

23. Related party transactions

The Rural Electrification Authority is a statutory body which was created by an Act of Parliament and is controlled by the Government. There are other entities that are related to the Authority through common directorships.

The Authority has balances with and had transacted with the following related parties during the year:

(a)	Grants from the Government	2025 K	2024 K
	Rural Electrification Fund	272,426,230	343,607,672
	Rural Electrification Authority	<u>85,144,031</u>	<u>25,114,031</u>
		<u>357,570,261</u>	<u>368,721,703</u>
(b)	Directors expenses		
	Board allowances	986,010	1,229,929
	Board Training Expenses	-	1,058,255
	Board Meeting Expenses	<u>289,249</u>	<u>1,167,039</u>
		<u>1,275,259</u>	<u>3,455,223</u>
(c)	Amounts due from related parties		
	Grants receivable from the Government		
	Rural Electrification Fund	-	-
	Rural Electrification Authority	<u>7,095,336</u>	<u>-</u>
		<u>7,095,336</u>	<u>-</u>

Grants receivable from the Government represent grant income allocated to the Authority but had not yet been received as at year end.



RURAL ELECTRIFICATION AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2025

23. Related party transactions (continued)

	2025 K	2024 K
(d) Amounts due to related parties		
Amounts payable to the Government	<u>119,748</u>	<u>(43,746)</u>

Funds payable to the Government represent other income that is to be remitted to the Government by the Authority. This is income that is generated by the Authority that is not included as a revenue stream as per Rural Electrification Act No. 5 of 2023.

24. Capital Commitments

	2025 K	2024 K
Opening balance	149,097,675	117,373,728
Approved and/or contracted by directors during the year	<u>581,272,575</u>	<u>234,862,638</u>
Sub-total	<u>730,370,250</u>	<u>352,236,366</u>
Less amount written off	-	-
Less : Contracts executed during the year (payments)	<u>(342,437,036)</u>	<u>(203,138,691)</u>
	<u>387,933,214</u>	<u>149,097,675</u>

Other commitments

The Authority has entered in cancellable contracts for the payment to which the authority is committed during the next financial year as shown below.

	2025 K	2024 K
Not later than one year	581,272,575	234,862,638

25. Contingent liabilities

There were legal cases involving the Authority versus the contractor and a former employee under the World Bank funded project (ESAP) which were running at the end of the financial year under review. The outcome of these cases is not likely to affect these financial statements as there is no possibility for any potential contingent liability.

26. Events after the reporting date

There has not arisen since the end of the financial period, any item, transaction or event of a material and unusual nature likely in the opinion of the directors of the entity to affect substantially the operations of the entity, the results of those operations or the state of affairs of the entity.

RURAL ELECTRIFICATION AUTHORITY

APPENDIX I – DETAILED OPERATING STATEMENT

	Rural Electrification Authority		Rural Electrification Fund	
	2025	2024	2025	2024
	K	K	K	K
Grant income				
Government appropriations	85,144,031	25,114,031	272,426,230	343,607,672
International donor funding	-	-	-	135,297,478
	<u>85,144,031</u>	<u>25,114,031</u>	<u>272,426,230</u>	<u>478,905,150</u>
Other income				
Finance income	13,298,800	9,338,213	-	326,413
Foreign exchange gains	-	3,591,302	-	-
Other income	<u>1,148,848</u>	<u>113,260</u>	<u>6,465,492</u>	<u>6,277,443</u>
	<u>14,447,648</u>	<u>13,042,775</u>	<u>6,465,492</u>	<u>6,603,856</u>
Gross income	<u>99,591,679</u>	<u>38,156,806</u>	<u>278,891,722</u>	<u>485,509,006</u>
Staff and related costs				
Salaries and wages	64,917,124	21,172,105	-	51,301,845
Gratuity	4,503,330	3,084,941	-	12,920,910
Accrued leave pay	3,881,562	1,392,663	-	5,229,480
Medical scheme expenses	-	76,210	-	2,309,300
Staff welfare and benefits	<u>5,507,622</u>	<u>2,922,373</u>	-	<u>4,505,112</u>
Total staff costs	<u>78,809,638</u>	<u>28,648,292</u>	-	<u>76,266,647</u>

RURAL ELECTRIFICATION AUTHORITY

APPENDIX I – DETAILED OPERATING STATEMENT (CONTINUED)

	Rural Electrification Authority		Rural Electrification Fund	
	2025	2024	2025	2024
	K	K	K	K
Administrative and other expenses				
Rental expenses	5,679,806	182,729	-	6,109,482
Fuel, lubricants and oils	1,937,529	2,173,525	-	220,928
Audit and Risk expenses	1,081,573	-	131,573	1,649,509
Communications	243,766	72,207	-	1,284,120
Training, workshops and seminars	771,951	452,434	-	752,675
Board of Directors Allowances	986,010	-	-	1,229,928
Other administrative costs	640,800	1,740,832	-	1,527,657
Maintenance of equipment and buildings	360,333	292,268	-	159,803
Stationery, printing and publications	660,630	404,151	-	739,378
Travel, transport and subsistence	1,503,236	2,150	-	-
Carried forward	13,865,634	5,320,296	131,573	13,673,480

RURAL ELECTRIFICATION AUTHORITY

APPENDIX I – DETAILED OPERATING STATEMENT (CONTINUED)

	Rural Electrification Authority		Rural Electrification Fund	
	2025	2024	2025	2024
	K	K	K	K
Administrative expenses brought forward	13,865,634	5,320,296	131,573	13,673,480
Cleaning and materials	1,147,046	755,475	-	83,666
Security charges	1,256,102	248,880	-	796,017
General insurance	-	-	367,592	854,549
Bank charges	119,523	47,387	16,680	130,115
Medical Expenses	3,083,235	-	-	-
Motor vehicle repairs	2,655,416	483,488	-	2,970,847
Office refreshments	911,654	770,153	-	35,040
Board meeting expenses	289,249	-	-	1,167,039
Board training expenses	-	-	-	1,058,255
Legal fees expense	1,190,662	-	876,168	-
Subscriptions	554,886	735,023	-	4,720
Exhibition and publicity	472,573	359,650	83,938	4,459,024
Electricity and water	307,855	274,561	-	1,200
Computer software and consumables	1,497,194	50,123	-	55,668
Motor vehicle insurance	1,391,207	-	-	275,760
Software and licenses	2,946,480	659,176	1,503,834	2,021,847
Procurement management	-	-	-	1,359,250
Foreign exchange losses	-	-	10,141,244	-
Total administrative and other expenses	31,688,716	9,740,212	13,121,029	28,946,477
Project expenses	3,732,807	5,876,651	31,327,095	46,511,870
Depreciation	14,616,907	13,129,372	915,890	291,216
Surplus/(deficit) for the year	(29,256,389)	(19,237,721)	233,527,708	333,492,796



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