

CARDS Project 2005

Facilitating and Implementing the Energy Community in South East Europe

Reference: 100231

QUARTERLY PROGRESS REPORT **(January - March 2006)**

2006

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I. INTRODUCTION

1. Basic project data

A project called "*Facilitating and Implementing the Energy Community in South East Europe*" is in execution from 1 March 2005 until 31 December 2006, in total 22 months. A major task of the Project has been to set up and manage an interim Energy Community Secretariat. This secretariat is to assist the European Commission and the Permanent High Level Group in guiding the process of creating an energy community. Project activities concentrate on putting principles in place that were set in the Athens Memoranda 2002 and 2003, related to creation of mutually compatible internal energy market in South East Europe that is, in turn, compatible with the EU internal energy market (IEM).

Financing of activities for this project is provided under the CARDS¹ program (3.3 MEUR, 96% of the total) through Grant Contract N°. 100231 with a contribution from the Republic of Austria (4%) – henceforward referred to as 'the Grant Contract'. The contracting parties are the European Commission acting through DG Enlargement and the *Bundesministerium fuer Wirtschaft und Arbeit* of Austria (BMWA) with its office at Schwarzenbergplatz 1, 1015 Vienna in Austria.

2. Legal background for the report

The preparation of this report is based on the requirement of Item 8 of Annex I to the Grant Contract stating that "Quarterly Progress reports including a section assessing progress with respect to the road map" shall be presented.

¹ The CARDS (Community Assistance for Reconstruction, Development and Stabilization) Program underpins the objectives and mechanisms of the Stabilization and Association Process, which is the EU policy framework for the Western Balkan countries until their eventual accession: Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Serbia and Montenegro, including Kosovo (as defined by the UN Security Council Resolution 1244). Croatia which has been granted candidate country status is benefiting from pre-accession financial assistance while remaining eligible for participation in the CARDS regional programme.

3. *Scope of the Report*

This report refers particularly to the Scope of Work defined under point 4 of Annex I to the Grant Contract and identifies the focus of activities, related to the process of the establishment of the interim Energy Community Secretariat (“the Secretariat”) and its activities from organizational point of view along the lines of the Grant Contract. The report also refers to activities, related to the preparation of roadmaps for regional power and gas market opening.

The activities of the Secretariat, related to the process of the establishment and development of the Energy Community, in accordance with the requirements of Annex I item 8 of the Grant Contract are subject of a separate report.

The report reflects the work been done within the first quarter of the year 2006 containing both technical and financial part of the Secretariat’s work.

All documents, to which this report contains any reference, are available upon request.

II. KEY ACTIVITIES WITHIN THE REPORTING PERIOD

1. *Technical aspects*

Number of project activities within the first quarter of the year 2006 has been introduced to follow the requirements of the Grant Contract, related to the creation of internal energy market in South East Europe, which is compatible with the EU internal energy market.

1.1. *Summary*

Within the relevant reporting period the key activities of the Secretariat were concentrated on the following:

- Activities, related to the recruitment procedures of the staff of the Secretariat;
- Further development of the internal rules of the Secretariat– in relation to item 4.1.3 (section “Specific Activities”) of Annex I to the Grant Contract;
- Activities related to the establishment of the Annual Work Program 2006 of the Secretariat– in relation to item 4.1.3 (section “Specific Activities” – all tasks) of Annex I to the Grant Contract;
- Activities, related to the process of preparation of roadmaps for regional power and gas market opening – in relation to Task 1 -item 4.1.3 (section “Specific Activities”) of Annex I to the Grant Contract.
- Steps towards improvement of the website of the Energy Community – in relation to Task 5 - item 4.1.3 (section “Specific Activities”) of Annex I to the Grant Contract;;
- Activities, related to the provision of administrative support for forums within the project – in accordance with Task 2 - item 4.1.3 (section “Specific Activities”) of Annex I to the Grant Contract.

Each of these items is elaborated in brief below.

1.2. Activities, related to the completion of the recruitment procedures of the staff of the Secretariat

Concrete activities were undertaken within the revised period as to complete the process of recruitment of the staff of the Secretariat. The process itself had started in November 2005; however, by 1st February 2006 only the Financial, Legal and Administrative

Director was appointed. Anyhow, most of the activities in this respect were undertaken in the month of January 2006, when a number of evaluation meetings with the Appointment Committee and final interviews with the relevant candidates took place. Further, the negotiation of terms and conditions of the employment were discussed. The Secretariat was also deeply involved in assisting the appointed members of the staff to obtain the necessary work permits in accordance with the Austrian legislation.

1.3. Further development of the internal rules of the Secretariat

On the ground of identified operational needs to improve internally the procedures related to expenditures on energy policy issues, development of Financial Rules for Activities, related to Energy Policy Issues was initiated.

Further, Rules for reimbursement procedure under the CARDS program were also prepared.

At the beginning of February 2006, there was no internal registrar system available. As the need of it was evident, it was developed and approved by the Director.

1.4. Activities, related to the establishment of the Work Programme of the Secretariat for 2006

As this was a key task, which influences the overall work of the Secretariat, it was a subject of particular attention in the month of February 2006. The ground for it was the in depth analysis of the requirements and the overall and specific objectives of the Grant Contract and the project objectives as such. Further, the analysis focused on the tasks, indicated in Annex I of the Grant Contract.

It was on this ground that the Work Programme of the Secretariat for 2006 was drafted and presented to the Permanent High Level Group, which approved it in March 2006.

1.5. Activities, related to the process of preparation of roadmaps for regional power and gas market opening

Although the Work Programme, which gave for the first time concrete guidelines on the time frame about the preparation of the roadmaps, was approved within the second half of the period (9 March 2006), the preparation of the Secretariat in relation to the work related to the roadmaps started earlier and continued afterwards. A scheme for country missions was developed, the general and concrete principles of work were discussed and agreed within the Secretariat; the work on standardised templates started.

These activities turned to be of particular importance at a later stage as they facilitated the work on substance.

1.6. Steps towards improvement of the website of the Energy Community

Noting the importance of the process of collection and distribution actual data with contemporary methods, the improvement of the website of the Energy Community was a key task within the identified period.

During this period, a new concept for the website with all details was discussed and initially developed.

1.7. Activities, related to the provision of administrative support for forums

Within the period, the Secretariat provided administrative support by directly organizing the following meetings and events:

- Meeting of the Donors' Community (7 March 2006, Vienna);
- PHLG meeting (8-9 March 2006, Vienna);
- Mini Forum (27-28 March 2006, Dubrovnik).

III. Outlook

Further activities related to the implementation of the approved Annual Work Program 2006 of the Secretariat shall be followed. Some measures regarding human resources management in terms of building up the new Secretariats team shall be implemented. Significant focus on the development of the concept of the Power/Gas roadmap will be given, discussed with the Parties to the Treaty and presumably presented to the stakeholders of the Energy Community at the upcoming Athens Forum in June 2006.