

**PROCEDURAL ACT OF
THE MINISTERIAL COUNCIL OF THE ENERGY COMMUNITY**

**PA/2009/01/MC-EnC of 26 June 2009 on the adoption of the Budget of the Energy Community
2010 - 2011**

The Ministerial Council of the Energy Community,

Having regard to the Treaty establishing the Energy Community, and in particular Articles 74 and 88 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- The Ministerial Council shall adopt the budget of the Energy Community every two years,
- The budget shall cover the operational expenses of the Energy Community necessary for the functioning of its institutions,
- Each Party shall contribute to the budget of the Energy Community as set out in Annex IV to the Treaty Establishing the Energy Community,

HAS DECIDED AS FOLLOWS:

Article 1

The Energy Community Budget, covering the calendar years 2010-2011, set forth in the ANNEX, is hereby adopted.

Article 2

This Procedural Act is addressed to all Parties and institutions under the Treaty Establishing the Energy Community.

Article 3

The Director of the Energy Community Secretariat shall make this Procedural Act and its ANNEX available to all Parties and institutions under the Treaty establishing the Energy Community within 7 days after its adoption.

Done in Sarajevo on 26th June 2009

For the Ministerial Council

Mladen Zirojevic
Presidency



ANNEX

ENERGY COMMUNITY BI-ANNUAL BUDGET

2010-2011

I. INTRODUCTION

This Budget proposal for the period 2010-2011 refers to the second bi-annual budgetary period of the Energy Community. It was established at the light of the first budgetary period 2008-2009 and on the basis of a draft Work Program 2010-2011.

It is recalled that pursuant to Articles 74 and 88 of the Treaty establishing the Energy Community (the "Treaty"), the Ministerial Council shall – upon proposal by the European Commission - adopt by unanimity the bi-annual budget of the Energy Community by Procedural Act. It is also noted that the structure of the budget follows the requirements of the *Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection* as adopted by the Ministerial Council of the Energy Community (PA 2006/03 of 17 November 2006) (thereinafter "Budgetary Procedures").

The experience so far indicates that the budgetary frame 2008-2009 envisages sufficient financial means for the performance of the Work Program for the same period as adopted by the Ministerial Council of the Energy Community in December 2007. Thus, within 2008 the Contracting Parties continued their active work towards implementation of the *acquis* under the Treaty in all specified areas (energy, renewables, environment and competition). Further, concrete activities in the areas of energy efficiency and the social dimension of the Energy Community were undertaken. Besides, new measures were outlined – particularly concerning security of supply and the oil sector. As a key priority, the market development within the Energy Community was also in the focus of attention – concrete steps towards establishment of coordinated auctioning in the electricity sphere were made; some important aspects related to the gas sector on regional level were also discussed in more concrete terms. In addition, promotion of investments on the ground of explicitly identified projects has been regularly targeted.

In parallel, the administrative development of the Energy Community Secretariat was sufficiently backed up financially.

The budget utilization within the financial year 2008 followed strictly all budgetary assumptions of the corresponding Work Program 2008. 92% of the overall funds were utilized after consideration of the relevant outstanding deliverables of the year 2008¹. Those outstanding deliverables refers mainly to studies, which have been contracted in 2008, but whose actual performance takes some time, including in 2009.

In February 2009, the 2008 accounts of the Energy Community were audited by the company "Ernst & Young". The results of the audit confirmed that financial statements of the Energy Community present fairly, in all material respects, the financial position of the Energy Community and of its financial performance and its cash flow for the year 2008 in accordance with IPSAS requirements. The key audit results were reflected in a management letter addressed to the Director and those are subject to separate reporting to the Budget Committee and to the Ministerial Council of the Energy Community. The audit for 2008 confirmed a level of unused commitments of EUR 338.170 and of unused appropriations of EUR 261.708² (including the 2007 unused appropriations of EUR 77.352). These unused appropriations will be returned to the Parties in accordance with their participation in the funding of the budget of the Energy Community.

Further, implementation period of the Budget 2009 has commenced. The overall budgetary funds for 2009 amount to EUR 2.996.942, which shall be allocated in accordance with the budgetary assumptions of the relevant Procedural Act on Budget 2008-2009 and of the Work Program 2009 (40% on Human Resources (Personnel Costs), 8% on Travel Expenditures, 7% Office and 45% Other Costs and Services (incl. Studies, Research and Consulting) or along other concrete decisions of the competent bodies, following the requirements of the established Budgetary Procedures.

It is also noted that the Energy Community is currently negotiating the accession of new Contracting Parties. The budget 2010-2011 does not include specific elements linked with these possible new Contracting Parties because their date of accession has not been decided yet. However, it is expected that additional costs linked to the possible accession of new Contracting Parties during the budgetary period 2010-2011 would only be limited and could be accommodated within the present budget.

II. BUDGETARY STRUCTURE AND GENERAL CHARACTERISTICS

¹ see also Energy Community Budget Utilization Report 2008 and attachement 3

² see Energy Community Auditor's Report on the Financial Statements as of December 31, 2008

The budgetary structure remains unchanged as compared with the budget 2008-2009.

The present budget defines the commitment appropriations necessary to cover legal commitments made to spend funds from the budgetary period in question and is based in the implementation of the two years 2007 and 2008. Unless otherwise indicated, all amounts mentioned are in commitment appropriations.

It is noted that the EU contribution to the budget of the Energy Community (98.10%) is subject to approval of the EU Budget by the EU Budgetary Authority.

1. BUDGET LINES – LIST AND OUTLINE

The budget is structured within the following four major budget lines:

- Human Resources,
- Travel Expenses,
- Office Expenses and
- Other Costs and Services.

Each of these budget lines contains budgetary positions³, which are specified in line with the applicable accounting standards and which match mostly the activities of the Energy Community; these are used for accounting purposes.

The budget lines “Human Resources”, “Travel Expenses” and “Office Expenses” refer to the Energy Community Secretariat as the only permanently operational institution, while the budget line “Other Costs and Services” concerns respectively the Energy Community Secretariat and all other institutions under the Energy Community Treaty – for the latter particularly via the costs of events (including organizational costs and costs of refunding).

1.1. Human Resources

³ The term “budget line” or “budget lines” are used in the context of the Energy Community Procedures for the Establishment and Implementation of Budget, Auditing and Inspection, adopted with Procedural Act 2006/03 of the Ministerial Council of the Energy Community on 17th November 2006.

Based on this assumption in relation with the organizational structure of the Secretariat for the year 2010 and 2011, the overall amount for Human Resources is respectively indicated. This proposal is to use as basis the approved salary levels for the staff members of the Secretariat effective for the previous budgetary period, but also to take into consideration the occurred and envisaged changes in the economic environment. Further, the proposal is based on the fact that the salaries are calculated on the ground of the all inclusive monthly remuneration for the individual staff members, which also includes any and all overtime hours.

1.2. Travel Expenses

The budget line reflects the provisions made for the travel expenses – the latter include two components:

- Costs for flights and accidentals and
- Daily Subsistence Allowance (DSA).

1.3. Office Expenses

This budget line shall include the following main budgetary positions:

- Rent
- Office equipment
- Consumables
- Other Services.

It is noted that the Austrian Government has committed to continue covering the rent for the premises of the Secretariat. In addition, however, some contribution by the Energy Community budget under the rent expenditures shall be needed as to cover expenditures, concerning the establishment of the Secretariat in its new premises⁴. This budgetary position occurred in accordance with the concluded lease agreement between the Energy Community and the landlord (BIG – a state owned company under the auspices of the Ministry of Economy and Labour of Austria), which envisages contribution by the Energy Community. The expenditures to be provided by the Energy Community under this budgetary position is in fact needed to cover improvements in the premises (air conditioning in particular).

⁴ Moving of the office premises was financed from the Energy Community Budget 2009, i.e. services like transportation of documents, furniture; further expenditures occurred due to the maintenance of the new office and required adaptations (like additional cabling of the servers rooms, reproduction of keys for rooms etc.); some of investments for the establishment of the office were made from Budget 2008;

The indications on the budgetary position "Office Equipment" take note of the gradual increase of the Secretariat's staff as well as on the principle necessity to maintain the equipment (particularly the IT) up-to-date as to provide for maximum security of the processed data.

The envisaged budget under the budgetary position "Consumables" shall provide sufficiency for the operational everyday work of the institution.

The envisaged budget under the budgetary position "Other services" reflects the necessary funds for telephone, fax, internet and other means of communications.

1.4. Other Costs and Services

The above mentioned budget line is composed of the following major budgetary positions:

- Advertising, communications and representation
- Studies, Research and Consulting
- Costs of outsourced services (IT, payroll etc.)
- Costs of Audit, Legal and Financial Advice
- Financial services
- Costs of Events
- Refunding
- Training (Internal and External)
- Secondment and Traineeship.

2. INSTITUTIONAL SPLIT OF THE BUDGET

As required in Article 73 of the Energy Community Treaty, when preparing the budget, a split of the budget by institutions has also been analyzed. Thus, the concrete figures as indicated below, take note of the necessity to provide financial means (costs of events and costs of refunding) for the meetings and the work of:

- The Ministerial Council of the Energy Community - twice a year⁵;
- Permanent High Level Group – four times a year;

⁵ The indicated number of events is based on the practice so far and on general assumptions for recently established institutions. Any irregular meetings shall be financed within the overall budget as envisaged.

- Energy Community Regulatory Board – four plenary meetings and sixteen meetings of its Working Groups (the latter to be specified depending on the needs);
- Budget Committee – three meetings a year;
- Electricity Forum – twice a year;
- Gas Forum – once a year;
- Social Forum – once a year;
- Oil Forum – once a year;
- Energy Efficiency Task Force – three times a year;
- RES Task Force – three times a year;
- Security of Supply Coordination Group – once a year.

The expenditures for these meetings are envisaged within the Budget Line “Other Costs and Services” (budgetary positions – “Costs of Events” and “Refunding”).

In addition, within the indicated overall budget frame other events (e.g. workshops, other meetings etc.) shall be also covered financially in accordance with specific planning, answering the concretely specified needs and following also the decisions of the Ministerial Council or other competent Energy Community institutions.

3. OTHER ELEMENTS OF THE BUDGET PROPOSAL

This budget proposal includes also the following elements:

- Establishment Plan pursuant to Article 29 of the Procedures for the Establishment and Implementation of the Budget, Auditing and Inspection, which constitutes a limit for the number of authorized posts for each of the financial years (see Attachment 1);
- Table of contributions in accordance with the amended Annex IV of the Treaty (see Procedural Act No. 2006/04/MC Ministerial Council decision of 17 November 2006 on the implementation of Annex IV of the Treaty establishing the Energy Community with respect to Bulgaria and Romania becoming Participants of the Energy Community) (see Annex 2).

III. ENERGY COMMUNITY BUDGET 2010

1. General characteristics

The overall Budget of the Energy Community for the year 2010 amounts to **EUR 3.250.000**, out of which the following distribution among the budget lines applies (in EUR):

- 40.6 % for Human Resources Costs (1.320.000),
- 7.7 % for Travel Expenses (250.000),
- 7.7 % for Office expenses (250.000) and
- 44 % for Other Costs and Services, incl. Studies, Research and Consulting (1.430.000).

The amount of EUR 3.250.000 represents an increase of 8.4 % as compared with 2009 (see Summary Table under IV).

2. Expenditures on Human Resources 2010

The overall figure under this budget line is EUR 1.320.000, which constitutes an increase of 10.27% as compared with 2009.

The indicated figure is calculated on the ground of the assumption that the overall staff of the Secretariat for 2010 will include 19 employees. Compared to 2009, one new position (expert on energy efficiency and renewables⁶) is envisaged as to provide further support for the activities in these areas. This new position is justified by the extension of the activities and could not be covered by internal redeployment. Besides, it includes a 4.5% overall salary increase. This salary increase is motivated by the following considerations:

- The Energy Community offers an “all inclusive” salary package, i.e. there are no whatever additional benefits provided by the Employer – (i.e., resettlement expenses, school allowances, health insurance, pension insurance, travel arrangements to the home country are not covered).
- In perspective of the renewal of most contracts in 2010 and at the light of the previous recruitment procedures, there is a need for a limited salary upgrade.

⁶ The concrete name of the position and the job description are subject to further specification.

3. Travel Expenses 2010

The overall figure under this budget line is EUR 250.000, which constitutes an increase of about 7.3% as compared with 2009. The figure reflects the fact that the support of the Contracting Parties on the spot in the process of implementing the Treaty proves to be a very efficient tool; further, the organization of the work of the Energy Community institutions requires the need for providing sufficient travel means.

4. Office expenses 2010

The overall figure under this budget line is EUR 250.000, which constitutes an increase of ca. 18% as compared with 2009.

This increase in the budget line Office Expenses is justified by recurring expenses (rent expenses⁷, details see below), which are new in the budget of the EnC and by non recurring expenses. The non recurring expenses relate most of all to the required considerations for the renewal of the information technology (PC, laptops and printers) and of relevant equipment for the server room⁸(see below office equipment and consumables). The overall increase by 55.58% in comparison with 2009 is based on the overall assumptions made for increased organizational set up of the Secretariat established under the Treaty⁹.

The envisaged split among the budgetary positions is as follows (in EUR):

- Contribution to the charges of the building	20.000
- Office equipment	80.000
- Consumables.	90.000
- Other services	60.000

5. Other costs and services 2010

The overall figure under this budget line is EUR 1.430.000, which constitutes an increase by 5.5% as compared with 2009. The envisaged split among the budgetary positions is as follows (in EUR):

⁷ Starting 1.1.2009 EnC has to contribute partially to the expenditures related to the running costs of the building of monthly basis, mainly to the air conditioning equipment.

⁸ 8 workspaces of the employees shall be renewed in 2010 due to the expiry of the warranty period

⁹ Increased needs of daily office supplies, phone connections and running costs of the Secretariat

- Advertising, communications and representation	50.000
- Studies, Research and Consulting	450.000
- Costs of outsourced services (IT, payroll etc.)	110.000
- Costs of Audit, Legal and Financial Advice	40.000
- Financial services	20.000
- Costs of Events	260.000
- Refunding	280.000
- Training (Internal and External)	150.000
- Secondment and Traineeship	70.000

Within this budget line, all regular and ad hoc events shall be covered (organizationally and by refunding for participation in accordance with the established rules). Sufficient planning of funds was considered due to the steadily increasing number of events, conferences and workshops in the context of technical assistance of the Secretariat to the Contracting Parties and Observers.

Concrete funding for training, Secondment and Traineeship is also envisaged. When considering the concrete figures in this aspect, the necessity to provide further conditions for active participation of the Contracting Parties in the Energy Community process has been noted.

III. ENERGY COMMUNITY BUDGET 2011

1. General characteristics

The overall Budget of the Energy Community for the year 2011 amounts to **EUR 3.380.000**, out of which the following distribution among the budget lines applies (in EUR):

- 41.7 % for Human Resources Costs (1.430.000),
- 7.8 % for Travel Expenses (270.000),
- 7.3 % for Office expenses (250.000), and
- 43.1 % for Other Costs and Services, incl. Studies, Research and Consulting (1.430.000).

The level of increase for the 2011 Budget as compared with 2010 is 4.2 %.

Further to the overall figures, some specificity under each of the budget lines have been indicated together with the budgetary positions, which in principle are kept the same as for continuity towards the budgetary approach.

It is noted that the final budget 2011 will take into account the real execution for 2009 and possible unspent amounts of the years 2009.

2. Expenditures on Human Resources 2011

The overall figure under this budget line is EUR 1.430.000, which constitutes 40.28 % of the overall budget for the year. The indicated figure is calculated on the ground of the assumption that the overall staff of the Secretariat for 2011 will be 20 persons. Compared to 2010 (19 staff members), one new position, not possible by redeployment, is envisaged in order to take into account the enlargement of the Energy Community to two new Countries.

The comparison between 2011 and 2010 shows an increase of overall 8.3%, which is being proposed in order to reflect some increase of the salaries for 2011 (3%); the rest of the overall increase is due to establishment of one new position on expert level in 2011.

3. Travel Expenses 2011

The overall figure under this budget line is EUR 270.000, which constitutes 7.8 % of the overall budget for the year. The slight increase of the budget line compared to 2010, is linked to the expected inclusion of new members to the Energy Community, which – further to the extended scope of activities – will demand more travel.

The comparison between 2011 and 2010 shows an increase of 8%. The following factors are taken into consideration:

- the trend for increasing the number of Contracting Parties;
- the increased number of events organized by the Secretariat;
- the changes in travel costs.

4. Office expenses 2011

The overall figure under this budget line is EUR 250.000, which constitutes 7.3 % of the overall budget for the year and a stable amount as compared to 2010. The envisaged split among the budgetary positions is as follows (in EUR):

- Contribution to the charges of the building	20.000
- Office equipment	80.000
- Consumables.	90.000
- Other services	60.000

The amount in the budget line Office Expenses is justified by recurring expenses (premises related expenses, details see below), which are new in the budget and by non recurring expenses. The non recurring expenses relate most of all to the required considerations for the renewal of the information technology (PC, laptops and printers) and of relevant equipment for the server room¹⁰(see above office equipment and consumables).

5. Other costs and services 2011

The overall figure under this budget line is EUR 1.430.000 (no change as compared with 2010). The envisaged split among the budgetary positions is as follows (in EUR):

- Advertising, communications and representation	50.000
- Studies, Research and Consulting	450.000
- Costs of outsourced services (IT, payroll etc.)	110.000
- Costs of Audit, Legal and Financial Advice	40.000
- Financial services	20.000
- Costs of Events	260.000
- Refunding	280.000
- Training (Internal and External)	150.000
- Secondment and Traineeship	70.000

¹⁰ 8 workspaces of the employees shall be renewed in 2011 due to the expiry of the warranty period as well exchange of two servers of the IT administration was considered due to the expiry period

IV. SUMMARY TABLE - BUDGET 2010-2011

<i>(in EUR)</i>	Budget 2008	Budget 2009	Budget 2010	Budget 2011	Change 2010 vs. 2009 (in %)	Change 2011 vs. 2010 (in %)
Human Ressources	1,053,474	1,197,072	1,320,000	1,430,000	10.27%	8.33%
Travel Expenses	175,320	232,992	250,000	270,000	7.30%	8.00%
Office Expenses	251,000	212,103	250,000	250,000	17.87%	0.00%
Other costs and services	1,068,626	1,354,775	1,430,000	1,430,000	5.55%	0.00%
	2,548,420	2,996,942	3,250,000	3,380,000	8.44%	4.00%

ATTACHMENT 1

**ESTABLISHMENT PLAN
OF THE ENERGY COMMUNITY SECRETARIAT
FOR THE BUDGETARY PERIOD 2010 - 2011**

1. Director
 2. Legal Counsel
 3. Head of Administrative and Financial Unit
 4. Assistant to the Director
 5. Administrative Assistant
 6. Accounting Officer
 7. Logistics Manager and Web Coordinator
 8. Infrastructure Team Leader
 9. Head of Hydrocarbon Unit
 10. Gas Expert –Hydrocarbon Unit
 11. Oil Expert
 12. Head of Electricity Unit
 13. Electricity Expert - Electricity Unit
 14. Electricity Expert - Electricity Unit
 15. ECRB Head of Section
 16. ECRB Coordinator
 17. ECRB Gas Expert
 18. ECRB Electricity Expert
-
19. Energy Efficiency and RES Expert (New position to be created in 2010)
 20. New position to be created in 2011 in view of the accession of new countries

ATTACHMENT 2

TABLE OF CONTRIBUTIONS¹¹
ENERGY COMMUNITY BUDGET 2010-2011

<i>(in EUR)</i>	in %	BUDGET 2010	BUDGET 2011
European Community	98.10%	3,188,250	3,315,780
Republic of Albania	0.10%	3,250	3,380
Bosnia and Herzegovina	0.30%	9,750	10,140
Republic of Croatia	0.50%	16,250	16,900
former Yugoslav Republic of Macedonia	0.10%	3,250	3,380
Republic of Montenegro	0.10%	3,250	3,380
Republic of Serbia	0.70%	22,750	23,660
United Nations Interim Administration Mission in Kosovo	0.10%	3,250	3,380
Total	100.00%	3,250,000	3,380,000

¹¹ This table is based on the situation in June 2009. In the event of the accession of new Contracting Parties during the budgetary period 2010-2011, it will be modified accordingly.

ATTACHMENT 3

BUDGET IMPLEMENTATION 2008 - OVERVIEW

Overall, the implementation of budget appropriations as 31 December 2008 amounted to EUR 2.353.284 equaling 92% of the available appropriations for 2008 of EUR 2.548.420.

	Initial Budget 2008	Final Budget 2008 ¹⁾	Expenditures Actual 01-12/2008 ²⁾	Budget 2008 Utilisation in %
1. HUMAN RESOURCES				
Subtotal Human Resources	1,053,474	1,053,474	1,022,315	97
2. TRAVEL EXPENSES				
Subtotal Travel Expenses	175,320	175,320	157,314	90
3. OFFICE				
Subtotal Office	251,000	281,000	232,459	83
4. OTHER COSTS, SERVICES				
Subtotal Other costs, services	1,068,626	1,038,626	941,197	91
TOTAL	2,548,420	2,548,420	2,353,284	92

1) after Transfers 2008

2) incl. legal commitments of 2008