## Annex 3: Action Fiche for ENPI Regional East Action Programme 2010 Part 1

### 1. IDENTIFICATION

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| Title/Number | Support to energy security in the Eastern Partnership and Central Asian countries through statistical cooperation; ENPI/2010/21-922[1] | | |
| Total cost | EUR 4 million (EU contribution 100%) | | |
| Aid method / Method of implementation | Project approach – *centralised (direct)* | | |
| DAC-code | 23010 | Sector | Energy policy and administrative management |

### 2. RATIONALE

### 2.1. Sector context

Reliable, sound, timely and available energy statistics are necessary to assess changes and trends in energy supply and use so as to support the development of effective and sustainable energy policy, market, planning and evaluation. Enhanced statistical data will contribute to a better investment climate, facilitate trade and thus improve security of energy supply for the Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine) and Central Asian (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan) Partner Countries[2], and the EU.

The ENPI-East Regional Indicative Programme for 2010–2013 lists energy among its priorities (see Priority 3, sub-priority 3.2) with the objectives to 'Improve energy market integration' and 'Energy security'. One of the expected results identified in the Regional Indicative Programme is the 'Improved integration of energy markets including through enhanced statistical data'. Also the Central Asia Indicative Programme 2007-2010 includes "the approximation of progressive approximation of norms and standards, including statistical standards" as specific objective.

In the framework of the 'Baku Initiative', the Partner Countries have adopted an Energy Road Map that includes four priority areas of cooperation in the energy sector. Under priority areas 1 (convergence of energy markets) and 2 (enhancing energy security), the partner countries agreed to work together towards the creation of integrated regional energy markets and their progressive integration with the EU

[1] This project covers the countries of the Eastern Partnership (Armenia, Azerbaijan, Belarus, Georgia, Republic of Moldova, Ukraine) as well as Central Asia (Kazakhstan, Kyrgyzstan, Uzbekistan, Tajikistan, Turkmenistan). Participation of the countries of Central Asia is possible following Article 27 of the REGULATION (EC) No 1638/2006 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 24 October 2006 laying down general provisions establishing a European Neighbourhood and Partnership Instrument.

[2] Also referred to throughout the text as INOGATE Partner Countries

internal energy market, as well as enhancing energy security in the region by addressing energy exports, energy transit and energy demand issues. In turn, this relies on the availability of reliable energy statistics for a more effective and sustainable energy policy in each partner country.

An expert analysis was carried out in June-August 2009 to evaluate the needs in the field of statistical cooperation in the region. This expert analysis took place within the framework of the INOGATE Programme and included three sub-regional workshops with stakeholders from the region.

Most NIS have adopted energy strategies that include objectives in terms of energy savings (i.e. net importing countries like Ukraine, Belarus, Armenia and Kyrgyzstan), as well as for hydrocarbon investment and exports (i.e. Azerbaijan and Kazakhstan). The design, enforcement and evaluation of those strategies require an adequate and solid energy data set (e.g. national and sectoral balances), indicators (e.g. on energy efficiency) and economic tools (e.g. demand forecasts).

Already, several countries such as Azerbaijan and Kazakhstan have drawn up their own statistics plans and have made progress towards international energy statistical standards, stimulated by large foreign direct investment (FDI) in oil and gas production to align with international standards. However, most countries still largely rely on Soviet standards. Institutional frameworks are often weak and fragmented, with partial and inefficient National Statistical Systems[3] (NSSs) for energy. Data collection is typically not fully in the hands of the national statistical office (NSI) but dispersed among a number of bodies responsible for different parts of the energy system that are not always rigorous in applying solid statistical methods to the collection of the data. As a result, data collection and reporting is generally fragmented, data processing and databases outdated and dissemination poor. The needs of energy data producers and data users are often neglected, further fragmenting the data systems and limiting data exchange.

These structural issues result in low reliability, accuracy, comparability and availability of energy statistics, in particular for energy balances, energy indicators and prices. Thus, stakeholder decisions are quite frequently made without referring to available data. The existing data sets generally do not comply with the European Union and international standards. Of the 11 Partner Countries, five countries regularly prepare national energy balances (Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan and the Republic of Moldova) but only three countries adequately complete the joint IEA/EUROSTAT/UNECE annual energy questionnaires, the international reference for data quality, exchange and harmonisation on energy balances.

The project is to address two fundamental barriers to the effective development of the National Statistical Systems (NSS):

A first domestic barrier for the reform of the NSS is the lack of awareness and knowledge of data users, in particular decision-makers (politicians, administration

[3] The NSS is wider than just the national statistical institute (NSI). It refers to all the institutions involved in the collection of official statistics in a country, and usually includes the various ministries and other government agencies as well as the NSI.

and energy sector) on their effective energy data needs. Also, they are little informed about the benefits of having a NSS for energy in line with international standards as well as the relatively limited resources that are needed to operate it.

A second barrier is the relative isolation of domestic national statistical institutes from EU and international statistical trends, new methodologies and approaches. Also, exchange and cooperation on energy statistics among the Eastern Partnership (EaP) and Central Asian countries is little developed. This isolation combined with a lack of coordination and duplication between administrations (National Statistics Institutes (NSIs), ministries and their agencies) results in chronic neglect of key components of the NSS and data cycle.

## 2.2. Lessons learnt

Over the period 1999-2006, five TACIS energy statistics projects were carried out, in Armenia, Azerbaijan, Georgia, Republic of Moldova and Kazakhstan. These projects focused on capacity building in specific domains and pilots such as on surveys of final consumption (Caucasus). Azerbaijan and Kazakhstan have continued and extended some of the project activities, in particular final consumption surveys, combined with a clear political will and an overall plan for energy statistics. This has not been the case yet in the other countries, thus preventing NSIs from putting what they learnt in the projects into practice. The absorption of these projects was low mainly due to lack of conviction and resources within the beneficiary countries, in particular to continue regular surveys. The way in which the proposed project shall mitigate against running into similar problems is elaborated in 3.3 - risks and assumptions.

The EU Delegation in Ukraine, following a request from the Ukrainian National Security and Defence Council of Ukraine, funded a project entitled "Support to the Strengthening of Ukraine's decision-making process in the field of energy security" (FWC, 2008) that notably aimed to analyse the existing state of play regarding energy data collection and analysis in Ukraine. The main lessons learnt outlined that "a consistent energy balance is an indispensable tool for energy statistics and energy policies. It requires proper reporting mechanisms, sound check procedures and adequate resources". The present energy statistics project would be the first to focus on regional capacity building in this region. However, lessons can be learnt from a similar project which was carried out in the Mediterranean countries of the Neighbourhood, as part of the MEDSTAT II programme (2006/2009). The evaluation report of the MEDSTAT II programme (January 2009) highlighted the positive effect that it had had on the quality and availability of statistical information in partner countries, as well as on strengthening NSIs. While the report does not include a specific assessment on energy statistics, these conclusions appear to also largely apply for energy. The main lessons learnt on this statistical regional cooperation programme include that the chosen approach to both exchange know-how and data, mostly to develop and feed the Euro-Med database, has been productive, stimulated expertise learning and generated a shared ownership of the programme. At the end of the programme energy balances were prepared for all Mediterranean countries of the Neighbourhood and in most cases for 2004-2007.

The technical contribution of Eurostat to the MEDSTAT programme in the ENP South proved valuable in terms of ensuring quality, technical coherence of the

approach and results as well as increasing their visibility, notably through joint publications.

## 2.3. Complementary actions

Regional energy cooperation between the EU and the countries of the ENP-East and Central Asia is well established, due in particular to the INOGATE Programme, which has progressively adapted its interventions to changing situations since its start up in 1995. Since 2004 when INOGATE's mandate was expanded to support the Baku Initiative, it supports the Partner Countries to achieve the following objectives: convergence of energy markets, enhancement of energy security, supporting sustainable energy development, and attracting investment to energy projects of common interest.

The proposed project will be embedded in the framework of the INOGATE Programme. The project shall also build upon experiences gained from previous and ongoing relevant INOGATE projects, such as the INOGATE Technical Secretariat (which collects data for the purpose of its annual reporting and progress reports towards the achievement of the objectives set out under the Baku Initiative) and the SEMISE project (Component C-Sustainable Energy: statistics and data collection).

Eurostat collects data from non-EU countries, in particular in the ENP regions. Thus, the need for compatible energy statistics in the NIS is fully relevant. In the ENP South and East regions, Eurostat has been playing a key role in supporting and contributing to bilateral and regional statistical cooperation.

Regarding international coordination and harmonisation for energy statistics, the IEA is the focal point for non-OECD and non-EU countries for the collection of the five joint IEA/EUROSTAT/UNECE annual questionnaires. To assist countries in completing the questionnaires, the IEA prepared with Eurostat a specific guidebook “Energy Statistics Manual" (in various languages, including Russian) and widely disseminated it, notably in the NIS. In addition, the IEA held ad hoc training sessions for NIS statisticians (Ukraine and Caspian countries) focused on data systems and the joint questionnaires. As a feedback of the questionnaire submission, each responding country receives the annual IEA publication “Energy Balances of Non-OECD Countries”. Such trainings within the proposed project would enhance countries’ capacities on energy balances and to complete the joint questionnaires.

As regards energy prices data, three regional or international initiatives cover the NIS: 1) Energy Regulators Regional Association (ERRA) with a database on electricity and gas tariffs collected through the national regulatory agencies, 2) IEA energy price collection from large countries such as Kazakhstan (quarterly published in “Energy Prices and Taxes” and 3) GTZ yearly collection of automotive fuel prices database.

Only few donors have been active on energy statistics in the NIS region.

Recent initiatives include a World Bank project in Ukraine “Development of State Statistics System for Monitoring Social & Economic Transformation Project" with the State Statistics Committee. This large project (2005-2009) aimed at modernising the national data system in various sectors, including energy. Its main objectives was to “strengthening institutional capacity to collect, process, disseminate the data and

use it for policy analysis; and bring Ukraine's performance in the field of statistics up to international standards". The results and experience gained through this project will be relevant references for the present regional project. Furthermore, the World Bank is also active in statistics projects in Central Asia.

USAID has recently extended its regional capacity building project on energy demand forecasts Southeast Europe "Regional Energy Demand Planning (REDP)" to Georgia, Republic of Moldova and Ukraine (observers and candidates to the Energy Community) with the respective national academies of sciences as counterparts. However, the lack of coherent and reliable data notably in Georgia and Ukraine will be obstacles for the model. Thus, there are potential synergies with the present project, which should improve primary data and series needed for such a model.

The Swedish International Development Agency's (SIDA) has run a capacity building project on energy statistics in the Western Balkans (2007-2009). Its experiences should be useful references in term of the cooperation approach and impact.

Furthermore, the European Environment Agency (EEA) will start to implement a project on environmental data in early 2010. It aims at strengthening capacities for monitoring, storing, disseminating, evaluating, and reporting of environmental data and to set up a Shared Environmental Information System (SEIS) in line with the EU approach.

### 2.4. Donor coordination

Special attention will be paid to coordination with donors before and in the course of project implementation. This will be supported by the INOGATE Technical Secretariat and by other INOGATE projects, including SEMISE.

Continuous contacts will be maintained by the European Commission with each of the concerned EU Delegations in order to ensure consistency of actions and regular exchange of information.

Synergies with other donors' projects will be sought where appropriate to avoid unnecessary duplication of efforts (e.g. World Bank, USAID).

Where appropriate, the project will seek to promote joint initiatives that would have the potential to contribute to the project's objectives, and also notably in terms of visibility. A particular attention should be paid at all stages of the project to a close relation with the IEA (through Eurostat and directly), in particular on energy balances and the joint IEA/EUROSTAT/UNECE questionnaires. Notably the IEA previously organised training sessions on the joint questionnaires for NIS statisticians (Ukraine and Caspian states).

Generally, the present project integrates some of the main principles of the Paris Declaration on aid effectiveness, and of the European Commission's Backbone Strategy as it builds on existing structures and encourages ownership by a participative approach during the planning and implementation phase of the project. The program is aimed at supporting internal country processes to promote capacity development, and it will be provided on the basis of demand and requirements of the Partner Countries.

## 3. DESCRIPTION

### 3.1. Objectives

The overall objective of the proposed project is to increase energy market convergence and security of energy supply in the INOGATE Partner Countries.

The specific objective of the project will be to improve energy economic planning through enhanced use and harmonisation of energy statistics in line with European standards.

### 3.2. Expected results and main activities

The selected strategy to address the identified problems is to provide assistance to the Partner Countries through a regional project, embedded in a well established dedicated regional sectoral programme, i.e. the INOGATE Programme.

Expected results of this project will include:

i) more reliable energy economic planning tools and, thus, development of more coherent energy security strategies and more sustainable energy in the region;

ii) convergence of standards and methodologies for energy statistics, in particular energy balances to European and international levels and, thus, enhanced exchange of comparable data, which in turn can boost investment attraction and trade;

iii) increased use of statistics in energy policy and decision making in the region;

iv) increased capacity of NSSs in developing reliable and accurate energy indicators and better understanding of the development of economic planning tools.

In order to achieve these results, the project shall, in particular include:

1. Assess the institutional situation to identify direct partners (NSIs, relevant ministries and others, including decision-makers) and their detailed needs in particular for trainings
2. Contribute to raising awareness on energy statistics among national decision makers, focusing on governments and the energy sector
3. Enhance Partner Countries' expertise on data system development (e.g. energy statistics action plans) and institutional development
4. Realise know-how transfer of approaches, methodologies and best practices for:
   - 4.1 Data collection, focusing on primary energy collection and final energy consumption surveys
   - 4.2 Data processing and energy databases
   - 4.3 Energy balances compilation and evaluation, and completion of the IEA/EUROSTAT/UNECE annual questionnaires
   - 4.4 Energy indicators (with a focus on energy efficiency) preparation and evaluation
   - 4.5 Methodologies for energy prices data collection, database and international formats in coordination and synergy with existing initiatives (ERRA, IEA, GTZ)
   - 4.6 Data analysis and reporting
5. Provide experiences and best practices for data dissemination

6. Suggest and develop a regional network of energy statisticians; develop initiatives and tools to facilitate experience and data exchange at national, regional and international levels
7. Provide administrative and substantive support for organisation of regional project meetings, trainings and workshops
8. Coordinate and develop synergies with other relevant energy and statistics projects and initiatives.

Generally the project should encourage and support the creation of national working groups gathering the NSI, the relevant ministries and administrations as well as data producers and users. The role of these groups would be to coordinate the countries' participation and contribution to the project, prepare and facilitate national activities and report on the project progress, issues and results to the regional WGs.

### 3.3. Risks and assumptions

The key assumptions are that:

- The Partner governments continue and enhance policies to reform their energy sectors, promote the use of statistics for evidence-based decision and policy making and facilitate the development of independent NSIs and the circulation/dissemination of information;
- The Partner Countries have the political will to prioritise energy statistics and NSIs in order to facilitate their effective participation in the project and therefore benefit from its know-how transfer; NSIs will receive adequate resources, notably in terms of staff and IT equipment;
- No major political or policy changes would contradict the objectives and implementation of the project and energy statistics will continue to be widely seen in the region as technical and generally non-politically sensitive.

The identified potential risks related to the implementation of the present project are the following:

- Governance structure: weakness of energy statistics bodies in the administration structure, lack of adequately skilled experts and high staff turn-over, insufficient financial resources; lack of intra and inter-organisation coordination and communication. This high risk in most Partner Countries could be mitigated by ensuring that energy statistics are allocated a high profile and priority in EU-NIS cooperation in synergy with national energy strategies.
- Ownership: reluctance to adopt new approaches, methodologies and standards for energy statistics and to change dissemination and publication system. This medium to high-level risk may be mitigated by providing relevant examples of successful reforms in the NIS and EU to both NSS experts and decision makers;
- Transparency: data collection, exchange and dissemination constrained by powerful energy sectors structured in monopolies/oligopolies (statistical / commercial secret). This risk is intermediate and may be addressed by facilitating best practices on statistical confidentiality/disclosure and by collaborating with non-central administrations / alternative partners, e.g. universities, NGOs.

*Sustainability of the action:*
This project fully integrates sustainability goals in its design: it aims to support the consolidation of a process which already enjoys credibility and support by embedding national policies and priorities into a coherent regional undertaking (the

Baku Initiative), addressing more fully existing institutional and legislative deficiencies, and putting partner countries in a good position to satisfy their key investment and technological improvement needs, while making the best of their energy resources and mitigating environmental impact.
The sustainability for the present project shall principally rely on the potential long-term benefits that effective NSSs for energy will bring, in particular to energy policy, regulation, investment and trade in Partner Countries. Also the convergence with EU and international standards on energy statistics will contribute to maintain and even stimulate national efforts.
The proposed cooperative approach of the project (see 4.1) should enhance the project's ownership of joint achievements and results. Also, the presentation of adapted and cost effective approaches, notably for institution and methodology development would contribute to the viability of the NSIs and NSSs.

### 3.4. Crosscutting Issues

More pertinent, reliable and available energy statistics would contribute to enhance transparency in national energy policy-making, promoting good governance and more democratic public debates and consultations on energy. It would also improve transparency in the energy sector (and thus, public and private companies' corporate governance) and energy markets. Better data, indicators and economic tools would enhance environmental sustainability of both energy policy and investment decisions. Also, energy statistics directly interface with environment statistics, in particular for CO2 emissions.

### 3.5. Stakeholders

This project should help strengthen the National Statistical Systems (NSS) of the ENP-East and Central Asian countries. The main National Statistical Institutes (NSI) for energy in each Partner Country are:

- Armenia: The National Statistical Service has no specific staff allocated for energy. It mostly fulfils data collection tasks but not the annual energy balance.
- Azerbaijan: The Energy Section at the State Statistical Committee covers most of the data cycle components based on a core and skilled team, already familiar with some international methodologies (notably on final consumer surveys).
- Belarus: The Energy Department at the National Statistics Committee ensures a coordination role with other administrations in data collection, processing (using a recent software) and preparation of energy balances and indicators.
- Georgia: The Department of Statistics collects some energy data without a specific processing. The Energy Efficiency Centre has maintained its energy statistics expertise and on its own resources has provided annual energy balances, including to the IEA.
- Kazakhstan: The Agency for Statistics ensures regular tasks on energy statistics, including final consumer surveys and annual energy balances thanks to a specific energy team.
- Kyrgyzstan: The State Committee for Statistics performs various data collection and processing tasks, including energy balances.
- Republic of Moldova: the National Statistics Bureau has the overall responsibility on energy statistics, ensuring data gathering, processing and dissemination but has no staff dedicated to it.

- Tajikistan: The State Committee for Statistics ensures data collection among the energy sector and the industry.
- Turkmenistan: Energy data is collected by the State Committee for Statistics (SCS) as well as by various ministries, notably the Ministry of Economy and Development, and the Ministry of Finance and transmitted to SCS.
- Ukraine: The State Statistics Committee is the focal point for energy statistics, annually preparing a data set but not the annual energy balance.
- Uzbekistan: The State Committee for Statistics focuses its energy activity on collecting data from the utilities and the industry.

Furthermore, other stakeholders of the National Statistical Systems and target groups in each Partner Country, in particular energy ministries, other ministries (e.g. for Environment, Economy, Finances, Transport, Construction, etc), agencies (for energy efficiency & renewable energy sources) and regulators are involved in data collection, processing and dissemination. Data providers such as energy companies and industries and their respective professional associations as well as data users, in particular decision-makers (administrations, energy sector) and the R&D community have a role to play.

Those NSIs and other stakeholders of the NSSs that will be involved in the project activities will have the opportunity to increase their knowledge on new and relevant approaches and methodologies from the NIS and the EU that would contribute to enhance their capacities, improve NSS performance and convergence towards international standards. Also, data providers and users associated to related project activities would be in a better position to acquire better statistical services (e.g. feedback for respondents and data quality for users).

At the regional level, the Interstate Statistical Committee of the Commonwealth of independent States (CISSTAT) gathers national energy data using common units and conversion factors.

In terms of international data exchange and harmonisation, the IEA plays a central role in the region through the collection, processing and publication of energy data for national balances. Also, ERRA and GTZ regularly collect and publish electricity and natural gas tariffs, and automotive fuel prices, respectively. Thus, these organisations play a role on energy statistics in the NIS and have gained knowledge and experience that would be valuable for the proposed project.

## 4. IMPLEMENTATION ISSUES

### 4.1. Method of implementation

The project will be implemented through Direct Centralised Management and preferably through one single service contract. The European Commission will manage the contract in close liaison with the EU Delegations in the Partner Countries and with the IEA. It will build upon the experience and emulate the existing management structure established during the MEDSTAT II programme, for which DG AIDCO and DG Eurostat signed a Service Level Agreement clearly addressing mutual responsibilities.

The INOGATE Technical Secretariat and the established network of INOGATE Country Coordinators and Working Group members will help ensure adequate circulation of information and coordination between the stakeholders concerned. The activities of the project will be reviewed by the relevant INOGATE Working Groups (in this case, in particular WG 1 and 2) to ensure the partner countries' oversight of project implementation and regional collaboration. In order to facilitate a regional network of energy statisticians, there might be scope for creating a new WG sub-group specifically for statistics.

The implementation of this project shall be carried out in close coordination with other donors and IFIs, and with existing structures and networks (such as ERRA).

### 4.2. Procurement award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Participation in the award of contracts for the present action shall be open to all natural and legal persons covered by the ENPI-East. For the present action, participation will also be extended to persons from the following countries: Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan. Further extensions of this participation to other natural or legal persons by the concerned authorising officer shall be subject to the conditions provided for in article 21(7) of the ENPI regulation No.1638/2006.

### 4.3. Budget and calendar

This regional project will be entirely EC-financed and procured through a competitive tender procedure for a service contract. The total budget is 4M €. This will cover technical assistance, capacity building and information dissemination services.

The foreseen operational duration is 48 months, starting from the date of signature. The expected start of the project would be in the first half of 2011.

### 4.4. Performance monitoring

No applicable standard indicators for this Development Aid Committee (OECD-DAC) sector and particular field of activity exist yet. Key indicators for measuring project progress as included in the logical framework refer to 1) quantity and quality of available statistical data (i.e. establishment of energy balances in compliance with European/international standards and methodologies) and 2) proven increased capability and willingness to harmonise systems and procedures (i.e. commitment of partner countries cooperate with Eurostat/IEA; establishment of international data exchange, in particular through the IEA/EUROSTAT/UNECE annual questionnaires). The elaboration of the objectively verifiable indicators (qualitative and quantitative) will have to be part of the section on organisation and methodology included in the technical proposals.

Internal monitoring will be assured by regional INOGATE Working Group (and possibly Country Coordinators) meetings and regular meetings of the contractor with the European Commission. External monitoring will be undertaken by the framework contract for Results Oriented Monitoring (ROM).

### 4.5. Evaluation and audit

Expenditure incurred will have to be certified, as part of the obligations of the contracted parties in the framework of the implementation of this project. Mid term and final evaluations of the results achieved will be entrusted to independent consultants, as well as external audits (which will be carried out if necessary). These evaluations and audits will be funded from other sources than the project budget, since no commitment will be possible once the validity of this Decision has expired ("N+1" rule will apply).

### 4.6. Communication and visibility

The EU visibility guidelines must be followed by all projects. The project will contribute to and take advantage of the actions initiated in 2007 by the INOGATE Technical Secretariat to improve information dissemination on the activities carried out under this regional programme and more generally, on energy-related issues in the region. This includes the dedicated English/Russian web portal, newsletter and contacts database.

The project will work out a communication strategy and develop specific activities in order to inform Partner Countries and potential stakeholders of the opportunities that it offers, to raise awareness of the potential of enhanced NSS and to generate active support from stakeholders. Joint publications with Eurostat could be important reference documents and should be considered as elements in the communication strategy. Throughout, the communication and visibility actions of the project will be guided by the European Commission's dedicated manual and guidelines.

Implementation of the communication strategy in the partner countries will be also carried out in collaboration with the EU Delegation, when appropriate.

For the communication through the HQ channels, constant communication should be kept with EuropeAid A3 Unit and with the ENPI Info centre web portal (www.enpi-info.eu).