Project No: LE9805.01

Title: State Treasury information technology upgrade programme

1. Recipient & Location of Project

State Treasury of the Republic of Latvia
1, Smilsu Street, LV-1919, Riga
Mr. Aivars Veiss - State Treasury, Manager

2. Project Objectives

Objective of the Project is to develop, support and strengthen the change process initiated in the State Treasury since 1997. This has involved the restructuring of the Treasury along with the enhancement of systems, where resources permitted. There are a number of additional benefits, which the continuation of this process will deliver:

♦ substantial improvements to the management of public sector,
♦ the improvement of the public sector budgeting process in terms of timeliness, efficiency and accuracy,
♦ the reduction of the opportunity cost and/or actual cost associated with the inaccurate forecasting of public sector payments and receipts,
♦ the reduction of the risk and costs associated with the composition and servicing of the national debt,
♦ the provision of an improved banking function for the accounting, management and administration of state debt and on-lent government loans
♦ the development of an information technology infrastructure capable of producing financial statistics that meet standards of international best practice.
♦ ensuring that classifications for treasury and budgetary activities are consistent with those used in the EU.

Overall, the scheduled improvements in the information technology infrastructure of the State Treasury will produce an immediate and obvious improvement to the financial environment generally and specifically the State Treasury operations in Latvia.

National Programme for Integration into the European Union
Priority Theme: Developing the Economy to cope with Competitive Pressures.
Sub - Priority 7: Improve the financial environment in the economy.

Accession Partnership
Medium term priority - reinforcement of institutional and administrative capacity

3. Description

Project consists of two components:

The objective of the Project’s component 1 is to develop and/or implement the best Information System solutions and practices in the treasury process as a part of Latvia’s accession strategy to the European Union.

♦ Component 1: Project components:
♦ Standardize Infrastructure
♦ Stabilize Existing Systems
♦ Implement Internal E-mail
♦ Implement General Ledger Package
♦ Implement a Treasury Management System
♦ Implement a Market Information System
♦ Implement Electronic Banking System
♦ Implement Standard Based Interfaces Between Systems
♦ Training and Enhanced Support

The objective of the **Project’s component 2** is to continue and enhance the information technology solutions introduced and integrated in Component 1 of the Project.

♦ Component 2: Project components:
♦ Implement Central Data Base (Data Warehousing)
♦ Implement Intranet solutions between State Treasury Central Office and Regional Treasury Units.
♦ Merge the networks of the State Treasury, State Revenue Service and Ministry of Finance.
♦ Extend Electronic Banking - State Treasury, line ministries, Budget Executor’s, Banks.
♦ Training and Enhanced Support for users and administrators.

**Expected results and outputs**

Expected outputs of implementation of the Project’s component 1 are to deliver information systems solutions which:

♦ are appropriate to users’ needs
♦ are well-supported and maintained
♦ can grow and change as users’ needs change or have a clearly-defined upgrade path
♦ are economic in their consumption of desktop, networking and server resources
♦ are economic in their consumption of developer, database administrator and systems administrator skills
♦ are well-documented and are not overly-dependent on the skills of some end-user or technical staff
♦ will provide more information on actual revenues and expenditure, and strengthen the budgetary process and macro-economic forecasting capacity of the Ministry of Finance.

Expected outputs of implementation of the Project’s component 2 are:

♦ Regional Treasury Units communicate with the Central State Treasury Office on a common network
♦ Central Data Base allows work with high validity data
♦ Corporate network with State Revenue Service and Ministry of Finance is implemented
♦ Electronic Banking is extended to:
Ministries
♦ Budget executors
♦ Banks

This allows the State Treasury and governmental finance institutions to work with information in real time mode and to provide customer service in:

♦ a timely manner
♦ with a high level of accuracy
♦ at a level of detail which the user can specify to cover their needs

4. Institutional Framework

As separate entity under the direct supervision of the Ministry of Finance, the State Treasury of Latvia is the key institution responsible for national budget execution and the management of the state debt. The State Treasury is in direct daily communication with a wide range of institutions including commercial banks, government ministries, regional treasury units, budget executors and the State Revenue Service. As such, the services provided by the State Treasury to these various budget institutions is an essential element in the efficient management of scarce budgetary resources.

7. Budget

<table>
<thead>
<tr>
<th>Project phase</th>
<th>Investment</th>
<th>Institution building</th>
<th>Total Phare (=I+IB)</th>
<th>Recipient* (state budget) 1999</th>
<th>IFI*</th>
<th>TOTAL*</th>
</tr>
</thead>
<tbody>
<tr>
<td>phase1</td>
<td>830 000 **</td>
<td>n/a</td>
<td>830 000</td>
<td>102 880</td>
<td>n/a</td>
<td>932 880</td>
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<tr>
<td>phase2</td>
<td>920 000</td>
<td>n/a</td>
<td>920 000</td>
<td>77 160</td>
<td>n/a</td>
<td>997 160</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1 750 000</td>
<td></td>
<td>1 750 000</td>
<td>180 040</td>
<td></td>
<td>1 930 040</td>
</tr>
</tbody>
</table>

* In cases of co-financing only
** The rest of the necessary investments to continue the Project component 1 started by funds from previous PHARE service contract.

6. Implementation Arrangements

Technical Implementation:

This will be the responsibility of the State Treasury.

Contractual & Financial Implementation:

This will be the responsibility of the CFCU, Valentina Andrejeva, State Secretary of the Ministry of Finance
7. Implementation Schedule

Project component 1:
The detailed documentation necessary for tendering in accordance with PHARE procedures has been prepared. Implementation of the project will begin immediately after the necessary funding becomes available (4th quarter 1998).

Project component 2:
The implementation of component 2 will begin in early 1999. To date, the following areas will provide the basis for more detailed planning as component 1 is being implemented.

♦ Implement Central Data Base (Data Warehousing)
♦ Implement Intranet solutions between State Treasury Central Office and Regional Treasury Units.
♦ Merge the networks of the State Treasury, State Revenue Service and Ministry of Finance.
♦ Extend Electronic Banking - State Treasury, line ministries, Budget Executor’s, Banks.
♦ Training and Enhanced Support for users and administrators.

The project should be completed in March 2000.

8. Equal Opportunity

The share of women among the State Treasury employees is about 90%. That means that it will be mostly women who will take part in implementation of the Project. Implementation of the project will result in better working conditions for all staff. The State Treasury of Latvia is an equal opportunities employer.

9. Conditionality and Sequencing

The following activities should be completed before the Project should begin:

♦ Experienced and capable State Treasury staff are available and retained for project implementation;
♦ structural changes are implemented;
♦ the LAN is established;
♦ the data transferring system (State Treasury head office - regional Treasury Units) is established;
♦ implementation project is developed;
♦ project steering committee is established

Most of these activities will be completed by the State Treasury by the middle of 1998.

The following sequence is proposed for each of components of the Project component 1:
◆ RFP / Tendering
◆ Package Evaluation
◆ Conceptual design
◆ Configuration
◆ Bespoke design and build
◆ System test and user acceptance test
◆ Prepare for Implementation
◆ Implementation
◆ Project Management, education

Development of the Project component 2.
### LOGFRAME PLANNING MATRIX FOR
State Treasury information technology upgrade programme

<table>
<thead>
<tr>
<th>Project Number LE9805.01</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Budget: (MECU) 1 930 040</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phare contribution: (MECU) 1 750 000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Wider Objective
- Upgrade to the best international practices in Budget and Treasury process
  - Reporting of Budget and Treasury activities is strengthened
  - Data exchange capabilities and data integrity are improved
- Information is provided as necessary,
  - End Q4,1999
  - MoF, State Treasury
- Funding is provided expeditiously
- Experienced staff is available and will remain in the Treasury

#### Immediate Objectives
- Upgrade IS to best practices
  - IS are implemented
  - Systems are supported by necessary technology
- Proposed IS & T are implemented in terms
  - In accordance with terms in Project
  - MoF, State Treasury
- Steering Committee is established
- LAN installation is completed
- Experienced staff is available in the Treasury

#### Outputs
- System development and computerization
  - Relevant software has been procured and implemented
  - Data exchange with SRS, MoF, Banks, Budget executors are extended
- Current information
  - Level of mistakes decrease
  - Level of details can be defined by customer
- Information can satisfy the needs of the customer’s
  - End Q4, 1999
  - MoF, State Treasury
- Software is available in market
- Mutual agreement about data exchange is accepted by Treasury, SRS, MoF, Banks, Budget staff

#### Inputs
- Information Systems
  - IS & T are procured
- IS&T are implemented
  - MoF, State Treasury
- Funding is provided in terms
- Experienced staff is available in the Treasury

* Must be quantified and measurable
<table>
<thead>
<tr>
<th>Component</th>
<th>1999</th>
<th>2000</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Institution Building</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A. TA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. Twinning</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>C. Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investment</strong></td>
<td>0.18</td>
<td>1.75</td>
<td>0.15</td>
</tr>
<tr>
<td>A. Studies, training of employees</td>
<td>0.01</td>
<td>0.04</td>
<td>0.01</td>
</tr>
<tr>
<td>B. Financial Support</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>C. Equipment:</td>
<td>0.12</td>
<td>0.1</td>
<td>0.22</td>
</tr>
<tr>
<td>• system implementation</td>
<td>0.605</td>
<td>0.605</td>
<td></td>
</tr>
<tr>
<td>• standardisation of infrastructure</td>
<td>0.225</td>
<td>0.225</td>
<td></td>
</tr>
<tr>
<td>• implementation of CDB</td>
<td>0.4</td>
<td>0.4</td>
<td></td>
</tr>
<tr>
<td>• Network Extending and standardisation of</td>
<td></td>
<td></td>
<td>0.4</td>
</tr>
<tr>
<td>data exchange</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Implementation costs, external assistance</td>
<td>0.05</td>
<td>0.16</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0.18</td>
<td>1.75</td>
<td>0.15(*)</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>2.08</td>
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</tbody>
</table>

*) State budget for 2000 not yet confirmed.
**Annex 3**

**IMPLEMENTATION SCHEDULE OF THE PROGRAMME - LE 9805.01**

<table>
<thead>
<tr>
<th>Programme Title</th>
<th>State Treasury information technology upgrade programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects</td>
<td>Implementation Schedule (Semesters)</td>
</tr>
<tr>
<td><strong>Sub-Projects</strong></td>
<td>Budget Allocation Cost Estimate</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Component1</th>
<th>Oct 98-Mar 99</th>
<th>Apr 99-Sep 99</th>
<th>Oct 99-Mar 00</th>
<th>Apr 00-Sep 00</th>
<th>Budget Allocation Cost Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>System implementation</td>
<td>C, I</td>
<td>I</td>
<td>I</td>
<td>605 000 ECU</td>
<td></td>
</tr>
<tr>
<td>Standardize of infrastructure</td>
<td>D, C, I</td>
<td>I</td>
<td>225 000 ECU</td>
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<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Component2</th>
<th>Oct 98-Mar 99</th>
<th>Apr 99-Sep 99</th>
<th>Oct 99-Mar 00</th>
<th>Apr 00-Sep 00</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Implement Central Data Base</td>
<td>D, C, I</td>
<td>I</td>
<td>500 000 ECU</td>
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<td></td>
</tr>
<tr>
<td>Extending Networks and standardise data exchange</td>
<td>D, C, I</td>
<td>I</td>
<td>420 000 ECU</td>
<td></td>
<td></td>
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</tbody>
</table>

| **Total Programme** | 1 750 000 MECU |

**Legend**
- D = Design of sub-project
- C = Tendering and contracting
- I = Contract implementation and payment

**Date of Drafting** 20.04.98

**Planning Period** 31.10.98 – 31.10.00
### Annex 4

**COMMITMENT (CONTRACT) SCHEDULE - LE 9805.01**

<table>
<thead>
<tr>
<th>Programme Title</th>
<th>State Treasury information technology upgrade programme</th>
</tr>
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<tbody>
<tr>
<td><strong>Projects</strong></td>
<td><strong>Sub-Projects</strong></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Component1</td>
<td>System implementation</td>
</tr>
<tr>
<td></td>
<td>Standardize of infrastructure</td>
</tr>
<tr>
<td>Component2</td>
<td>Implement Central Data Base</td>
</tr>
<tr>
<td></td>
<td>Extending Networks and standardise data exchange</td>
</tr>
<tr>
<td></td>
<td>Total Programme</td>
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**Date of Drafting**: 20.04.98

**Planning Period**: 31.10.98 – 31.10.00
<table>
<thead>
<tr>
<th>Projects</th>
<th>Sub-Projects</th>
<th>Disbursement (Payment) Schedule (Semesters)</th>
<th>Budget Allocation Cost Estimate</th>
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<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td></td>
<td>I</td>
<td>II</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oct 98-Mar 99</td>
<td>Apr 99-Sep 99</td>
</tr>
<tr>
<td>Component1</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>System implementation</td>
<td></td>
<td>0,363</td>
<td>0,605</td>
</tr>
<tr>
<td>Standardize of infrastructure</td>
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<td>0,135</td>
<td>0,225</td>
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<tr>
<td>Component2</td>
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<tr>
<td>Implement Central Data Base</td>
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<td>0,300</td>
<td>0,500</td>
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<tr>
<td>Extending Networks and standardise data exchange</td>
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<td>0,252</td>
<td>0,420</td>
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<tr>
<td>Total Programme</td>
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<td>0,499</td>
<td>1,382</td>
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</table>
Annex 5:
LE 9805.01
Relation of project with previous Phare activities and with ongoing project financed from other sources (national, bilateral or multilateral funding)

The planned implementation of the State Treasury information technology upgrade will consolidate the progress made to date with both the resources of the State Treasury itself, and the additional resources provided by numerous bilateral donors, including, for example, assistance from the US Treasury and the German Ministry of Finance. The State Treasury, as part of the Ministry of Finance has also been the beneficiary of an PHARE assistance programme, in place since September 1996. Full assistance has been extended by the various donors in the introduction of various information technology solutions to meet the business needs of the State Treasury.

In addition to information technology progress, the State Treasury has also been the beneficiary of external assistance, funded by an ongoing PHARE programme, in the following areas:

Treasury and Debt Management
Government Accounting and Internal Audit
Budget Monitoring and Execution
Macro-economic forecasting
Management Training
Organisation and Culture training
Technical training on treasury, information technology and budget topics

At all times, the assistance provided has been integrated and co-ordinated with the full co-operation of the State Treasury and the Ministry of Finance, Latvia.
Reference to feasibility/pre-feasibility studies. For all investment projects, the executive summary of the economic and financial appraisal, and the environmental impact assessment should be attached.

Please see:


Both reports were submitted to the Task Manager of the PHARE Project 96-1100 for review and approval.