Project No: LE9805.03

Title: SPP – Special Preparatory Programme for the Structural Funds

1. Location

Ministry of Finance, FAPCD, 1 Smilsu Street, LV-1919, Riga, Mrs Valentina Andrejeva, State Secretary

2. Objectives

General Objective:

The aim of the SPP is to develop progressively the necessary structures within the Latvian administration for the sound and effective management of the Structural Funds and the Cohesion Fund so that they are fully operational at the date of Accession to the European Union. To reach this aim, the following intermediate targets should be met by the year 2000:

Specific Objectives:

1. To develop the legal framework for the preparation and implementation of a National Economic Development Programme (NEDP);
2. To develop appropriate institutional framework and budgetary procedures enabling a smooth transition towards the application of Structural Funds principles;
3. To prepare a NEDP concerning the whole national territory;
4. To set up a central unit within the Ministry of Finance which will be responsible for co-ordinating the implementation of the SPP;
5. To launch one or two pilot actions for integrated regional development in designated areas, according to Structural Fund principles.

National Programme for European Integration
Priority Theme: Improving of the Administrative Capacity
♦ Sub-priority 2, Measure 2.5 - Prepare institutional structures for EU Structural Funds

Accession Partnership
Short-term;
Reinforcement of institutional and administrative capacity: begin to set up structures needed for regional and structural policy.

3. Description

The aim is to ensure that the arrangements put in place meet a series of performance and transparency requirements which will be discussed in detail in the framework of the SPP. Wherever possible, the intention will be to build on existing arrangements and to concentrate on the essential up to the year 2000 and to add refinements progressively thereafter in the period leading up to Accession. It will be necessary to define in partnership what is essential an what can be left to later, bearing in mind that the intermediate targets impose certain requirements. The partnership will also ensure close co-ordination and a proper allocation of tasks between this programme and other PHARE-financed actions especially those relating to regional policies in Latvia.

The project will consist of 6 main components.
PROJECT COMPONENTS 1 - 5

Component 1. The legal and operational framework for the preparation and implementation of a National Development Programme and for the use of EU co-financing:

♦ the verification and approximation of the relevant legislation so that the Structural Funds and the Cohesion Funds can be fully operational at the date of Accession to the EU;
♦ the distribution of competence among different line ministries and between the central and local governments;
♦ the assigning of responsibilities to different ministries;
♦ the setting up the procedures for the preparation, approval and implementation of programmes;

Component 2. The development and strengthening of the institutional framework for the sound management of EU funds within the national budgetary framework and procedures:

♦ establishing a responsible Central Co-ordination Unit (CCU) at the Ministry of Finance;
♦ if necessary, establishing another unit(s) closely associated with CCU with the purpose of, for instance, co-ordinating the preparation of the National Economic Development Programme (NEDP);
♦ setting up the procedures of project selection and approval;
♦ ensuring the compatibility of the national and the EU budget concepts;
♦ earmarking funds for co-financing;
♦ managing the financial flows;
♦ ensuring the independent control and audit;
♦ developing the monitoring and evaluation systems.

Component 3. A National Economic Development Programme covering the whole national territory:

This programme will:
♦ make an analysis of the current situation;
♦ identify key objectives and targets;
♦ propose a development strategy to effect improvements;
♦ describe appropriate measures;
♦ assess whether the actions proposed comply with Community policies and regulations;
♦ identify the implementing agencies and the monitoring arrangements;
♦ make an environmental impact analysis;
♦ prepare annual financial tables by measure and by source of finance for the entire period of the programme.

It may also provide for special assistance targeted to individual disadvantaged regions.

Component 4. Setting up the Central Administrative Unit within the Ministry of Finance for the purpose of:

♦ co-ordinating the implementation of the SPP (including specific training requirements for
sectoral Ministries);
♦ providing the central point of contact with the European Commission’s services regarding this programme;
♦ leading and co-ordinating various actions under this programme (especially in relation to budgetary and administrative procedures);
♦ strengthening, if necessary, the legal framework for and the organisation of the co-financing of this programme.

Component 5. Special Measure for ISPA & SAPARD

• Familiarise the administration with the implementation of the ISPA and the SAPARD instruments.
• Introduction to the SAPARD type projects preparation, implementation, management, and financial management.
• Preparation of a Working Guide for ISPA.
• Preparation of Guidance Manual, Project Development Guidebook, brochures and application forms for SAPARD.
• Preparation of Rural Development Plan for SAPARD.

Component 6. Pilot actions as a method of learning by doing:

Launching one or two pilot actions for integrated regional development in designated areas, according to Structural Fund principles.

The aim is to give the Latvian authorities direct experience of the operational aspects of the conception and implementation of “Objective 1” type programmes in a specific zone or zones of the country.

This will involve:
♦ the ex-ante analysis of the region’s needs;
♦ a development strategy for priority actions;
♦ multi-annual financial forecasting and budgeting;
♦ setting quantifiable objectives and targets;
♦ implementation and monitoring arrangements;
♦ project selection and approval procedures;
♦ the designation of the partnership involved etc.

Human resources development will be an integrated element in the pilot projects.

4. Institutional Framework

The key ministries involved are: the Ministry of Finance, the Ministry of Environmental Protection and Regional Development, the Ministry of Economy, the Ministry of Agriculture, the Ministry of Transport. As this programme will embrace a wide range of sectors, it is possible that the Ministry of Welfare, the Ministry of Education and Science and such inter-ministerial institutions, as the Union of Local Governments, regional and local authorities may also be involved; as well other social partners
A specific structure i.e. **The Central Co-ordination Unit** within the national administration (Ministry of Finance) will be in charge of co-ordinating the implementation of the SPP. It will provide the central point of contact with the Commission services regarding this programme; it will take the lead and co-ordinate actions under this programme, especially in relation to budgetary and administrative procedures, the strengthening, if necessary, of the legal framework and the organisation of co-financing of this programme. The Unit will co-ordinate the preparation of the National Economic Development Programme, while the key sectoral Ministries will be involved, for example, in task forces for specific topics. The unit will be staffed from the national administration supported by long-term detachments of officials from EU 15 administrations. There should be minimum recourse to consultants. The unit will be operational from May 1998.

At the moment a Working Group, consisting of representatives from key ministries and chaired by State Secretary of Ministry of Finance, is established for the co-ordination of the work with Structural Funds.

**Expected results and outputs**

- Central Co-ordination Unit (units in relevant line ministries, where indispensable) established, staffed and equipped;
- National Economic Development Programme produced and approved;
- Priorities for Project Components 1 - 4 identified;
- Appropriate programmes and procedures identified from a wide range of EU experiences; best practice models adopted;
- Pilot Project(s) launched;
- Exchanges of Latvian & EU officials ensured;
- Long term placements of Latvian staff in EU administrations elaborated and ensured;
- Comprehensive programme of workshops and training courses organised.

**5. Budget: (in 000 ECUs)**

<table>
<thead>
<tr>
<th>Component</th>
<th>Investment</th>
<th>Institution Building</th>
<th>Total Phare (I+IB)</th>
<th>Recipient*</th>
<th>IFI*</th>
<th>TOTAL*</th>
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<td>0,100</td>
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<td>0,693**</td>
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<td></td>
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<td>3,000</td>
<td>0,793</td>
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</table>

1) This includes investment institution building measures
2) This includes investment in pilot projects

**6. Implementation Arrangements**

**Technical Implementation & Contractual & Financial Implementation:**

The Structural Funds Central Co-ordination Unit (CCU), Ministry of Finance, will be the **Implementing Agency**, assisted by the CFCU, where appropriate. The project will be
implemented according to Phare DIS rules and procedures. It is envisaged that a proportion of the project will be provided through twinning.

7. Implementation Schedule

Start of tendering:
- *Components 1 – 5:* Sep. 1998
- *Pilot projects (6):* Oct. 1998

Start of project activity
- *Pilot projects (6):* Jan. 1999

Completion
- *Components 1 – 5:* end- 1999
- *Pilot projects (6):* Oct 2001

8. Equal opportunity

Equal opportunities should be respected when selecting projects and participants. Target figures for the number of persons starting in each measure should be expressed by gender and the realisation of these targets should be measured.

9. Conditionality and Sequencing

• Adequate co-ordination between concerned Ministries.

• The implementation of *Pilot projects* is conditional on the use of structural fund principles (programming, monitoring, evaluation and control etc.) at the national and sub-national level.

• Relating to pilot actions national co-financing will be required at progressive rates, up to the minimum Objective 1 co-financing rate i.e. 25%.
LOGFRAME PLANNING MATRIX for Special Preparatory Programme (SPP) for the Structural Funds in LATVIA

<table>
<thead>
<tr>
<th>Project Number</th>
<th>LE9805.03</th>
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<td>Contracting period expires:</td>
<td>31.10.00</td>
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<td>Disbursement period expires:</td>
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<tr>
<td>Total Budget:</td>
<td>Phare contribution: 3,000,000 ECU</td>
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**Wider Objective**

- Develop the capacity to absorb and manage Structural Funds (SF) following accession to the EU

**Indicators of Achievement**

- Presentation of a NEDP;
- Readiness to make full and effective use of ISPA and SAPARD by start of 2000
- Ability to introduce SF procedures for PHARE-funded economic development programmes from 2000 onwards.

**How, When and By Whom Indicators Will Be Measured**

- Seconded EU officials
- Information provided by European Commission

**Assumptions and Risks**

- continued political support policy;
- NEDP will be adopted by Cabinet of Ministers & Parliament;

**Immediate Objectives**

- To develop the legal framework for the preparation and implementation of a NEDP;
- To develop appropriate institutional framework and budgetary procedures enabling a smooth transition towards the application of Structural Funds principles;
- To prepare a NEDP concerning the whole national territory;
- To set up a central unit within The Ministry of Finance which will be responsible for co-ordinating the implementation of the SPP;
- To launch one or two pilot actions for integrated regional development in designated areas, according to Structural Fund principles.

**Indicators of Achievement**

- Legal framework developed;
- Appropriate institutions established,
- NEDP agreed;
- Central Administrative Unit (CCU) established, staffed and equipped;
- Pilot projects launched.

**How, When and By Whom Indicators Will Be Measured**

- Draft NEDP
- Government regional and sectoral programmes
- Published government development targets and objectives
- Reports produced by CCU
- Seconded EU officials
- Reports of pilot programme monitoring committee

**Outputs**

- Central Administrative Unit (CCU) established, staffed and equipped;
- National Development Plan produced and approved;
- Priorities for Project Components 1 – 4 identified;
- Appropriate programmes and procedures identified from a wide range of EU experiences; best practice models adopted;
- Pilot Project(s) launched;
- Exchanges of Latvian & EU officials ensured;
- Comprehensive programme of workshops and training courses organised.

**Indicators of Achievement**

- Secondment and appointment of staff to CCU;
- Draft NEDP published;
- Increased awareness of EU Structural Funds programmes and procedures
- Increased numbers of trained staff in regional and central administrations;
- Training courses on programming and procedures.

**How, When and By Whom Indicators Will Be Measured**

- Government reports
- CCU publications and reports
- Local and central government reports and statistics
- Awareness raising publications produced by CCU
- CCU technical reports

**Assumptions and Risks**

- The project implementation will be appropriately co-ordinated between involved ministries
- Programmes will be adopted by cabinet of ministers; agreement will be reached on development priorities;
- Partnerships established at regional and national level;

**Inputs**

- TA – administrative support from EU officials / experts, training and supply of equipment/materials;
- the costs of the preparation and implementation of one or two pilot regional development programmes.

**Indicators of Achievement**

- CCU / indispensable units established, staffed and equipped; people trained;
- Established pilot projects;

**How, When and By Whom Indicators Will Be Measured**

- Ministry of Finance;
- Project Steering Committee.

**Assumptions and Risks**

- Ministerial agreement on the location and functioning of CCU
- Necessary administrative arrangements are made for CCU functioning
- Officials seconded to CCU
- Pilot project(s) are launched according to schedule

* *
Annex 2: Detailed (indicative) cost breakdown, ECU
LE 9805.03

<table>
<thead>
<tr>
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## ANNEX 3

### IMPLEMENTATION SCHEDULE OF THE PROGRAMMES - LE 9805.03

**Programme Title**
SPECIAL PREPARATORY PROGRAMME FOR STRUCTURAL FUNDS IN LATVIA

<table>
<thead>
<tr>
<th>Projects Sub-projects</th>
<th>Implementation Schedule (Quarters)</th>
<th>Budget Allocation</th>
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<tbody>
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<td>1998  1999  2000  2001</td>
<td>Cost Estimate</td>
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<tr>
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<td>IV  I  II  III  IV  I  II  IV  III</td>
<td>I  II  III</td>
</tr>
</tbody>
</table>

| Components 1-4       | C+I  I  I  I  I                  |                   |
| Component 5 (Pilot-projects) | D  C+I  I  I  I  I  I  I  I  I |                   |

| Total Programme      |                                   | 3.000.000 ECU      |

**LEGEND:**

D: DESIGN OF SUB-PROJECT
C: TENDERING AND CONTRACTING
I: CONTRACT IMPLEMENTATION
## ANNEX 4:

**Commitment (contract) SCHEDULE - LE 9805.03**

**DATE OF DRAFTING**: APRIL 1998

Planning Period: 31.10.98 – 31.10.00

**Programme Title**
SPECIAL PREPARATORY PROGRAMME FOR STRUCTURAL FUNDS IN LATVIA

<table>
<thead>
<tr>
<th>Projects Sub-projects</th>
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<td><strong>Cost Estimate</strong></td>
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<td>Components 1-4</td>
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<tr>
<td>Component 5 (Pilot-projects)</td>
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**LEGEND:**

D: DESIGN OF SUB-PROJECT

C: TENDERING AND CONTRACTING

I: CONTRACT IMPLEMENTATION

**Total Programme**: 3.000.000 ECU
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<thead>
<tr>
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<th>Disbursement (Payment) Schedule(Quarters)</th>
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<td></td>
<td>1998</td>
<td>1999</td>
</tr>
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<td>IV I II III IV I II III IV</td>
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<td>2.086.000 3.000.000 3.000.000 3.000.000</td>
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</table>

LEGEND:
D: DESIGN OF SUB-PROJECT
C: TENDERING AND CONTRACTING
I: CONTRACT IMPLEMENTATION
Relation of project with previous Phare activities and with ongoing project financed from other sources (national, bilateral or multilateral funding).

Additional Information to the Project Proposals submitted from the Ministry of Environmental Protection and Regional Development

Project: ‘Support for the Structural Restructuring of the Countryside of Latvia’.

The project proposal was worked out on the basis of activities held previously in the Regional Development sector. From the EU Phare CBC 1995 Programme money was allocated to prepare ToRs for the Pilot Project “Regional Development Plan for Latgale Region”. The project is in the Tendering Stage and money is allocated from the EU Phare National Programme 1997. Under the EU Phare National Programme 1997 the ToRs are being prepared for the project “Technical Assistance for the National Regional Development Plan”. The project “Formulation of Regional Development Strategy in Latvia” is contracted under the framework from the EU Phare National Programme 1997. These projects are mainly focused at the sustainable development and assessment of needs in the countryside in Latvia. Their purpose is to work out the overall development plans for the regions, the assessment of the needs, defining the priorities, sustainable business development in the countryside, defining investment needs.

Project: ‘Integrated Investment Programme for the Sustainable Development of Latgale Region’

The project proposal was worked out on the basis of the Pilot Project “Regional Development Plan for Latgale Region” under the EU Phare National Programme 1997. The preparation of the ToRs for the above mentioned project was supported from the EU Phare CBC Programme 1995. The contract will terminate in June 1998. The pre-qualification report is submitted to the CFCU in the Ministry of Finance. It is expected that Tender Documents will be sent to the shortlisted companies by the end of April 1998. The project “Formulation of Regional Development Strategy in Latvia” under the EU Phare National Programme 1997 has been contracted. The draft of the ToRs for “Technical Assistance for the National Regional Development Plan” was supported from the EU Phare CBC 1995.