FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY" on the one part, and

The Government of LATVIA hereinafter referred to as "THE RECIPIENT" on the other part,

HAVE AGREED AS FOLLOWS:

The measure referred to in Article 1 below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article 1 below shall be implemented is set out in the General Conditions annexed to the Framework Agreement of November 1991 between THE COMMISSION and THE RECIPIENT, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: LE00.07.00 – LE00.12.03
Title: 2000 Phare National Programme for Latvia
Duration: Until 30 November 2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of €24,760,000 hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30 November 2002 subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30 November 2003. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE'S number and title, shall be addressed to the following:
for the COMMUNITY:

Mr. Gunter Weiss  
Delegation of the European Commission  
Jacob's Barracks  
Tornu 4, Block 1C  
1050 Riga, Latvia

Telex: +371-732 72 50  
Fax: +371-732 52 79

for THE RECIPIENT:

Government of Latvia  
Mr. Roberts Zile, National Aid Co-ordinator  
Minister for Special Assignment for Cooperation with  
International Financial Agencies  
Smilsu Street 1  
LV-1919 Riga  
Tel.: +371-709 5690  
Fax: +371-709 5693

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at Riga  
Date 26. 2 2. 2000

Done at Riga  
Date 26. 2 2. 2000

for THE RECIPIENT  
Minister for Special Assignment  
For Cooperation with International Financial Agencies  
Roberts ZILE

for THE COMMUNITY  
Head of EC Delegation in Latvia  
Gunter WEISS

Annex 1  
Framework Agreement (Annexes A & B)

Annex 2  
Special Provisions (Annex C)
1. OBJECTIVES AND DESCRIPTION

The Phare 2000 National Programme takes full account of the Regulation on co-ordinating pre-accession assistance (Council Regulation No. 1266/99) which sets out a clear division of measures to be financed by Phare, Ispa and Sapard respectively.

Objective 1: POLITICAL CRITERIA

LE00.07.00 Promotion of Integration of Society in Latvia

The process of integrating its non-Latvian speaking ethnic population continues to be a major challenge for Latvia. Of Latvia’s total population of 2.46 million, Latvians represent 56%, Russian-speakers 33%, and 13% consist of ethnic Belarussians, Ukrainians, Poles, Lithuanians and others. The project provides assistance to support Latvia in its efforts to promote equal opportunities for all ethnic groups to enable them to participate in the labour market and in social life by strengthening the linguistic environment for minority school students and non-Latvian speaking adults. It is a continuation of the current Latvian Language Training Programme (1996-2006) referred to in the National Programme ‘The Integration of Society in Latvia’ which was adopted in December 1999. As of this year, the Latvian authorities have taken full responsibility of the language training programme, which was previously coordinated by the UNDP.

On the basis of the National Society Integration Programme, the assistance will be provided to also strengthen the institutional structures for the development and implementation of projects aiming at further integrating ethnic minorities into the Latvian society.

The project will support a) activities, such as training of Latvian language teachers of minority schools, training for teachers of minority schools to teach their subjects in Latvian, extra-curricula activities for youth and intensive Latvian language training for the unemployed; b) the establishment of the legal and fiscal framework necessary to set up an ‘Integration Foundation’ with an international dimension and to develop fund-raising skills. The project also provides for selected pilot projects under other chapters of the National Society Integration Programme than component 1.

The project is an Institution Building project with a training component. It will be implemented by way of a Financing Agreement and a service contract to be tendered.

The following Conditionalities have to be complied with:

- gradually increased state budget co-financing for Latvian language training (1996-1998, 190 000 EUR; 1998-2000, 394 000 EUR; 2000, 483 871 EUR);
- 70 000 Ls approved by the government in the state budget 2001 for the Ministry of Education and Science for management of implementation of the National Programme for Latvian Language Training.
- compatibility of the State Language Law (and it’s implementing regulations) and the Labour Code with international standards and Europe Agreement;
- appropriate implementation scheme (fund) for the implementation of the National Programme ‘The Integration of Society’ (as foreseen therein) is established and ready to be operational by the moment of signing of the Financial Memorandum;
- running and operational costs for the domestic dimension of the activities of the Foundation are covered from the state budget and other sources.
Objective 2: INTERNAL MARKET

LE00.08.00 Latvian National Quality Assurance Project

To increase their competitiveness Latvian enterprises should concentrate more on the development of value added products. Quality assurance in accordance with the EU acquis backed by economic policy is an essential element of this process. The project helps Latvian enterprises to implement and enforce EU directives on free movement of products. The project is in line with an action plan developed by the Co-ordination Council of the National Programme for Quality Assurance and it has been co-ordinated with the PRAQIII programme.

Support will be provided to develop and strengthen the Latvian National quality assurance system by providing the necessary equipment (metrology laboratories, standardisation, certification and accreditation and quality systems implementation) in line with EU requirements in order to improve product quality and safety, measurement traceability and quality management principles. The project will also provide assistance for training of the recipients.

The project is an acquis-related investment project with a training component. It will be tendered as a supply contract and a service contract.

The following Conditionalities have to be complied with BEFORE the project starts:

- Project steering committee and operational counterpart of the project to be established
- Detailed evaluation (needs assessment) of all related equipment by an EU expert (carried out before proceeding with procurement of the equipment).
- Evaluation of company profiles for participation in the programme carried out.
- Ensure national co-financing.

Objective 3: AGRICULTURE AND FISHERIES

LE00.09.00 : Strengthening Latvia’s fishery administration to meet the requirements of the Common Fisheries Policy (CFP).
Twinning component : LE00/IB/AG-01

The Latvian Fishery administration does not correspond to the EU requirements in terms of institutional set-up, human resources and equipment. To prepare Latvia for its future participation in the CFP, the project provides support to

- Elaborate an analysis of the current situation and provide an evaluation of the future development of the Latvian fishery sector, to develop a strategy and prepare an action plan for the restructuring and modernisation of the fishing industry including operational programmes as a basis for future structural assistance. This includes the elaboration of a detailed plan for the development of the relevant institutions in the Latvian fisheries administration. The project also assists to create administrative capacity including the relevant institutions in the field of monitoring and control of fishing activities for the enforcement of the CFP and the further alignment of the national legislation to the EU legislation.
- The project will co-finance the establishment of an integrated database reporting system for the operational management of the Common Fisheries Policy (catch quotas, fishing licenses, catches, landings, sales notes, vessel register data etc.);
The project is planned to be implemented as a twinning/training package. The investment component will be subject to tender.

The following Conditionalities have to be complied with BEFORE the project starts:
- Project steering committee to be established which will be responsible for the overall co-ordination of the project. It will be chaired at an appropriately high level.
- Arrangement for the involvement of the Latvian Fisheries industry in participation in the Steering Committee.
- Ensure national co-financing.

Objective 4: JUSTICE AND HOME AFFAIRS

LE00.10.01: Development of Integrated Latvian Border Management and Infrastructure.
Twinning Component: LE00/IB/JH-01

Given the current doubling of functions leading to inefficient and ineffective control along the Eastern border, the project will contribute to a) elaborate an integrated border management strategy in line with EU best practices with a view to involving all the border services, such as customs, police, border guards, phyto and veterinary services, coast guard, immigration police to establish clearly their subsequent responsibilities and to establish a framework for close co-ordination and co-operation; b) prepare a needs assessment report on the necessary resources to carry out effective border control; c) submit proposals to the government to step up efforts to improve staffing, status, remuneration, living conditions; d) develop an information system between the various institutions, a precondition for integration into the Schengen information system.

The project will co-finance the building of a Border Guard Station in Krivanda and a Border Guard Station to be united with the border crossing point in Opuli, both at the Eastern border with Russia. It will also co-finance the building of a veterinary and phytosanitary control post in Terehova, at the border with Russia, in line with EU requirements.

The project is planned to be implemented by a Twinning/training package. The investment component will be subject to tender.

The following Conditionalities have to be complied with BEFORE the project starts:
- Inter-Ministerial Task Force and Project steering committee to be established comprising all the parties involved in the implementation of the project.
- Co-financing by the state budget to be ensured.

LE00.10.02: Development and Implementation of Drug Control and Drug Prevention Master Plan
Twinning Component: LE00/IB/JH-02

The project provides support to develop a multidisciplinary and balanced approach for drug control and drug prevention. This includes a) the revision of the national drug strategy (Masterplan) in line with EU standards to focus on the development of a drug policy and reduction of demand and supply of drugs and b) subsequently to elaborate an Action Plan; c) to develop and strengthen the National Focal Point.

The project provides support to co-finance the supply of the “Analyst’s Note Book” drug intelligence system specialised software.

The project is planned to be implemented by a Twinning/Training package. The investment component will be subject to tender.
The following **Conditionalities** have to be complied with BEFORE the project starts:

- Inter-Ministerial Working Group and project Steering Committee involving all relevant parties to be established
- Sufficient resources are allocated by the government in terms of staff
- Government co-financing is ensured.

**Objective 5: REINFORCEMENT OF INSTITUTIONAL AND ADMINISTRATIVE CAPACITY**

LE00.11.01: Public Expenditure Management Project

*Twinning Component: LE00.IB/FI-01*

The project will cover the whole range of activities associated with the sound and efficient utilization of public funds. It builds on the progress already made following earlier projects on the management of public finances. The project provides assistance to:

- a) develop the budget process including introducing a Medium Term Expenditure Framework as well as Forecasting and Debt Management techniques;
- b) strengthen public procurement procedures including setting up a Public Procurement Monitoring Bureau;
- c) extend internal audit to all institutions dealing with public funds, including local governments and agencies and to increase the accountability of public entities. Advice will be given to local governments during the process of setting up internal audit units in local authorities.
- d) reinforce the external audit system to make it compatible with international standards for external audit and EU best practices.
- e) to ensure that public administration entities are managed and operated in accordance with the **Framework Law on Public Administration** and **Law on Public Agencies** (to be adopted in the course of 2000) thus ensuring the basis for proper management of public finances in carrying out public functions.

The project will co-finance IT equipment (hardware) for the Public Procurement Monitoring Bureau and for the State Audit Office (External Audit).

*The project is planned to be implemented by a Twinning/Training package (Public Procurement, External Audit and Public Administration) and Technical Assistance (Budget process and Internal audit). The investment component will be subject to tender.*

The following **Conditionalities** have to be complied with:

- Project Steering Committee to be established BEFORE the start of the programme
- Necessary resources from the state budget (financial years 2001, 2002) for co-financing of the project activities to be ensured. Adequate staffing of all the institutions involved.
- Government defines continuation of Public Administration Reform as constant priority.
- Government of Latvia is committed to implementation of the experts recommendations on strengthening the co-ordinating role of the centre of government in order to enable formulation of government strategic priorities and to ensure coherence among the various public policies as well as proper assessment of impacts of government actions.
- Government of Latvia undertakes measures to strengthen unified civil service by designing and implementing relevant policy instruments
- Secretariat for Public Administration Reform has governmental support, adequate capacity and legal base
- Laws covering all Public Agencies and Framework law on public administration are adopted by the Parliament in the course of 2000.
- Internal political will to undergo administrative and structural change
- Full commitment from the beneficiary to transparently co-operate with external project experts, including inter alia access to all sources of information
Commitment from the recipient to follow/implement the delivered advice, including necessary political support and decisions.
Commitment by Saeima to establish a parliamentary sub-committee for discussion of SAO reports.

LE00.11.02: Upgrade of the Latvian Statistical System in accordance with EU requirements
Twinning Component: LE00/IB/FI-02

The statistical reporting process, content and quality of statistical data require further improvement to constitute a reliable basis for government decision making and for preparing Latvia for future structural funds participation. The project aims to assist the Central Statistical Bureau to further build up capacity for the provision of reliable and professional statistics in accordance with EC requirements and EUROSTAT methodology. The assistance will support the overall upgrading process of the Central Statistical Bureau including training and strengthen its role within the Latvian Administration. It also addresses an action plan for the upcoming restructuring of the regional statistical offices. The project will assist to improve the delivery of statistical data in areas, such as agriculture, business, regional and labour.

The project will co-finance the equipment for the remaining 5 offices in the regions after ensuring closure of the present numerous offices in terms of hardware and specialised software to support the modernisation process.

The project is planned to be implemented by a Twinning/training package, by a financing agreement in the field of sector statistics, a supply contract to be tendered and a contract via direct agreement regarding the specialised software.

The following Conditionalities have to be complied with:
• co-financing of the project from the state budget to be ensured.
• contract for equipment of the regional offices to be signed only after firm commitment to restructure the regional offices into 5 effectively functioning offices.
• Commitment by the Latvian government to gradually increase budget allocations for statistical activities and to introduce full financial independence of the CSB.

Objective 6: ECONOMIC AND SOCIAL COHESION

LE00.12.01: Development of institutional and administrative capacity for Regional Development in Latvia
Twinning Component: LE00/IB/OT-01

Latvia needs to set up clear responsibilities to be in a position to establish a policy framework and prepare further alignment of legislation for the sound and efficient management of pre-structural and at a later stage structural funds. The project helps to develop administrative and institutional capacity building on a national level including developing a strategy and an action plan on how to adapt the structures and institutions to be able to effectively programme and implement pre-structural funds with a regional dimension. It will also assist to identify a mechanism for the management of tasks at regional level and initial capacity strengthening at regional level.

The project is an Institution Building project to be implemented by Twinning (one PAA) and a short/medium term expert pool.
The following **Conditionalities** have to be complied with:

- Commitment by the Government to initiate preparation of the legal framework
- Budgetary commitment for adequate staffing of the relevant bodies

**LE00.12.02: Economic and Social Cohesion Measures in the LATGALE Region**

The project consists of the following components:

1) **Productive sector investment**: *Business Support Fund*. The grant scheme aims to promote business development in the region by providing support to business advisory services to owners/managers of enterprises and start-ups.

2) **Business Related Infrastructure**: *Business Related Infrastructure Fund*. The grant scheme aims to co-finance, with municipalities or regional authorities, small infrastructure projects by removing obstacles to investment, i.e. non-existent infrastructure or outdated infrastructure, thus contributing to the creation of a business environment more conducive to future investment.

3) **Human Resource investment**: *Human Resource Development Fund*. The grant scheme aims to support measures for providing training services to the workforce, young people and the unemployed in the region. The Fund also supports regional vocational education and training institutions.

**LE00.12.03: Economic and Social Cohesion Measures in the ZEMGALE Region**

The project consists of the following components:

1) **Productive sector investment**: *Business Support Fund*. The grant scheme aims to promote business development in the region by providing support to business advisory services to owners/managers of enterprises and start-ups.

2) **Business Related Infrastructure**: *Business Related Infrastructure Fund*. The grant scheme aims to co-finance, with municipalities or regional authorities, small investment infrastructure projects by removing obstacles to investment, i.e. non-existent infrastructure or outdated infrastructure, thus contributing to the creation of a business environment more conducive to future investment.

3) **Human Resource investment**: *Human Resource Development Fund*. The grant scheme aims to support measures for providing training services to the workforce, young people and the unemployed in the region. The Fund also supports regional vocational education and training institutions.

The projects are ESC investment projects with an Institution Building component, which will be implemented by Technical Assistance.

Before the start of the project, the following **conditionalities** must be complied with:

- co-financing from the state budget (for each fund) and from the local governments’ budget (for each measure to be financed from the fund) must be endorsed by the Government and local authorities resp. and verified by the Delegation
- operational guidelines for each of the fund mechanisms, and other fund documentation (including grant application forms) drafted and approved by the Government and endorsed by the EU Delegation
- The relevant bodies necessary for operating the fund mechanism (Steering Committee, Secretariat) must be in place and endorsed by the Delegation.

by 97/11/EC) will be carried out for all investment projects.
2. **BUDGET**

The total financial commitment under the **2000 Phare National Programme** in support of the projects described in section 1 above amounts to **24.76 MEUR**, as follows:

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<table>
<thead>
<tr>
<th>No.</th>
<th>Sub-Programme / Project</th>
<th>TOTAL PHARE</th>
<th>Indicative Split INV/IB</th>
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<tr>
<td>LE00.07.00</td>
<td>Political Criteria</td>
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<td>1.10</td>
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<td></td>
<td>of the Common Fisheries Policy (CFP)</td>
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<td></td>
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<td>Reinforcement of Institutional and Administrative Capacity</td>
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<td>50%</td>
<td>48%</td>
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<td>TOTAL</td>
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<td>24.76</td>
<td>12.98</td>
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</tbody>
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N.B.: A total of 1.84MEUR will be proposed in separate Financing Proposals, covering Latvia’s participation in Community Programmes in 2000, of which an amount of 1million can be counted against IB, and 0.8Meur for participation in the 5th Framework Programme, against INV. An amount of 2.4MEUR may be available for frontloading of Community Programmes.

3. **IMPLEMENTATION ARRANGEMENTS**

The Programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare Programmes.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme and will be responsible for financial reporting to the EC. Appropriate financial control shall be carried out by the competent National Control Authority with respect to the implementation of the Programme.
The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of the Republic of Latvia on 2 December 1998. Funds will be transferred following requests from the NAO.

A payment of up to 20% of the funds to be managed locally will be transferred to the NF following signature of the Financing Memorandum and the Financing Agreement between the NF and the Implementing Agencies (IAs)/Central Finance and Contracting Unit (CFCU). The provisions foreseen in articles 2 and 13 of the MOU on the NF must also be met. Furthermore, the NAO must submit to the Commission the designation of the PAOs and a description of the system put place, highlighting the flow of information between the NF and the IA/CFCU and the manner in which the payment function will be carried out.

Four replenishments will be made of up to 20% of the funds to be managed locally or the full balance of the budget, whichever is the lesser amount. The first replenishment will be triggered when 10% of the budget has been disbursed by the IAs/CFCU. The second replenishment may be requested when 30% of the total budget in force has been disbursed. The trigger point for the third replenishment is 50%, and for the final fourth instalment when 70% is disbursed. Save for express prior authorisation from the Commission HQ, no replenishment request may be made if the aggregate of the funds deposited in the NF and the IA/CFCU exceeds 10% of the total budget in force of the commitment. Exceptionally the NAO may request an advance payment of more than 20% in accordance with the procedures laid down in the aforesaid Memorandum of Understanding.

Implementing Agencies will be responsible for projects as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Title</th>
<th>Implementing Agency</th>
</tr>
</thead>
<tbody>
<tr>
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<td>Promotion of Integration of Society in Latvia</td>
<td>CFCU</td>
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<td>LE00.08.00</td>
<td>Latvian National Quality Assurance Project</td>
<td>CFCU</td>
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<td>LE00.09.00</td>
<td>Strengthening Latvia’s fishery administration to meet the requirements of the Common Fisheries Policy (CFP)</td>
<td>CFCU</td>
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<td>Development and Implementation of Latvian Drug Control and Drug Abuse Prevention Masterplan in accordance with EU recommendations</td>
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<td>Upgrade the Latvian Statistical System in accordance with EU requirements</td>
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<td><strong>Economic and Social Cohesion</strong></td>
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<td>LE00.12.03</td>
<td>Economic and Social Cohesion measures in Zemgale</td>
<td>CFCU</td>
</tr>
</tbody>
</table>

The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs will each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.
A separate bank account, denominated in EUR will be opened and managed by the NF in a separate accounting system in the Central Bank. In principle, all bank accounts will be interest bearing. Interest will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts, except twinning, are being prepared in accordance with the procedures set out in the DIS Manual. All contracts will be greater than 2MEUR, except in the areas of social integration, drugs and ESC Institution Building which require smaller contracts.

All contracts must be concluded by **30 November 2002**. All disbursements must be made by **30 November 2003**. Any funds not used by the expiry date of the Programme will be recovered by the European Commission.

For those contracts with funds retained for a warranty period extending beyond the end of the disbursement period of the programme, the overall total of funds related to those contracts, as calculated by the PAO and established by the Commission, will be paid to the CFCU/IA before the official closure of the programme. The CFCU/IA assumes full responsibility of depositing the funds until final payment is due and for ensuring that said funds will only be used to make payments related to the retention clauses. The CFCU/IA further assumes full responsibility towards the contractors for fulfilling the obligations related to the retention clauses. Interests accrued on the funds deposited will be paid to the Commission after final payment to the contractors. Funds not paid out to the contractors after final payments have been settled shall be reimbursed to the Commission. An overview of the use of funds deposited on warranty accounts - and notably of the payments made out of them - and of interests accrued will annually be provided by the NAO to the Commission.

### 4. Monitoring and Assessment

A Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. The JMC will meet at least once a year to review all Phare funded programmes in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the re-allocation of Phare funds.

The JMC will be assisted by Monitoring Sub-Committees (MSC) and will include the NAC, the PAO of each IA and of the CFCU and the Commission Services. The MSC will review in detail the progress of each programme, including its components and contracts, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the DIS Manual), and will put forward recommendations on aspects of management and design, ensuring these are effected. The MSC will report to the JMC, to which it will submit overall detailed reports on all Phare financed programmes.

### 5. Audit and Evaluation

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.
The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

6. **VISIBILITY/PUBLICITY**

The appropriate Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are at the Annex 'Visibility/Publicity'.

7. **SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of Latvia, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the Phare programme.