1. **Basic Information**

1.1 **Désirée Number:** LE00.12.01  
**Twinning Component Number:** LE00/IB/OT-01

1.2 **Title:** Development of institutional and administrative capacity for regional development in Latvia

1.3 **Sector:** Regional Policy

1.4 **Location:** Latvia – Public Administration at Central and Regional level.

2. **Objectives**

2.1 **Wider Objective:**

To establish integrated mechanisms for the development and implementation of regional and cohesion policy in Latvia in order to strengthen the institutional capacity for regional policy and for the management and co-ordination of Pre-structural and Structural Funds.

2.2 **Immediate Objectives:**

A. Establish the legal framework and institutional capacity for regional development at central and regional level.

B. Assist in building capacity for strategic planning, administration and implementation of Pre-structural and future Structural Funds at national level.

C. Assist in building regional capacity to create stable cooperation and negotiation mechanisms between central and regional levels in implementing regional policy.

2.3 **Accession Partnership and NPAA priority**

Accession partnership

Medium-term priority: Economic and social cohesion

Develop national policy for economic and social cohesion in preparing for the implementation of a Regional Development Programme and Community initiatives; improving the administrative structures, in particular clarifying the proposed allocation of responsibilities on regional policy issues; organising the budgetary system and its procedures according to structural funds standards, including appraisal and evaluation.

NPAA

Prepare for the actions with the EU Pre-structural financial instruments, Structural Funds and Cohesion Fund (LA-04).

- To set the State’s interests in development planning so the interests of the State and municipalities are compatible.
- To assist in the development and implementation of regional development policy, development of methodology and suggestions for municipal development planning and implementation of demonstration projects in regions and municipalities.
3. Description

3.1. Background and justification:

While Latvia has experienced impressive economic transformation and stable growth patterns in recent years, the majority of this activity and employment generation has been concentrated in the largest of the Republican cities, most especially Riga and Ventspils. There are major development imbalance within regions that has resulted in major social, employment and infrastructure disparities. On a more strategic level, this widening gap is a cause for serious concern in terms of Latvia’s progress towards accession to EU membership. It is obvious that Latvia needs to urgently address the issue of regional development policy if it is to satisfy the fundamental principles of EU Regional Policy that include, for example, having clearly defined structures and objectives, suitable legislative and institutional capacity and appropriate administrative capacity.

It is evident that a clear and unambiguous policy regarding the development of Regional Policy in Latvia is required if the previous patterns of development are to be reversed. The lack of targeted national policies or country wide development studies have seriously hampered the prospects for economic growth in the regions. The fact that districts can prepare plans for their areas and co-operate with other districts to establish socio-economic planning regions has not contributed much to the development of the regions as most of these districts are too small to be functional regions. In addition, there has been a negligible amount of co-operation on a horizontal level. This has led to sectoral policies often being implemented in a fragmented and isolated manner.

Additionally, the difficult political situation in Latvia since independence has not helped. Regional reform is a sensitive political issue since the arguments for particular regional structures have been dominated by the perception of the potential gains and losses accruing to the various political parties. The complexity of this issue at the highest political level is reflected in the decision of the Latvian government to postpone regional reforms until spring 2005. However some progress occurred in this area with the decision that in the meantime five planning regions will be established in the country. The main functions of the planning regions are regional development planning and investment implementation and monitoring. For the purposes of decision-making the Regional Development Council is being formed comprising the representatives of the participating district or city councils. For administrative purposes each planning region establishes a Regional Development Agency. The financing of Agencies is arranged through pooling of funds by participating authorities, as well as by attracting government and other funding sources for projects. To date 4 planning regions have already been established: Latgale, Zemgale, Vidzeme and Riga. It is expected that the last remaining planning region – Kurzeme – will be established before January 1, 2001. The decision of the Government also requires that the regional presence of central government institutions follow the same pattern. Despite these developments, it is clear to all interested parties that regional development for the foreseeable future will be seriously hampered unless it is guided and funded at a central level.

To strengthen the status of the National Development Plan (NDP) document, the overall integrity of the plan and to achieve better co-ordination of the preparation process, the Latvian Government passed a special decree concerning the NDP (“On the Preparation of the National Development Plan”) on 7th March 2000. This decree contained important measures to ensure the development of the National Development Plan and provided the institutions responsible for the National Development Plan with a mandate and the resources to do so. The Decree also confirmed the status of the National Development Plan as a medium term strategic planning document to analyse social and economic conditions, and to determine priorities and measures for its development over the next six years.

The Cabinet of Ministers decision also determined an institutional structure for the NDP Development. Firstly, an NDP Management group whose task it is to manage the overall preparation process of the NDP has been established, under the leadership of the Minister for Special Assignment for Co-operation with International Financial Agencies. The management group consists of senior officials from most Latvian line ministries, as well as representative from the Union of Local Governments, the
Bureau of Prime Minister, and the European integration Bureau. Secondly, an NDP Unit, within the Secretariat of the Minister for Special Assignment, was established as an inter-sectoral institution responsible for the preparation of the NDP. The NDP Unit consists of seconded officials from 7 ministries and a number of the regions. The creation of the structures for the preparation of the NDP should ensure that close institutional and regional co-operation exists (missing in the first NDP) and the preparation of a qualitative and integrated plan leading towards the development of the country is possible. The existing mechanism for NDP preparation still has to be reviewed in order to be consistent with the new institutional and legal framework for regional policy. There has been a significant amount of resources directed at the revision and improvement of the National Development Planning process in Latvia. This process is viewed as a critical medium term strategic planning tool that will integrate the various sectoral and regional policies to ensure co-ordinated approach to investment and strategic planning. The SPP assisted the Latvian authorities to conduct a sectoral SWOT analysis and is also preparing a HERMIN type model to assist in forecasting economic scenarios and the impact of future EU financial assistance. This analysis will be available in the draft National Development Plan by late September 2000.

A high level working group chaired by the Minister for Special Assignments for Co-operation with International Financial Agencies, Mr. R. Zile has been established to prepare a conceptual proposal on the harmonisation of competencies, institutional framework and suitable legislation in the area of regional policy and the eventual co-ordination of EU structural funds in Latvia. This group will be known as the ‘Regional Policy Working Group’. It will comprise three Government ministers – Minister of Economy, Minister of Environment Protection and Regional Development and Minister for Special Assignment for State Administration Reform, as well as senior officials from the Ministries of Foreign Affairs, Finance, Agriculture and representatives from Union of Local Governments and Regions. The activities and proposals of this working group will be discussed and implemented through the National Development Plan Steering Committee to ensure full compatibility and co-ordination with the operational process. Any decisions taken as a result of the activities of this working group will of course have an impact on the role of the project team upon their arrival in Latvia. With the situation being so fluid regarding this issue, a certain degree of flexibility must be expected from the project team.

While developments listed above are welcome and will improve the existing situation there is a need to formally develop the administrative and institutional capacity as part of a parallel process.

This project should aim at reviewing existing situation and processes in the area of regional development and consequently project will focus at establishment and strengthening of new legal and administrative structure for management regional policy and co-ordination of Pre-Structural and Structural Funds.

3.2. Linked activities:

- SPP for the Pre-Structural Funds preparation fund d by Phare 1998 (EU Phare).
- Horizontal Special Preparatory Programme for European Social Fund, managed by the European Training Foundation (EU Phare).
- Bilateral project “Establishment and strengthening of Regional development agencies in Latvia” - 990430 (Sweden - SIDA and Latvia - MoEPRD)
- Pilot Regional Development Plan for the Latgale region EU Phare LE 9702.01.05/0001
- National regional development planning - Latvia -technical assistance EU Phare LE 9702.01.05
- Regional development strategy in Latvia - EU LE 9702.01
- German bilateral assistance project to Vidzeme Development Agency
- Project “Institutional development for more effective labour market measures in the context of accession” in EU Phare 1997 – 97-5482.00
- Project “Set-up of the links between the banking sector and SMEs” in EU Phare 1997 – LE9702.01.02/0001
- Danish and Swedish bilateral assistance to the Zemgale Development Agency.
- Danish and UK Know-How assistance to Latgale Development Agency
3.2. Results/Outputs:

Results:

- Legal and institutional framework for management of the regional policy in Latvia established. Structures and procedures for improved NDP development for 2001-2006 have been revised and implemented accordingly.
- A new institution responsible for the management of the EU Pre-Structural and Structural Funds has been established.
- The overall national capacity for national and regional development planning, implementation and monitoring has been increased.
- The administrative capacity strengthened for the sound and efficient implementation of the EU Pre-Structural Funds and Structural Funds in future has been strengthened.

Outputs:

- Proper legal framework has been drafted
- New institutional framework for regional policy and Pre-Structural and Structural Funds management has been developed.
- A structured framework for co-ordination of sectoral and regional policies has been established.
- Initial capacity for development planning at regional level has been developed.
- Appropriate negotiation mechanisms between central and regional authorities, as well as among regional and local authorities has been established.
- National and regional level development trends analyses have been carried out.

3.4. Activities and Inputs:

Component 1: Establishing the legal framework and building institutions for regional development at national and regional level.

One of the main challenges facing the planning and implementation of regional policy in Latvia is the lack of a suitable legal and institutional framework. There is an urgent need to coherently define essential functions in the field of regional development and Pre-Structural and Structural Funds management, in order to improve efficiency and cost effectiveness as well as to ensure that various interests are reflected in the strategic planning process. These interests would include, for example, Cabinet, line ministries, regions, the private sector, social partners, etc.

The primary task of the experts in this area will be a detailed assessment of the conditions prevailing concerning the creation of the institutional mechanism for the design and implementation of a balanced national and regional development policy and proposing the structural and legislative changes to address the problems identified.

To address the problems mentioned above the twinning assistance in form of Regional Policy Planning Adviser (PAA) (18 m/m) is required:

Tasks of PAA:

- Analysing, and assisting in the preparation of a summary report on the current institutional and legal framework including the current legislation in place and administrative structures both existing and planned.
• Assisting in the preparation of a law on regional development and management of structural funds that will include, for example:
  ➢ General Provisions – Goals, Principles, Concepts
  ➢ Conduct of Regional Development Policies – Relevant Strategic Documents (for example, National Development Plan, Regional Development Plan, Operational Programmes etc.)
  ➢ Reporting Mechanisms – Steering Committees, Cabinet, Parliament
  ➢ Programming – Preparation, Relations to other activities,
  ➢ Responsible Institutions – Institution, Ministries, Councils, Agencies, Funds - overall division of responsibilities and co-ordination mechanisms
  ➢ Incentives – Sources, Eligibility, Allocations,
  ➢ Special Development Needs – Economic Black-Spots, Isolated regions

• Making recommendations and assisting in design of appropriate legislation and internal regulations for the establishment of an institution that will be primarily responsible for the overall strategic direction and management of National Development Plan and the EU Pre-Structural (Economic and Social Cohesion) and Structural Funds (the Institution*).

• Assist in defining the status and specific mandate for the bodies (national and regional) involved in the management of regional policy and programming and implementing of the pre-structural funds and future structural funds.

• Assisting in the drafting of internal regulations (secondary legislation) identifying mechanisms for inter-ministerial as well as central/regional co-ordination for the management of the pre-structural and future structural funds. It should aim at building appropriate legal and administrative structures that will ensure proper co-ordination and also a means of open dialogue and negotiation.

Regional Policy PAA should also carry out the overall leadership of the project. The possibilities of attracting additional short term or local expertise to cope with ongoing operational tasks should be explored within the framework of the twinning covenant.

PAA should report to the Regional Policy Working Group on all issues mentioned above. The Working Group should consider reports and recommendations prepared by PAA and decide on further steps for implementation.

Profile of the PAA:
- Background in economic and regional planning.
- Minimum 10 years of experience from working in national/central authorities.
- Experience in preparation of strategic planning documents (development plans national and/or regional) and development of legislation.
- Experience from working with EU structural funds, preferably Objective 1 areas.
- Management experience from extensive economic analytical processes.
- Experience in working at management of inter-institutional co-ordination functions at central government level.
- Good communication and team building skills.
- Computer literate and proficiency in the English language.

Component 2: Assist in the development of national capacity for pre-structural and structural funds management.

The building of effective and efficient structures for the management of regional policy and EU structural instruments requires relevant changes in the legislative and institutional setup of the country (component 1). However, in the case of Latvia, efforts for the establishment of the needed administrative capacity should be foreseen, as well. In order to build an institutional setup which is suitable for the main stakeholders at national and regional level, and that could also serve as the main

* The exact name of the institution is not specified at this stage.
interlocutor between the European Commission and national Governments. A number of capacity building activities should be carried out through this project. Institutional building efforts should target the proposed Institution but also it should address the issues of building proper partnership of relevant bodies involved in the planning, co-ordinating and implementing of regional policy.

This component is divided in two major parts: the first one applies to the regional policy making capacity, the second should look at main functional elements of the new institutional system.

**Sub-component 2.1.**

A comprehensive prospective analysis should be carried out on the current and future economic situation throughout the country providing an in-depth assessment that can be fully integrated into and act as a crucial element of the NDP process. The study should aim at providing long-term development opportunities and specify the economic development and growth potential of the country. In particular, it should clearly identify potential or existing impediments to economic growth.

The assistance of a suitable research institute from a EU Member-state is necessary to carry out the activities under this component. However the leading Regional Policy PAA should assist with specification of requirements for the research institute and as well steer the process of the preparation of the study.

*The research institute will carry out the activities as follows:*

**Analysis: Assisting with the development of a brief summary 10-15 pages only -**

a) Stating the development trends of main Latvian economy sectors in Baltic Sea Region, European and Global context;

b) Analysing the impacts of these developments on disparities among regions in the country;

c) Analysis of the interaction of the main development poles within the country;

**Assist with producing development scenarios: Building on the work of the NDP process**

a) Assess all development scenarios for the medium and long term.

b) Model the possible impact of these scenarios on the different regions of the country;

c) Ensuring that involvement of external actors particularly the private sector and NGO’s are considered;

d) Examine existing strategies and sectoral policies in the areas, for example of education, welfare, agriculture, etc.

e) Identify and document major problems and weaknesses of several scenarios;

**Making policy proposals:**

a) Propose a series of appropriate sectoral policy solutions to address the problems identified;

b) Assist with identification of specific priorities to concentrate on in future planning exercises;

c) Propose approaches of building development driven syndication between main development centres in cities and regions.

In light of the current economic development trends in Latvia the study should in particular highlight the potential role of large urban centres or “Gateways” as a key driver of economic growth. A crucial component of any regional development policy for Latvia must take account of the fact that the further development of existing major Gateways is in the medium term the only credible method to enhance economic development in the regions. These Gateways are the ones that already display the potential to drive economic growth in their hinterlands. The basis of the strategy is that these Gateways will then spread economic growth more widely across regions.

**Profile of research institution:**

- Experience in carrying out similar studies in Objective 1 areas in EU Members-States
- Ability to establish a EU and local (candidate state) partnership for purpose of doing a study
Multi-sectoral experience
Experience of doing the ex-ante assessment of planning documents prepared for use in structural funds (pre-structural funds) programming process

**Sub-component 2.2**

Under the co-ordination of the leading Regional Policy PAA it would be the function of *Partner institutions* or a team of twining experts (short and medium term) to assist the new *Institution* in building its two fold functions:

a) Strategic co-ordination of the structural instruments and the National Development Plan
b) Operational management of particular financial instruments (Phare ESC until accession and Structural Funds in the future)

In the inception phase of the project and during the implementation of the 1st Component the leading Regional Policy PAA should assist in the preparation of a detailed report on the initial human resource and financial need of the *Institution* and prepare a medium-term plan and time schedule, in order to ensure proper and sound management of Structural Funds upon accession.

Assistance can be required for the following activities:

**Policy making**
- Establishing the *Institution* as the central clearing-house for development policy proposals for Government, and in particular for the elaboration and updating of the National Development Plan.
- Assisting the *Institution* in providing guidance to local and regional governments on the nature of the structural fund process and the types of activities that will be eligible for structural funds.
- Promotion of contact with line ministries and their regional offices as well as with regional and local governments to ensure co-ordination consistency of National and Regional Development Plans.
- Assist the *Institution* in improving cross-border relations and co-operation with regions in neighbouring countries. In particular, the experts should explore developmental opportunities in this sphere.

**Financial planning**
- Promoting the ability of the *Institution* to work in close co-operation with the Ministry of Finance to ensure that strategic planning exercises for regional and structural policy is compatible with budget planning structures and the calendar of preparation and adoption of the State budget.
- To assist with clarifying the competencies and responsibilities between the Ministry of Finance and the *Institution* as to the planning phase for structural funds and the management and implementation of structural funds themselves.

**Operational management of the structural instruments**
- To build capacity in preparing guidelines, procedures and other operational documentation for management of financial instruments.
- To build the capacity to evaluate projects and programme submissions from regional and local governments.
- Provide assistance to the *Institution* and Ministry of Finance in developing a framework for ensuring that the preparation of projects the beneficiaries had made adequate and realistic provisions for co-financing of structural funds over the whole life of the project.
- To build the capacity to administer and select other bodies to carry out audits on activities financed by funds that it manages.
• To build the capacity to carry out ex-post evaluations of these activities and develop procedures to ensure the effective use of the funds it manages.
• To build the system of regular reporting on both the financial and physical progress of projects financed.

Management capacity:

• Advise the relevant national authorities on administrative changes necessary to ensure capacity to manage the design and implementation of structural policies.
• Advise on capacity building requirements to manage and direct structural policies including, reporting, activities, IT, inter-ministerial working groups, preparation of cabinet regulations, etc.
• Development of management plans (including medium/long-term planning for human resources).
• Advise on carrying out relevant awareness building and information campaigns.
• Strengthening unofficial co-operation and exchange of information between the institution, line ministries and local and regional authorities. The culture of open and informal co-operation should be encouraged and would be a valuable by-product of such a project. Such proposals might include a programme of secondment of key local and line ministry officials to the institution, as a means of reinforcing its links with these institutions and developing a partnership between the new institution and its correspondent institutions.

Profile of the Partner institution:

The partner institution should be managing structural funds co-ordination at national level in a EU Member State.

The partner institution should have experience in leading at national level through the EU structural funds programming exercise (Drafting National / Regional Development Plans, carrying out negotiations with the European Commission on preparation of Community Support Framework).

The institution should be capable to provide expertise both for strategic programming and operational management of EU structural instruments.

Component 3. Assist in the building of the regional capacity as regards the preparation and implementation of regional development strategies.

One of the greatest difficulties facing the process of regional development in Latvia is the lack of capacity at regional level that can prepare and implement regional development strategies. While regional development plans are aimed at stimulating competitive, sustainable development and lasting growth; creating jobs and assisting in economic and technology innovation; the promotion of inter-regional co-operation between communities and local development actors, it must be recognised that capacity must exist to achieve these goals. Therefore, the primary tasks of the twinning Partner institution will be to assist in capacity building of the regions.

One of the fundamental aims of the project will be to encourage a two-way flow of information and debate on issues ranging from strategic direction and goals to project design, preparation and approval. It is extremely important the agreed structure facilitate both a top-down and bottom-up style to ensure that there is a balance between the needs and aspirations of the regions and the overall strategic goals of central government. A system must be in place that, while satisfying all EU requirements in this area, is also customised to match the unique situation in Latvia.

As the situation with institutional capacity differs form region to region in Latvia as well the number of assistance projects has been made available to some of the regional institution, the twinning Partner institution under the leadership of Regional Policy PAA should carry out an assessment of situation in Latvian Planning regions and identify main territories and areas of assistance before proceeding with concrete activities.
Assistance to the regional authorities should be aimed at activities like:

- Capacity building in the area of joint planning to meet EU orientation:
  - Elaboration of the development visions of the regions in the medium term.
  - Development of overall skills in dealing with regional development and public fund management.
  - Assistance with the identification of economy sectors with growth potential and carry out analysis of constrains of regional development caused by lack of economic infrastructure and human resource potential.
  - Integration of spatial and regional development planning.

- Building capacity of regional institutions as regards co-operation with other institutions, municipalities as well as economic and social actors.

- Building programming and project identification capacity as well as increasing the capacity of the region to turn the regional development plans into operational tools (projects). Building the skills for management, monitoring and control of the projects. This should also include the review of management schemes of Phare investments into economic and cohesion of the regions.

- Assisting the regional authorities in building the general awareness of partners at regional level about specificity of EU regional politics and structural funds. As well information about new institutional structure could be disseminated within framework of the project.

- Support must be provided through advice and training to the regional structures so that they will be acting in the most effective way possible and that their plans / curricula encompass the best practices available within the European Union.

**Profile of the Partner institution:**

Under the co-ordination of the leading Regional Policy PAA, this component should be implemented by regional development institution (public or semi-public) from EU Member State preferably with Structural Funds Objective 1 experience.

The partner institution should have experience in urban and regional planning, investment project preparation.

Institution should be able to provide experts (practitioners) with management experience (building structures, elaborating management and recruitment plans).

**4. Institutional Framework**

The Latvian Government is presently discussing the establishment of proper institutional and legal framework for management of regional policy and co-ordination of the Structural Funds at national and regional level after EU accession. There is a clear requirement to dedicate one Institution to be responsible for leading and co-ordinating functions as regards regional policy. This project will aim at strengthening the new structure and all main stakeholders involved at national and regional level as well as to make proposal for a coherent overall institutional and legal schemes to deal with regional development issues.

Presently there are number of institution involved in management of regional policy at national level: (1) the National Development Plan Unit and the Foreign Assistance Programme Co-ordination Directorate in the Secretariat of the Minister of Special Assignment for Co-operation with International Financing Agencies (Secretariat), (2) the Ministry of Economy, (3) the Ministry of Welfare, (4) the Ministry of Education and Science and (5) the Ministry of Environmental Protection and Regional Development. At the regional level there are Regional Development Councils (decision making body) and Agencies (execution body) in planning regions.
The Foreign Assistance Programme Co-ordination Directorate – part of the administration of the Minister of Special Assignment for Co-operation with International Financing Agencies, who is also the Latvian National Aid Co-ordinator – is overall responsible for the programming, co-ordination and monitoring of the pre-structural funds and the preparation process for the structural funds. This includes the overall responsibility for the co-ordination and creation of the National Development Plan. The National Development Plan Unit in the Secretariat of the Minister for Special Assignment is responsible for the development of the National Development Plan.

The Ministry of Environmental Protection and Regional Development is responsible for the overall co-ordination of regional policy. The Ministry is responsible for assisting the regions with the establishment of planning regions and necessary institutional structures.

The Ministry of Economy is responsible for a major part of the sectors and policies covered in the National Development Plan. It is responsible for the development and implementation of productive sector policies (support to SMEs, industrial development, innovation policy), as well as infrastructure support policy. The Ministry of Economy is also a co-ordinating the elaboration of the National Employment Plan.

The Ministry of Welfare is responsible for the development and implementation of the employment policy in Latvia. The Departments of Labour and Budget and Financial will be the main administrative structures involved in the preparation for the European Social Fund.

The Department of Education Policy, Ministry of Education and Science, is responsible for the Human Resource Development policies in fields like vocational education, research and innovation and will be involved in the implementation of the respective parts of the National Development Plan and the National Employment Plan.

The Government has decided to establish five planning regions in Latvia. Certain institutional structures will be established at regional level. As joint initiative of local governments 4 Regional Development Agencies have been established in regions of Riga, Zemgale, Latgale and Vidzeme. The agency in Kurzeme is not in place yet. Presently activities of Regional Development Agencies are aimed at the regional development planning and implementation of investment measures in particular region.

The Ministry of Finance has to be involved in the project as responsible institution for State Budget preparation. The Ministry of Finance is the leading institution for running the National Fund System for financial management of EU funding.

The co-operation between the involved institutions can be ensured through the co-operation mechanisms built during the National Development Plan elaboration process.

The Regional Policy Working Group will fulfil the functions of projects Steering Committee and will co-ordinate project activities.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare</th>
<th>Support</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing*</th>
<th>IFI*</th>
<th>TOTAL</th>
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<tr>
<td>Twinning Covenant Component 1,2,2.3</td>
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<td>1.150.000</td>
<td>115.000</td>
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<td>1.265.000</td>
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<td>165.000</td>
<td></td>
<td><strong>1.650.000</strong></td>
</tr>
</tbody>
</table>
6. Implementation Arrangements

6.1. Implementing Agency

The Implementing Agency will be the CFCU (only contractual and financial). PAO Mrs. V. Andrejeva, Ministry of Finance.

The overall technical responsibility is under the Secretariat of the Minister for Special Assignment for Co-operation with International Financial Agencies. SPO Mrs. Ieva Kalnina.

6.2. Twinning

For the twinning Covenant the Counterpart will be Secretariat of the Minister for Special Assignment. Contact person: Head of Secretariat, Mrs. Ieva Kalnina.

6.3. Contracts

There will be 1 twinning covenant and 1 TA contract:

Twinning covenant - 1.150.000 EUR
TA contract - 350.000 EUR

6.4. Implementation Schedule

<table>
<thead>
<tr>
<th></th>
<th>Twinning Covenant</th>
<th>TA Contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1 Start of tendering/call for proposals</td>
<td>Immediately after signature of the Financing Memorandum</td>
<td>Immediately after signature of the Financing Memorandum</td>
</tr>
<tr>
<td>7.2 Start of project activity</td>
<td>At latest 6 month after signature of the Financing Memorandum</td>
<td>At latest 6 month after signature of the Financing Memorandum</td>
</tr>
<tr>
<td>7.3 Project Completion</td>
<td>18 month after the start of project activity</td>
<td>10 month after the start of project activity</td>
</tr>
</tbody>
</table>

7. Equal Opportunity

When recruiting, promoting and rotating their employees, Latvian public institutions take into account professional qualification, level of competence, compliance with the Law on State Civil Service (when applicable), correspondence to the job description, performance and like factors, not their age, sex or nationality. There will be equal opportunity for both men and women.

8. Conditionally and sequencing

- Full and public commitment by Cabinet of Ministers to establish a new legal and institutional framework for regional policy as well as to finance fully the planned structures.
- Five planning regions established and functioning before 1 January 2001
- National Development Plan submitted and approved by the EU Commission
- Project implementation should start with component 1 where necessary analysis of situation and recommendations for further actions are prepared by PAA. Consequently two other institution building components (2.2 and 3) will follow upon adoption of the new legal and
institutional framework by the Government, so, these activities will aim at further development of the new established structures.

**List of annexes:**

1. Logframe
2. Time Schedule
2a Detailed Implementation Schedule
3. Cumulative Contracting and disbursement schedule
4. List of relevant laws and regulations
**LOGFRAME PLANNING MATRIX FOR Development of Institutional and Administrative Capacity for Regional Development in Latvia**

<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>Indicators of Achievement*</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| To establish integrated mechanisms for the development and implementation of regional and cohesion policy in Latvia in order to strengthen the institutional capacity for regional policy and for the management and coordination of Pre-structural and Structural Funds. | Legal and institutional framework for management of the regional policy in Latvia established. Structures and procedures for improved NDP development for 2001-2006 have been revised and implemented accordingly. | Cabinet of Ministers  
Regular Progress report. | Support from the Government in relation to the regional policy development and implementation |
| Immediate Objectives | Indicators of Achievement* | How, When and By Whom Indicators Will Be Measured | Assumptions and Risks |
| Establish the legal framework and institutional capacity for regional development at central and regional level. | A new institution responsible for the management of the EU Pre-Structural and Structural Funds has been established.  
The overall national capacity for national and regional development planning, implementation and monitoring has been increased.  
The administrative capacity strengthened for the sound and efficient implementation of the EU Pre-Structural Funds and Structural Funds in future has been strengthened. | Cabinet of Ministers  
Regular Progress Report  
Accession partnership  
Statistical reviews | Sufficient national financial resources are available  
Effective co-operation of public institutions  
Qualified staff is retained in the involved institutions |
| Assist in the building of capacity for the strategic planning, administration and implementation of Pre-structural and Structural Funds management at national level. | | |
| Assist the building of the regional capacity to create a stable cooperation and negotiation mechanisms between central and regional level in carrying out regional policy. | | |
| Outputs | Indicators of Achievement* | How, When and By Whom Indicators Will Be Measured | Assumptions and Risks |
| Proper legal framework has been drafted | review and recommendation for legal and institutional framework for management of the regional policy in Latvia drafted.  
Draft legal acts submitted to Regional Policy Working Group.  
Successfully functioning co-ordination mechanisms ensures quality preparation of NDA and programming of pre-structural instruments.  
Regional Development Plans drafted.  
Comprehensive study of development trends delivered | Inter ministerial committees, working groups, DFAPC, Regional Development Agencies | NPD 2000 prepared and after submission accepted by European Commission  
Appropriate budgetary resources are available in the involved institutions  
Sustainability of the staff of the involved institutions  
Commitment of the institutions involved in the project to participate in the fulfilment of set tasks |
| New institutional framework for regional policy and Pre-Structural and Structural Funds management has been developed.  
A structured framework for co-ordination of sectoral and regional policies has been established.  
Initial capacity for development planning at regional level has been developed.  
Appropriate negotiation mechanisms between central and regional authorities, as well as among regional and local authorities has been established.  
National and regional level development trends analyses have been carried out. | | |
<table>
<thead>
<tr>
<th>Inputs</th>
<th>Indicators of Achievement</th>
<th>Hw, When and By Whom Indicators will be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>• 1 Regional Policy Planning Advisor and medium term and short term twinning assistance from EU MS partner institution</td>
<td>• Timely and adequate advice provided to all institutions;</td>
<td>Secretariat, MEPRD, MoE, MoW, MoEDU, regional authorities</td>
<td>• Advice/training is relevant, timely and consistent</td>
</tr>
<tr>
<td>• TA assistance from Research institution (TA)</td>
<td>• Institutions trained and capacity enhanced.</td>
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</tbody>
</table>


Annex 2: Time Schedule

<table>
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<tr>
<th></th>
<th>2001</th>
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<th></th>
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<tr>
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<td>M</td>
<td>A</td>
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<td>J</td>
<td>A</td>
<td>S</td>
<td>O</td>
<td>N</td>
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<tr>
<td><strong>Twinning Covenant</strong></td>
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<tr>
<td>Design and Selection</td>
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<td>X</td>
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<tr>
<td>Commencement of activities</td>
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<tr>
<td><strong>TA Contract</strong></td>
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<tr>
<td>Design and tendering</td>
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<tr>
<td>Commencement of activities</td>
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</table>
## Detailed implementation chart

### Development of institutional and administrative capacity for regional development

<table>
<thead>
<tr>
<th>Component 1</th>
<th>Establishing the legal framework and building institutions for regional development at national and regional level</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Policy PAA</strong> (leadership and co-ordination of the project)</td>
<td></td>
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<tr>
<td>Analysis of current institutional and legal framework</td>
<td></td>
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<tr>
<td>Assisting in preparation of law on regional development</td>
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<tr>
<td>Preparation of recommendations for establishment of an institution primary responsible for management of the regional policy and Pre-Structural, Structural Funds</td>
<td></td>
</tr>
<tr>
<td>Assisting in design of institutional structure of institutions (national and regional level) involved in management of regional policy</td>
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</tr>
<tr>
<td>Assistance in the drafting of internal regulations identifying mechanisms of co-ordination</td>
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</tr>
<tr>
<td>Preparation of report on the initial human resource and financial needs of the new institution and preparation of the medium term plan and time schedule for management of the Structural Funds (for Component 2.2)</td>
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<tr>
<td>Assessment of situation in Latvian Planning regions (for Component 3)</td>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Component 2</th>
<th>Assistance in the development of national capacity for Pre-Structural and Structural Funds management</th>
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<tbody>
<tr>
<td><strong>Sub-Component 2.1.</strong> Economic development study (TA contract with the Research Institution)</td>
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<tr>
<td>Analysis and summary on present situation</td>
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<tr>
<td>Assistance with producing the development scenarios</td>
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<tr>
<td>Drafting policy proposals</td>
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<tr>
<td><strong>Sub-Component 2.2.</strong> Strengthening of the institutions involved in management of regional policy (Twinning experts of Partner institution)</td>
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<tr>
<td>Building policy making and co-ordination capacity</td>
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<tr>
<td>Building Financial planning capacity</td>
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<tr>
<td>Strengthening of capacity for operational management of the structural instruments</td>
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<tr>
<td>Improving management capacity</td>
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</table>

<table>
<thead>
<tr>
<th>Component 3</th>
<th>Assist in the building of the regional capacity as regards the preparation and implementation of regional development strategies</th>
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<tbody>
<tr>
<td>Capacity building for planning</td>
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<tr>
<td>Building co-operation capacity</td>
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<tr>
<td>Building programming and project identification capacity</td>
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<tr>
<td>Assistance in awareness building in regions about specifics of EU Regional policy</td>
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<tr>
<td>Date</td>
<td>99.09.30</td>
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<tr>
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<td>TA</td>
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</table>

**Total**

| Contracted | 1.50     |
| Disbursed  |          |
Annex 4

List of relevant Laws and Regulations

1) “Concept of Regional Development Policy of Latvia” (adopted by Cabinet of Ministers of Latvia, December 3, 1996)
2) “Law on Territorial Development Planning” (passed by Saeima in October 15, 1998)
3) “Concept on Establishment of Regional Development Agencies” (adopted by Regional development Council in October 18, 1999)
4) “Law on Self-Governments” (passed by Saeima in May, 1994)
5) “Law on assisted regions”
6) “Law about control of support to entrepreneurship administered by state and self-governments”

Reference to relevant Government Strategic plans and studies (may include Institution Development Plan, Business plans, Sector studies etc.)

1) Preliminary National Development Plan
2) National Regional Development Programme
3) Programme for Development of Specially Sustainable Regions
4) Declaration of the Cabinet of Ministers
5) Rural Development Plan
6) National Employment Plan
7) Social report
8) National Programme for the SME Support
9) National Programme for the Support to Industries
10) Draft Concept for the Public Investment Programme