STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1 Désirée Number: LE00.12.03
1.2 Title: Economic and Social Cohesion Measures in the Zemgale Region
1.3 Sector: Economic and Social Cohesion/Regional Development
1.4 Location: Target Region of Zemgale, Latvia

2. Objectives

2.1 Wider Objective:

The project is aimed at addressing impediments to economic and social development in the region of Zemgale, which are characterised by high unemployment rate, immature business environment, dependency on low added value industries, lack of competitiveness, innovation and enterprise.

2.2 Immediate Objectives:

Government and regional authorities working transparently with private sector, education and training organisations to promote increased economic activity and competitiveness of enterprises, higher levels of direct investment and increased employment.

2.3 Accession Partnership and NPAA priority

Accession Partnership

Medium term

Continue promotion of market-driven restructuring in the enterprise sector and improve conditions for the creation and development of private enterprises, with particular attention to SMEs. Develop national and regional policy for economic and social cohesion in preparing for the implementation of a Regional development programme and Community initiatives and to enable regional authorities to access Community funds.

NPAA

To ensure the economic development and ability to cope with the competitive pressure in the EU internal market by creating a favourable business environment for the establishment and development of SMEs (EL-006).

To ensure the development of competitive, flexible and adaptable national work force able to cope with pressure and market forces within EU, consistent with actual local (rural and urban) conditions (EL-004).

Promotion of social dialogue among private employers, state institutions and trade unions and of concrete partnerships between them in delivering projects (LE-039).

2.4 Contribution to the National Development Plan

This Project is targeted to the following priorities identified in the Preliminary National Development Plan:
Regional development:

Strengthening of regional institutions;
Creation of sustainable development capacity of regions;
Improvements to accessibility.

Promotion of entrepreneurship:

Facilitation of the development of SMEs;
Export and foreign direct investment promotion;
Quality promotion;
Support to introduction of innovative and progressive technologies.

Human resource development (HRD) and employability promotion

Establishment of regional administrative infrastructure to implement the HRD policy;
Modernisation of network of regional educational establishments;
Increase in provision of business education and training in the regions;
Quality improvement of professional training and requalification of unemployed;
Stimulation of social dialogue.

3. Description

3.1 Background and justification:

**ZEMGALE** is comprised of Jelgava, Bauska and Dobele districts and the town of Jelgava. The region has been identified as a target region not only due to its backwardness as justified by a lot of indicators, but also due to a number of strong points that, if supported, could be regarded as a potential for comparatively fast growth. The following has been considered:

- one of the highest regional unemployment rates in the country – 10 %
- the second lowest capital investment – 188 LVL per capita
- low foreign direct investment – 0.5 % of the national total
- the second lowest industrial output – 434 LVL per capita
- high dependency on agro-industry sector – accounts for 46 % of production output and supports ¾ of population
- location on the crossroads of important transit corridors – Via Baltica and East-West roads and railways

Industry restructuring in the region of Zemgale being a part of the entire economy transition process that started in early 90s can be described as follows:

- partial or complete closure of large scale enterprises mostly in heavy industry sectors. As the enterprises belonged to the rigid system of planned economy only few of them have managed to adjust their operations to the new requirements set by the market liberalization;
- closure or downsizing of the mentioned enterprises has resulted in high unemployment among skilled labour force possessing specific qualifications no longer in demand;
• during the last decade the economic activity has concentrated in sectors processing local resources such as agriculture, food industry and wood-processing;
• until the crises in Russia in 1997, the industries of Zemgale remained in close connection with the markets of NIS exporting there a great share of their produce. Loss of the market turned out to be crucial for many enterprises and left a negative impact on the whole regional economy;

The present business environment in Zemgale can be characterized as immature. In general the developments have been comparatively slow. Fewer new enterprises have been created in Zemgale in comparison with other regions of Latvia. Zemgale has not succeeded in attracting neither domestic, nor foreign direct investments into its businesses. Having current scarce resources neither public institutions, no business are able to secure steady economic growth. The relevant public institutions lack the necessary capacities whereas businesses face problems like:

- lack of business competence in business management, product development, marketing, etc.;
- restricted access to financial resources;
- lack of staff training opportunities;
- irrelevant business infrastructure.

The above mentioned problems determine the current state of the business in Zemgale that can be described by:

- lack of competitiveness, innovation and enterprise;
- inefficient and low added value production in existing sectors;
- recruitment problems of appropriately trained staff.

Local authorities and entrepreneurs themselves are currently supporting a limited business advice. However, as recognize by both entrepreneurs and business advisers the present offer is far from the actual needs and in a lot of cases not affordable to SMEs.

As to the labour market a misbalance between supply and demand characterizes the region. The existing institutions of vocational education and training have not been able to respond promptly to the changes in demand for labour force caused by the industry restructuring. The regional authorities have low capacities for monitoring the processes on the market and there are no instruments to handle the ad-hoc training needs of the entrepreneurs neither in short, nor longer term.

The key problems identifies in the region’s HRD sector are:

- low capacity of regional non-university sector in technological science;
- limited labour market training and education offered locally;
- curricula of local vocational education establishments do not meet the actual market demands;
- low capacity of training institutions in providing the core skills like knowledge of entrepreneurship, economy, IT, foreign languages;
- their facilities do not allow for appropriate practical training.

It should be also noted here that the close location of the region to the capital of the country has created a certain centripetal labour force migration. According to available data presently more than 12000 inhabitants of the region commute to Riga for work. Riga is attracting the most skilled labour force as it can offer remuneration, which on average exceeds the local one by at least 40 %.
Zemgale Regional Development Agency (ZRDA) has been created with the aim to pool together and co-ordinate efforts of facilitating economic and social activities of the region. Currently ZRDA elaborates in detail its regional development strategy based on the SWOT analyses. The latter has defined the following strong points and consequently opportunity areas for Zemgale which distinguish the region from the others:

- close distance to Riga and location on the Via Baltica road allows for Zemgale to act as a service complex provider to the metropolis area by offering housing, recreational, conference, tourism and leisure time opportunities;
- crossroads of north-southern and east-western road and railway transit corridors provides for Zemgale to be developed into the logistics center;
- the Latvian Agricultural University being located in the region of Zemgale has a potential for facilitating regional development processes;
- long and intensively used border with Lithuania offers further prospects for utilizing potential cross-border co-operation benefits;
- the tourism strategy elaborated with the support of Phare programme in 1998 has identified Bauska and its environs as one out of four prospective tourism clusters of the country;
- national leader where it comes to the yield indicators of agricultural produce.

Taken the mentioned strong points and their opportunities the agency has set out the following priorities for the region:

- employment creation
- human resource development
- industrial diversification
- SME development & promotion
- competitiveness of products
- innovation
- conversion of collapsed enterprises & former army bases
- tourism

3.2. Linked activities:

Ongoing projects:

EU Phare LE 9702 “Support to Latvian Development Agency” (assessment of the implementation of the business plan and strategies prepared under previous TA project, strengthening the status and reputation of the LDA);
EU Phare LE 9702 “Financing Agreement” (support to the export strategy)
EU Phare LE 9702 “Cost sharing Grant Scheme” (providing co-financing to Latvian companies with export potential to meet the costs of their export sales strategy)
EU Phare LE 9702 “SME Guarantee Fund” (support to the SME sector, to promote activities in the field of industrialisation, quality, innovation)
Germany TRANSFORM programme “Consultations for privatised SME’s” (advisory support)
EU Phare Special Preparatory programme for ESF preparation – European Training Foundation, local contact organisation – Agency for Vocational Education Development Programmes
Preparations for Regionalisation of Vocational Education and Training – sub-project of EU Phare programme “Higher Vocational Education and training reform” LE-9609.05.
Elaboration of Report on Human resources development and labour market demand in Zemgale region – Agency for Vocational Education Development Programmes and MoES initiative
Latvia’s participation in the EU 5-th Framework Programme (1999-2002)
Elaboration of “Information Technology Services Sector Study “by Latvia Development Agency with the assistance of Ernst & Young (1999)
EU Phare programme “Vocational Education and Training 2000”, sub-project: Development of national qualifications and college level study programmes in information technology sector. LE-9703. 01.01

PHARE has supported establishment of the Business Innovation Centre in the town of Jelgava and introduction of Business advice function at the Adult Education and Information Centre in the town of Dobele.

The Latvian Development Agency has prepared concept on measures for attracting direct investments.

**Planned projects:**

EU Phare LE 9812 “Industrial cluster restructuring” (aim of this project is to enhance the economic performance of Latvian industry)
EU Phare LE 9812 “Advice, Monitoring & Control” (advise to the Ministry of Economy on monitoring and control of the above mentioned project)
EU Phare LE 9702 “Link between Banking sector and SME’s” (assessment of development of SME related activities of the Guarantee and Regional Development Funds and support to strengthening management and operational capacity of the participating banks)

This project is being implemented in parallel with the “Development of institutional and administrative capacity for regional development in Latvia” which is an important institution building (IB) project. The activities of that IB project do not need to follow or be inspired by the practical implementation scheme provisionally designed for the activities which will be implemented in “Economic and Social Cohesion measures in the Latgale Region” and “Economic and Social Cohesion measures in the Zemgale Region” (s. Annex 5).

3.3 Results/Outputs:

- Improved employability, developed entrepreneurship, encouraged adaptability of businesses and strengthened equal opportunities in Zemgale;
- Infrastructure projects directly benefiting productive sector activity implemented and the local business environment improved;
- Capacity of regional authorities developed to deal with regional planning, project identification and programming;
- New links between regional business enterprises as well as vocational training institutions located inside and outside the region established
- New products introduced and marketed by assisted enterprises;
- Due to the successfully completing training courses within the project, increase in export sales and turnover of assisted enterprises;
- New training curricula corresponding to market needs developed.

3.4 Activities:
Due to the lack of preparation of the Latvian target regions in dealing with economic and social cohesion issues, the establishment of a Regional Partnership component ("compagnonnage") is envisaged. The Regional Partnership will be a highly selected consultancy "coaching" exercise to support the target regions in dealing with the preparation of ESC activities and project identification and preparation.

This partnership would be with a regional development institution from a Member State that has a track record of success in a disadvantaged area. This partner organization (regional development agency or similar semi-public institution) would be selected by way of a restricted tender.

The selected institution should be an economic development body of a EU city (with more than 100,000 inhabitants) and/or region (with more than 1 million inhabitants) possessing experience and explicit credentials in the following domains:

1. Urban and regional planning;
2. Investment project preparation (housing, real estate, infrastructure, business services, etc.);
3. Financial engineering of projects;
4. Recruitment and Training plans.

The selected experts should be knowledgeable in regional and urban development dynamics, public services economy (transport, water, energy, telecommunications, etc.), vocational education and social sciences, public finance and local governance.

During the initial phase of ESC activities, the Regional Partnership would support regional authorities:

1. In further elaboration of scheme/vision for the development of the region in a medium-term perspective;
2. To identify concrete priorities to be addressed which respond to the given areas for funding (business advice, business-related infrastructure, human resources);
3. To develop their skills in dealing with regional planning, project identification and programming;
4. By assisting Zemgale Regional Development Agency in project identification and preparation of promotion in the relevant areas for funding.

With the assistance of the Regional Partnership, the region should increase its capacity to:

- Develop its overall skills in dealing with regional development, as well as project identification and preparation;
- Identify which activities are promising for growth as well as which are the potential economic sectors, which could be targeted to promote investment and future growth;
- Carry out a critical analysis and medium-term planning of needs for human resources and further development of social institutions (e.g. vocational education policy within the region, links the research institutions, decentralization of social services, etc.);
- Identify the constraints that the existing infrastructures create in the regions for a sound development of SMEs and business in general as well as the need for new infrastructure (including their efficient management).

The tendering and contracting of the partner organisation(s) (regional development agency or similar semi-public institution) shall be carried out following the EC Phare DIS rules and procedures. Possibilities of launching the tender on the basis of a short-list of institutions of said profile may be explored.
300 000 EUR have been allocated to the Regional Partnership component.

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<tr>
<th>Project component 2</th>
<th>Business support facility</th>
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Within this project component there will be advice and consultancy support, which aims at providing assistance to businesses, business organisations and support facilities in Zemgale. Assistance will be provided to existing companies and start-ups, according to the priorities set up in the Regional Development Plan of Zemgale Region and National Development Plan, the recommendations provided within the project component 1 and following the project selection, assessment and approval procedures set by the Special Guidelines for operation of the Business Support Facility (referred to as “the Special Guidelines “ in this section).

The component is built up based on two considerations. First, it has been recognised that there is insufficient knowledge on both the region’s business development limitations and possibilities. Therefore it is planned to support business organisations, local associations of entrepreneurs, business advisory centres, educational establishments and others wishing to develop a more conducive business environment.

It is expected that the proposed projects will be consistent with the regional strategy and will provide for a long-term economic effect.

Secondly, a vital necessity for effective and affordable advisory assistance on specific business issues has been identified and in response a provision of the business advice and consultancy is planned to form the main part of the component. The target group for the advisory services will be the existing companies wishing to raise their competence as well as start-ups.

The aim is to assist enterprises to shift to products with a higher value added and make them more competitive on domestic and export markets. The Business support facility should also bring impact in terms of the creation of sustainable employment.

The target group will be both existing companies and start-ups. Eligible companies must be registered and have their headquarters and/or production facilities/operations in the target region. Non-eligible activities are primary agriculture, extraction, energy, retail trade, financial services, entertainment and casinos. The support provided through the present scheme may not overlap with support from other Phare programmes which apply throughout the country.

Enterprises which are likely to contribute towards a dynamic development should be considered with particular attention. Such enterprises may i.a. concern start-ups, innovative actions and alternative sectors (non-traditional in the region).

Companies will apply to the Business Support Facility (BSF) for advisory support and consultancy such as:

- Business advice, including management, marketing, accounting, product development and quality management;
- Business plan development and feasibility studies for companies who wish to apply for a loan or attract direct investment;
- Assessment of needs in technology, innovation etc. for SMEs;
- Studies to identify and examine business opportunities of companies outside the region, and about possibilities for exporting (sectoral promotion and fairs); subcontracting and networks for subcontractors, and joint ventures in particular;

The beneficiary enterprises shall contribute 25% to the cost of the action (i.e. 25% of the service provider’s invoice).
The above mentioned list can be reviewed and re-oriented, if appropriate, following the recommendations provided by the Regional Partnership component.

Criteria for the selection of projects will be established in the Special Guidelines.

The BSF will be implemented within the component 2 and managed by the service provider – the selected EU / Phare consultancy company / consortium.

Possibilities to use one service provider for implementation of this component for the target regions of Latgale and Zemgale may be explored.

The BSF will provide the funding for 2 types of activities:
(1) service type of activities (business advice, studies, etc.)
(2) non-service type of activities (participation fees in fairs, etc.).

Criteria for selecting and ToR for the service providers will be elaborated by the ESC MD together with ZRDA and line ministries and approved by the Steering Committee for ESC projects.

The task (1) will be carried out directly by the pool of the EU and local experts proposed by the EU / Phare consultancy company / consortium selected following a restricted service tender.

The tendering and contracting of the EU / Phare consultancy company / consortium shall be carried out following the EC Phare DIS rules and procedures.

Non-service type of activities (2) will be part of the same contract with the selected EU / Phare consultancy company / consortium and thus managed by the contractor as a Special BSF Facility.

The selected EU / Phare consultancy company / consortium will be responsible for the implementation of projects approved in accordance with the Special Guidelines

The tendering and contracting of the selected EU / Phare consultancy company / consortium will be carried out by the PAO/CFCU.

900 000 EUR has been allocated for the BSF (service and non-service type of activities).

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<th>Project component 3</th>
<th>Business related infrastructure</th>
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Within the project component 3 support can be provided for business related infrastructure projects proposed by the local and regional authorities located in the Zemgale region. The said infrastructure investment projects should contribute to improve the business infrastructure environment and thus provide an incentive for further direct investment. Projects should contribute to improve the overall economic development of Zemgale. Assistance will be provided according to the priorities set up in the Regional Development Plan of Zemgale Region and National Development Plan (NDP), the recommendations provided within the project component 1 and following the project selection, assessment and approval procedures set by the Special Guidelines for operation of the Business Related Infrastructure Facility (hereinafter called “the Special Guidelines”.

The eligibility criteria for projects financed under this component are:
- project activities should correspond to the development priorities defined in the Regional Development Plan and National Development Plan;
- projects should lead to the improvement of the environment for business development and general economic climate in the region;
- projects should facilitate direct investment in the region;
Preference will be given to projects, which correspond to the regional priorities in the field of productive investments and human resource development (supported by other components of this project).

- project should be ready to be contracted within six months of approval and in any event before the expiry of the contracting period;
- technical specifications and feasibility studies have to confirm that projects will be implemented efficiently;
- the project has to ensure its sustainability once the external financing ends;
- the proposed infrastructure should be available on equal basis to all public and private users in respective area.

Phare co-financing per project shall be between 90,000EURO and 300,000EURO.

The assistance shall not:

- overlap with the activities planned to be financed or are already financed from other Community Funds;
- cover the current expenditures of institutions and organisations;
- replace the activities to be financed from national or public budget;
- directly support the individual private enterprises.

The beneficiaries of the projects will be:

- local and regional authorities
- State institutions located in the Zemgale region.

The eligible projects could be proposed in the areas of preparation and upgrading of industrial sites for investors (local and foreign) such as:

- small water supply support facilities;
- small sewage support facilities;
- support facilities for environmental improvement;
- energy supply support facilities;
- access roads and other transportation improvement;
- support construction works for infrastructure.

The above mentioned list can be reviewed and re-oriented, if appropriate, following the recommendations provided by the Regional Partnership.

The Selection criteria will be established by the Special Guidelines.

Contractually the component 3 will be implemented by a number of works contracts to be tendered out as soon as the projects are selected and approved following the Special Guidelines.

A long list of projects will be submitted by the Regional Project Selection Committee to the Steering Committee for ESC projects for approval. The PAO/CFCU shall procure supplies and works contracts following the EC Phare DIS Rules and Procedures.

790,000 EUR have been allocated for the Business Related Infrastructure component.
This project component will be provided within close link and support to the 2nd and 3rd components.

The assessment of training needs, involving main partners (Employment services, NGOs, ministries, etc) should be done to prove the usefulness of the training to be obtained. The assistance within the component should be within the line with the HRD activities planned within National Development Plan, National Employment Plan and recommendations provided by the Regional Partnership.

Survey results on employers’ opinion on the issue reveal the following:

1) 34% admits that labour market does not offer the relevant qualification skills needed for their business,
2) 22% admits that labour market does not offer relevant qualifications,
3) 30% admits the low level of Latvian language skills.

The regional planners and local authorities have expressed their concern and possible solutions on the situation in HRD in the Zemgale Development Plan and Strategic Vision Paper, where the following intervention priorities (threats) have been selected:

- profilisation and modernisation of VET network/provision
- education and training programmes to be accomplished with IT & business subjects
- qualification of work force
- adult training structure optimisation (centres, co-ordination, offer etc.)
- study loans/fellowships
- cooperation of Latvian Agricultural University with social partners and self-governments

In order to meet the specific objectives of the Component and reduce the problems mentioned above the following three measures are developed for this Component:

1) **Training services for the workforce of enterprises operating in Zemgale.**

The objective is to meet market demand and to assist enterprises in a direct and expedient manner. The facility will provide training in technical skills required in the key productive sectors, preferably linked to the measures under BSF (Component2).

Non-eligible activities are primary agriculture, extraction, energy, retail trade, financial services, entertainment and casinos. The assistance may not overlap with support from other Phare programmes.

Assistance can be provided from both national and EU expertise. A dialogue with the training Institutions must be encouraged. The enterprises benefiting from the above activities should contribute 25% to the cost.

2) **Support to the vocational education and training institutions in the region.**

This HRD component part is aimed at developing training opportunities for training, re-skilling, initial and further vocational training. The facility will provide support to training institutions that will change curricula in order to meet market demand. To this end a dialogue with the business community and their representatives is essential.

The following actions can be considered:
• Improving the quality and scope of the Business education and training provision in the region.

• Improvement of provision and extending the capacity for delivery of technology related qualifications in the technical training institutions. Development of new training programmes in initial vocational training.

The above mentioned lists of activities can be reviewed and re-oriented, if appropriate, following the recommendations provided by the Regional Partnership.

(3) Training for unemployed

The objective is to train or re-skill unemployed to meet the demands of the labour market. The State Employment Service in co-operation with the ZRDA shall prepare a programme indicating the type and volume of training required. The facilities offered under (1) and (2) of the present component will be used to design and implement the actions.

Criteria for the selection of projects will be established in the Special Guidelines for operating the Human Resource Facility (hereinafter called the “the Special Guidelines”).

The HRD will be implemented within the component 4 and managed by the service provider – the selected EU / Phare consultancy company / consortium.

Opportunities to use one service provider for implementation of this component both in Latgale and Zemgale may be explored.

The HRD will provide the funding for 2 types of activities:

- service type of activities (development of training programmes & curricula, on-site training, re-training, re-qualification, etc.)
- co-funding of supplies and non-service type of activities (up-grading of facilities in training institutions, etc.)

Selection criteria and ToR for the service providers will be elaborated by the ESC MD together with ZRDA and line ministries and approved by the Steering Committee for ESC projects.

The task (1) will be carried out directly by the pool of the EU and local experts proposed by the selected EU / Phare consultancy company / consortium.

The facility (2) will be part of the contract with the selected EU / Phare consultancy company / consortium and thus managed by the contractor as a Special HRD Facility.

The tendering and contracting of the EU / Phare consultancy company / consortium shall be carried out following the EC Phare DIS rules and procedures.

The tendering and contracting of the selected EU / Phare consultancy company / consortium will be carried out by the PAO/CFCU.

The HRD facility will have regular call for proposals for parts (1) and (2) above. The maximum size of the assistance per project will be set by the Special Guidelines.

1 Opportunities of direct partnership with a pre-qualified training institution from a Member State in view of its specific mandate may be explored
500 000 EUR have been allocated for the Human Resource Development facility (service and non-service type of activities).

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<th>Project Component 5</th>
<th>Technical Assistance</th>
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(1) Technical assistance (TA) to the ESC MD, ZRDA and other institutions involved in management and implementation of the scheme will be provided within the component 5.

TA will be provided for activities like:

1) Consultancy support (project selection/ management/reporting)
2) Publicity, information and start-up training;
3) Audits and contingency;
4) Development of an adequate implementation system for infrastructure projects, including, site supervision and inspection.

Contractually the technical assistance above may be implemented under a Financing Agreement. The Financing Agreement shall cover the procurement of local expertise following the EC Phare DIS Rules and Procedures, publicity and information campaigns as well as procurement of services of an audit company for *ad hoc* and regular audit of the projects implemented.

The ToR for TA should be drafted by ESC MD and approved by SPO by the time of signature of the Financing Memorandum.

The budget for part (1) of the technical assistance shall not exceed 200 000 EUR.

(2) In order to ensure viability and transparency of the ESC scheme as well as to fulfill obligations of the Financing Memorandum concerning the requirements for monitoring / assessment, the involvement of an independent expertise shall be used for:

- an independent evaluation of project proposals
- an assessment of performance of the ESC scheme.

Contractually the above-mentioned independent expertise will be implemented under the Order for the Supply of Services and provided by the service provider – framework contractor.

The selection criteria and ToR for service providers will be drafted by ESC MD and approved by SPO.

The contracting of the framework contractor shall be carried out following the EC Phare DIS rules and procedures.

The framework contractor will be contracted by the PAO/CFCU.

A total amount of 100 000 EUR is allocated to part (2) of this activity.

4. Institutional Framework

**Steering Committee for ESC projects (“Steering Committee”)**

- Representing relevant ministries (NAC, MoF, MoE, MoW, MEPRD, MoES, MoT, ULSG) and representatives of target regions and the EC Delegation
• Chaired by National Aid Co-ordinator - Minister of Special Assignment for Co-operation with International Financial Agencies (MSACIFA)

• Main tasks:
  - overall co-ordination and monitoring of ESC activities ;
  - ensures that activities comply with EU procedures;
  - approval of Special Guidelines (criteria and procedures for selection of projects):
  - approves of ToR for contracts;
  - secures that the actions supported by project are in line with priorities set in the National Development plan, economic and social development and HRD strategies, National Employment plan, etc.;
  - approves 3-months work programme and project list for funding;
  - approves 3-months reports;
  - takes strategic decisions on performance of the ESC scheme.

• ESC MD will perform the secretariat functions for the Steering Committee.

Senior Programme Officer (SPO) and ESC Management Division (MD)

The SPO of the project will be the Head of Secretariat of MSACIFA. ESC MD is a special structure created within Administration of MSACIFA/NAC. The ESC MD is subordinated to the SPO.

Tasks of the SPO:

- Responsible for technical implementation;
- To supervise ESC MD and contractors, approve reports of the contractors;
- Informs CFCU about the approved project list;
- Responsible for ensuring proper monitoring, ex-post evaluation and control;
- To submit the Special Guidelines approved by the Steering Committee to the EC Delegation for endorsement.

Tasks of ESC MD will be as follows:

- To serve as secretariat for SPO and the Steering Committee
- To prepare Special Guidelines for each of the facilities;
- To prepare Terms of Reference (ToR) for contracts;
- To arrange call for proposals;
- Assist and advise ZRDA in elaboration of projects which comply with the guidelines;
- To coordinate activities with region;
- To prepare work programmes every 3 months and submit it to the Steering Committee for approval;
- To prepare report every 3 months and submits to the Steering Committee for approval;
- To organize independent expertise for evaluation of project proposals.

Running costs of the ESC MD will be covered from the budget of MSACIFA.

ESC MD may delegate part of the responsibilities for the project implementation to the Zemgale Region Development Agency. The agreement between ESC MD and ZRDA can be concluded for delegation of specific functions, subject to ex-ante approval by the EC Delegation.

Zemgale Regional Project Selection Committee (RSC)

• Participants will be nominated on a personal basis from the following:
  - representatives of self-governments of the region (10);
  - social partners;
- central government institutions;
- Zemgale Region Development Agency (Secretariat);
- ESC MD (Observer).

- **Main tasks:**
  - Decide on list of projects to be proposed for approval in Steering Committee; ensures co-ordination between activities concerning business development, business related infrastructure, human resource development;
  - ensures consultation with local and national partners;
  - supervises coherence of proposed assistance and projects with development priorities of the Zemgale region;
  - Supervises activities of ZRDA.

**Zemgale Region Development Agency (ZRDA)**

- **Zemgale Region Development Agency (ZRDA)** is the executive body for Zemgale Development Council (ZDC) and a regional partner for the national level institutions responsible for the development of Zemgale region.

- **Main tasks:**
  - co-ordinates all activities regarding development of the region;
  - collects project proposals;
  - performs as secretariat for the RSC;
  - takes care of awareness raising regarding project contents, objectives and finance;
  - counselling and guidance for potential project promoters (together with relevant ministries);
  - prepares draft decisions for RSC;
  - informs project applicants about the decisions taken by the Steering Committee;
  - monitoring of activities in respect to priorities identified in the Regional Development Plan.
  - Dissemination of information on technology developments and similar actions.

### 5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare Support</th>
<th>Total Phare (=I+IB)</th>
<th>National Cofinancing*</th>
<th>IFI*</th>
<th>TOTAL</th>
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<tbody>
<tr>
<td><strong>Investment Support</strong></td>
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</tr>
<tr>
<td>Contract 6</td>
<td>0</td>
<td>100.000</td>
<td>100.000</td>
<td>10.000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.190.000</strong></td>
<td><strong>600.000</strong></td>
<td><strong>2.790.000</strong></td>
<td><strong>789.300</strong></td>
</tr>
</tbody>
</table>

Mechanism of National co-financing will be elaborated in the Special Guidelines.

### 6. Implementation Arrangements

6.1 Implementing Agency

**Contractual and Financial Implementation**
The project components will be implemented according to the following mechanism:

- Special Guidelines will be elaborated by ESC MD in close cooperation with ZRDA, relevant ministries;
- The Special Guidelines will be endorsed by the Steering Committee for ESC projects;
- The SPO submits to the EC Delegation the Special Guidelines for approval;
- ToR for Financing agreement and Framework contract will be prepared by ESC MD and endorsed by SPO;
- Framework contractor selected and Financing agreement concluded;
- The ESC MD and ZRDA in consultation with the relevant ministries and institutions will develop ToR for the Regional Partnership;
- Steering Committee for ESC projects approves ToR for the Regional Partnership;
- Restricted tender without pre-qualification of the Regional Partnership;
- The ESC MD in close cooperation with the ZRDA, ministries work out ToR for Service contracts;
- Steering Committee for ESC projects approves ToR of Service contracts;
- Service Contracts will be tendered out in international tender.
- Reports on activities provided under Regional Partnership, Framework contractor, Financing agreement and Service contracts are regularly submitted to the SPO for approval.
- The Special Guidelines will be communicated to the ZRDA by ESC MD. The ZRDA will communicate them to the relevant authorities and institutions in the Zemgale region through written material. Information meetings will be arranged throughout the region for businesses, business association, chambers of commerce etc. on the Business Support and Human Resource Facilities. The information session should be repeated at regular intervals before Calls for Proposals;
- The ESC MD in cooperation with ZRDA will prepare Calls for Proposals. The first one to be organised within two months after approval of Special Guidelines for the ESC. Hereafter Calls for Proposals will be organised at regular intervals;
- Local authorities, businesses, business organisation etc will prepare project proposals;
- Project promoters submit project applications to the ZRDA. ZRDA registers all applications and gives the project code to each project for the future monitoring purposes;
• Guidance and counselling is given by the ZRDA in cooperation with Regional Partnership to project promoters (and potential project promoters) both before and after the applications have been submitted to the ZRDA;
• Taking into account the project selection criteria approved by Steering Committee for ESC projects, the ZRDA prepares the list of project proposals and submits it to the RSC;
• RSC decides on list and ranking of projects to be submitted to ESC MD for further assessment and final submission to the Steering Committee for ESC projects;
• ESC MD and independent experts carry out evaluation giving their opinion and submit the list of projects to the Steering Committee for ESC projects;
• Steering Committee for ESC projects takes decision on projects to be financed;
• SPO informs CFCU and ZRDA about decision taken by Steering Committee for ESC projects;
• Service contractors deliver services to project final beneficiary (for business support and human resource development components) and CFCU launches tenders for infrastructure projects;
• The CFCU reports (detailed content and timetable to be defined) to the SPO about the commitments and payments;
• SPO informs Steering Committee for ESC projects on implementation of projects.

6.2 Non-standard aspects
The project may include one Financing Agreement (comp.5).

6.3 Contracts

<table>
<thead>
<tr>
<th>Contract 1</th>
<th>Service Contract (Regional Partnership)</th>
<th>Restricted tender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 2</td>
<td>Service Contract</td>
<td>International tender</td>
</tr>
<tr>
<td>Contract 3</td>
<td>Standard Supply</td>
<td>Open tender</td>
</tr>
<tr>
<td>Contract 4</td>
<td>Service Contract*</td>
<td>International tender</td>
</tr>
<tr>
<td>Contract 5</td>
<td>Financing Agreement</td>
<td>Non standard</td>
</tr>
<tr>
<td>Contract 6</td>
<td>Framework Contract</td>
<td>Framework contracting</td>
</tr>
</tbody>
</table>

* a number of BSI contracts for implementation of projects selected in accordance with the Special Guidelines.

7. Implementation Schedule

7.1 Due to the urgency of preparatory work to be carried out within the framework of the Regional Partnership the relevant Service Contract (contract 1) should be signed immediately after the FM is signed: December 2000/January 2001. Therefore opportunities of conditional launch of tender before the Financing memorandum is signed may be explored;
7.2 The contract 5 and 6 should be signed immediately after endorsement of the Special Guidelines by the EC Delegation;
7.3 The contracts 2 and 4 shall be signed within 10 months after the FM is signed and after the Special Guidelines have been approved by the EC Delegation;
7.4 The contract 3 shall be signed within 10 months after the FM is signed and after the Special Guidelines have been approved by the EC Delegation.

8. Equal Opportunity
Participation in the project will require professional qualifications and competence in the particular area and will allow an equal opportunity for men and women to participate in implementation of the project.

9. Conditionality and sequencing

- The SPO will have to have adequate financial resources and skilled staff from the outset to perform its functions under the ESC scheme and to have fully operational ESC MD established;
- The Special Guidelines shall be endorsed by Steering Committee for ESC projects and approved by the Delegation of the European Commission before starting any investment activity and, at the latest, six months after the signature of the FM;
- ESC six-monthly work programmes (including the list of selected projects) shall be subject to the ex ante approval by the Delegation of the European Commission;
- Selected projects above 50 000 EUR, but not exceeding 300.000EUR, shall be subject to the ex ante approval by the Delegation of the European Commission;
- Co-financing from state budget should be endorsed;
- Co-financing from local government should be committed;
- Steering Committee for ESC projects established by the order of the NAC.

Annexes to project Fiche
1. Logical framework matrix in standard format
2. Time schedule for Economic and social Cohesion Measures in the Zemgale Region
3. Cumulative contracting and disbursement schedule
4. List of relevant Laws and Regulations
5. Scheme of implementation arrangements
Annex 1. Logical framework matrix

**LOGFRAME PLANNING MATRIX FOR Economic and Social Cohesion Measures in the Target Region of Zemgale**

<table>
<thead>
<tr>
<th>Project Number</th>
<th>Contracting period expires:</th>
<th>Disbursement period expires:</th>
</tr>
</thead>
<tbody>
<tr>
<td>LE00.12.03</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Budget:</th>
<th>Phare contribution:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(MEUR) 3.844</td>
<td>(MEUR) 2.79</td>
</tr>
</tbody>
</table>

**Indicators of Achievement**

<table>
<thead>
<tr>
<th>Wider Objective</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| Implementation of complex measures aimed at addressing impediments to economic and social development in the region of Zemgale, which are characterised by high unemployment rate, immature business environment, dependency on low added value industries, lack of competitiveness, innovation and enterprise. The ultimate goal is increase in economic activity, creation of employment opportunities and upgrading the skills of the labour force. | • Improved GDP in the target region  
• Increased exports originating in the region  
• New, competitive products developed  
• Decreased unemployment  
• Appropriate training opportunities | • Support from the government to the SME development ensured  
• Co-financing available  
• Governments commitment to improve the situation in HRD in the region |

<table>
<thead>
<tr>
<th>Immediate Objectives</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| Government and regional authorities working transparently with private sector, education and training organisations to promote increased economic activity and competitiveness of enterprises, higher levels of direct investment and increased employment. | • Capacity of the regional development agency raised  
• More attractive business environment created  
• Greater availability of business advice offered  
• Competitiveness of SMEs strengthened  
• Decreased unemployment  
• Basic infrastructure needs for business ensured | • Clearly defined national strategy in support to SMEs  
• Continued increase in regional economic activities  
• Implementation mechanism established |

<table>
<thead>
<tr>
<th>Outputs/Results</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| Improved employability, developed entrepreneurship, encouraged adaptability of businesses and strengthened equal opportunities in Zemgale; Infrastructure projects directly benefiting productive sector activity implemented and the local business environment improved; Capacity of regional authorities developed to deal with regional planning, project identification and programming; New links between regional business enterprises as well as vocational training institutions located inside and outside the region established New products introduced and marketed by assisted enterprises; Due to the successfully completing training courses within the project, increase in export sales and turnover of assisted enterprises; New training curricula corresponding to market needs developed. | • An updated regional development strategy elaborated  
• Researches performed in 2 to 4 priority sectors  
• Up to 15 business promotion activities undertaken  
• At least 10 market development activities undertaken  
• At least support to the development of 5 new products delivered  
• Business advice provided to minimum 30 companies  
• Minimum 3 business related infrastructure projects  
• 100-200 employees from regional enterprises has received training  
• 10-15 new education and training programmes developed | • Statistical data (CSB)  
• Export data (LDA)  
• FDI indicators (LDA)  
• Reports of MoES and State Employment Service  
• Regional surveys | • Timely identification of growth sectors  
• Adequate activity from SME’s in the region  
• Qualified local expertise available  
• Decentralization of vocational education  
• Commitment of social partners |

<table>
<thead>
<tr>
<th>Inputs</th>
<th>How, When and By Whom Indicators Will Be Measured</th>
<th>Assumptions and Risks</th>
</tr>
</thead>
</table>
| • Training programmes for companies  
• Investment attraction activities  
• Consultancy services for Companies  
• New training programmes designed especially to meet the requirements of the region | Investments 2.190.000 EUR + IB 600.000 EUR + co-financing 580.000 EUR = 3.370.000 | |
Annex 2. **Timeschedule Economic and Social Cohesion measures in the Zemgale Region***

<table>
<thead>
<tr>
<th>Institution</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>J</td>
<td>F</td>
<td>M</td>
</tr>
<tr>
<td>Institutional arrangements finalised</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Contract Regional Partnership</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>2) Service Contract</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>3) Infrastructure Contracts</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>4) Service Contract</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>5) Financing agreement</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>6) Framework Contract</td>
<td></td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

* - The indicated timetable reflects the latest deadlines for the start of all listed contracts within this project
### Annex 3. Cumulative contracting and disbursement schedule

#### Economic and Social Cohesion measures in the Zemgale Region (2.79Meur)

<table>
<thead>
<tr>
<th>CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Date</strong></td>
</tr>
<tr>
<td><strong>Contract 1: Regional Partnership</strong></td>
</tr>
<tr>
<td>Contracted</td>
</tr>
<tr>
<td>Disbursed</td>
</tr>
<tr>
<td><strong>Contract 2: Service Contract for BSF</strong></td>
</tr>
<tr>
<td>Contracted</td>
</tr>
<tr>
<td>Disbursed</td>
</tr>
<tr>
<td><strong>Contract 3: Supply / works contracts for BRI</strong></td>
</tr>
<tr>
<td>Contracted</td>
</tr>
<tr>
<td>Disbursed</td>
</tr>
<tr>
<td><strong>Contract 4: Service Contract for HRD</strong></td>
</tr>
<tr>
<td>Contracted</td>
</tr>
<tr>
<td>Disbursed</td>
</tr>
<tr>
<td><strong>Contract 5: Financing Agreement</strong></td>
</tr>
<tr>
<td>Contracted</td>
</tr>
<tr>
<td>Disbursed</td>
</tr>
<tr>
<td><strong>Contract 6: Framework Contract</strong></td>
</tr>
<tr>
<td>Contracted</td>
</tr>
<tr>
<td>Disbursed</td>
</tr>
</tbody>
</table>
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) “Concept of National Spatial Plan” (adopted by Cabinet of Ministers of Latvia, January 27, 1998)
5) “Law on Self-Governments” (passed by Saeima in May, 1994)
6) “Law about control of support to entrepreneurship administered by state and self governments”
7) “Law on Education”
8) “Law on Vocational education and training”

Reference to relevant Government Strategic plans and studies

1) National Programme for Integration in EU
2) Middle term Economic Development Strategy
3) National Programme of SME’s Development
4) Conception of State support for Entrepreneurship
5) Industry Policy
6) National Programme of Quality assurance
7) Programme for Development of Specially Sustainable Regions
8) National Development Plan for accumulation of Pre-structural Funds
9) Declaration of Cabinet of Ministers
10) Programme for Rural Development
Annex 5 Scheme of implementation arrangements

**Steering Committee for ESC projects**
Chair: MSACIFA (R. Zile)
Participants: SPO, Ministries, Heads of Regional Development Councils (Latgale, Zemgale), EC Delegation

- Approval of Detailed guidelines (eligible activities, proj. selection criteria, procedures);
- Approval of 3-monthly work programs (projects) proposed by the regions;
- Review and approve of the reports (3-monthly report);
- Approval of ToR for contracts;

**Senior Programme Officer (SPO)**
Head of Secretariat of MSACIFA (L. Kalniņa)
- Responsible for technical implementation;
- Supervise ESC MD and contractors;
- Carry out technical monitoring.

**ESC Management Division (ESC MD)**
(Entitiy within the administration of the MSACIFA, subordinated to SPO)
- Serve as secretariat for SPO and Steering Committee for ESC projects;
- Prepare Special Guidelines for the ESC and ToR for contracts;
- Arrange calls for proposals;
- Assist and advise RDA in elaboration of projects which comply with the guidelines;
- Coordinate activities with regions;
- Assess work program (projects) prior to the evaluation by the independent experts;
- After appraisal by independent experts submission to Steering Committee for ESC projects;
- Advise Regional Project Selection Committee on guidelines for project approval at central level through their representation at the Regional Project Selection Committee.

**Regional Project Selection Committee**
Chair: Head of Regional Development Council
Participants: Head’s of Districts, Representative of RDA, representative from ESC MD, representatives of Ministries, social partners
- Decide on list of projects to be proposed for approval in Steering Committee for ESC projects;
- Supervise the activities of LRDA;

**Regional Development Agency (RDA)**
- Carry out information campaign;
- Support and promote project preparation;
- Assist and advise beneficiaries in elaboration of projects which are complying with the detailed guidelines adopted by the Steering Committee for ESC projects;
- Collect projects;

**Beneficiary**

**Beneficiary**

**Beneficiary**

**Beneficiary**

**Beneficiary**

**Ministry of Finance/PAO (CFCU)**
- Financial appraisal of projects and expenditure authorization (MinFin);
- Carry out tendering and contracting (CFCU);

**Contractors**
- Deliver services to beneficiaries for business support and human resource development components;
- Carry out subcontracting to provide specific services under these components;
- Carry out works in case of infrastructure component;
Annex 6. **The Concept of the Regional Administrative Territorial Reform**


The decisions made:
1. 5 (five) planning regions to be defined in Latvia by 1 January, 2001 (Kurzeme, Latgale, Riga, Vidzeme, Zemgale).
2. The self-governments form a planning region in compliance with the legislation.
3. Regional development agencies ensure the implementation of the development planning and investment management regional development policy.
4. The Concept of the Regional Development Agencies to be submitted by the Ministry of Environmental Protection and Regional Development to the Cabinet of Ministers by 1 May, 2000.
5. The establishment of regional administrations to be implemented gradually by 2005.
6. The territorial system of institutions of the state administration to be organised according to the planning regions.
7. V.Balodis, the Minister of Environmental Protection and Regional Development, in co-operation with J.Bunkšs, the Minister of Special Assignment for State Administration and Municipal Reform, are to prepare the modification project of the Law on Spatial Development Planning and to submit it to the Cabinet of Ministers by 1 July, 2000.
8. The modification to be made to the decision (protocol No 43, 21) of the Cabinet of Ministers of 24 August, 1999, “The Concept of the Regional Administrative Territorial Reform”, and point 2 to be excluded.

President of Ministers ___ A.Šķēle

Instead of the Director of the State Chancellery _____

The Director of the Juridical Department ____A.Kveska