FINANCING MEMORANDUM

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

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

HAVE AGREED AS FOLLOWS:

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

ARTICLE 1 - NATURE AND SUBJECT

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

Programme number: LE01.01.01 – LE01.06.01
Title: 2001 Phare National Programme for Latvia
Duration: Until 30 November 2003

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of €31,405,000 hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30 November 2003 subject to the provisions of this Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30 November 2004. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may, however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.

ARTICLE 4 - ADDRESSES

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

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

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

for THE RECIPIENT:

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

ARTICLE 5 - NUMBER OF ORIGINALS

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

ARTICLE 6 - ENTRY INTO FORCE

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

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

Done at Riga 29.11.01  

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

Done at Riga 29.XI.01  

for THE COMMUNITY  
Head of EC Delegation in Latvia  
Gunter WEISS

Annex 1  Framework Agreement (Annexes A & B)  
Annex 2  Special Provisions (Annex C)  
Annex 3  Visibility/Publicity (Annex D)
1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

The Phare national programme for Latvia focuses on 6 objectives. A description of the proposed projects is provided below.

Objective 1: POLITICAL CRITERIA

LE01.01.00 Promotion of Integration of Society in Latvia

The process of integrating its population of non-Latvian ethnic origin continues to be a major challenge for Latvia. Of Latvia’s total population of 2.36 million, nearly 42% are of a different origin (Russian-speakers nearly 30%, Belarus 4%, rest: Ukrainians, Poles, Lithuanians and others). The project provides assistance to support Latvia in its efforts to promote equal opportunities for all ethnic groups to enable them to participate in the labour market and in social life by strengthening the linguistic environment for minority school students and non-Latvian speaking adults. It is a continuation of the current Latvian Language Training Programme (1996-2006) referred to in the National Programme ‘The Integration of Society in Latvia’.

On the basis of the National Society Integration Programme, the assistance will be provided to the implementation of projects aiming at further integrating people of different ethnic origin into the Latvian society.

The project will continue to support a) activities, such as training of Latvian language teachers of minority schools, training for teachers of minority schools to teach their subjects in Latvian, extra-curricula activities for youth and intensive Latvian language training for the unemployed; b) the implementation of concrete projects addressed to promote the integration of people of different origins taking into account the areas as outlined in the National Programme "The integration of Society" which do not fall under a) and which are consistent with the Political Criteria of the 1999 Accession Partnership.

The project is an Institution Building project with a training component. It will be implemented by way of two Financing Agreements.

The following Conditionalities have to be complied with:

- gradually increased state budget co-financing for Latvian language training
- compatibility of the State Language Law (and it’s implementing regulations) and the Labour Code with international standards and Europe Agreement;
- Component 2 is conditional upon implementation of the recommendations made under the relevant component of Phare 2000 ‘Integration of Society’ project.
- running and operational costs for the Integration Foundation are covered from the state budget and other sources.

Objective 2: REINFORCEMENT OF INSTITUTIONAL AND ADMINISTRATIVE CAPACITY

LE01.02.01 Strengthening Tax and Customs Administration
The Latvian State Revenue Service embodies both the customs and tax administrations. The modernisation process initiated in 1998 and supported by various donors is ongoing and not completed yet. The project addresses the improvement in tax and duties collection, through increased administrative and operational capacity and better efficiency.

At the planning level, the project should contribute to increase the analytical capacity to evaluate the effectiveness and the impact of relevant legislation on potential tax avoidance and evasion. At the operational level, the project aims at reinforcing the administrative and operational capacity in the tax and customs administrations in order to enable in particular the tax administration to establish a comprehensive and systematic tax control system. The project should result in processing tax declarations in a professional client and service oriented way, collecting information by third parties on taxpayers thus being able to cross check the information provided. Furthermore, it aims at introducing an IT system in line with EU requirements to ensure exchange of information both within the administration and with EU Member States and at developing a uniform taxpayer’s support system thus creating conditions for enhanced compliance with tax legislation. The project also provides support to co-finance specific customs control equipment.

The project is planned to be implemented by Twinning, Technical Assistance and a supply contract.

Conditionalities
- Close co-ordination must be ensured to avoid overlap with ongoing Phare and other assistance (WB)
- Budgetary commitment for co-financing the equipment must be ensured
- Implementation of Component 2 is conditional upon update of IT strategy

Latvia has started to set up the Rural Support Service which will act as SAPARD Agency for the implementation of the SAPARD programme. The Rural Support Service may, upon accession, take over the functions of the Paying Agency with respect to the administration of certain elements of the CAP. This requires that the Rural Support Service would have to adopt gradually the principles of the Integrated Administration and Control System. Some elements of the Integrated Administration and Control System have already been implemented, but their integration into a single system remains outstanding so that effective qualitative cross-checks can not be carried out.

The project is an Institution Building project and will contribute to a) implement the Integrated Administration and Control System including harmonised computer system, established land parcel register, up-graded client register, identification and registration of bovine animals and harmonised legislation (EU regulations 3508/92 and 3887/92); and b) strengthen the administrative and operational capacity of the Rural Support Service, such as implement proper management system on a computerized basis, as well as to prepare it for its future tasks to implement the CAP and to harmonise the relevant legislation (EU regulations 1258/99, 1665/95, 4045/89, 296/96).

The project is planned to be implemented via Twinning and a supply contract for acquis related equipment.
Conditionalities
- Results of Twinning LE-99/IB/OT/01 shall be taken into account when preparing the Covenant
- Budgetary commitment for co-financing and for covering future increased operational and maintenance cost must be ensured.

LE01.02..03 Maritime Transport

Twinning component: LV/2001/IB-TR-01

Due to the high detention rate of Latvian flag vessels inspected in European ports under the Paris Memorandum of Understanding on port state control, the Latvian Maritime Administration needs to be strengthened in terms of administrative capacity and equipment in order to carry out proper flag state control and port state control functions. The implementation of a number of EU legal instruments is still outstanding and should be addressed as an urgent matter.

The project should contribute to a) harmonize Latvian legislation with the relevant EU legislation and IMO conventions, b) strengthen the organisational structures of the Latvian Maritime Administration and provide for a quality assurance system, c) reinforce the administrative capacity of the Maritime offices including human resource development, and d) develop an IT system in line with EU requirements.

The project is planned to be implemented by way of Twinning and a supply contract for acquis related equipment

Conditionalities
- As regards the twinning covenant, close co-operation is required between the Implementing Agency in the Ministry of Transport and the CFCU to ensure application of the relevant financial procedures.

LE01.02..04 Twinning Light Reserve

The objective of the twinning light unspecified envelope is to provide short-term assistance to strengthen the institutional and administrative capacity of Latvian Government institutions to help them implement the *acquis communautaire*. Its purpose is the completion of specific urgent institution building tasks emerging in the course of accession negotiation process or of other high priority tasks identified in the Accession Partnership, NPAA or Regular Report.

The envelope is planned to co-finance approximately three to five twinning light projects.

The projects will be delivered using advice from officials from Member States through medium term assignments or a series of short-term missions. The services offered may include appraisal of regulatory texts, supply of documentation, workshops and seminars if appropriate.

Objective 3 : EMPLOYMENT AND SOCIAL AFFAIRS

LE01.03.01 - Promotion of Bi-Partite Social Dialogue

Twinning component: LV2001/IB/SO-01

Latvia carries out a tri-partite social dialogue at national level in the framework of the National Tripartite Co-operation Council. Within these tri-partite structures the state still plays a dominant
role. Bi-partite structures involving employers and employees only, therefore, need to be developed and strengthened.

The project aims at building up a comprehensive autonomous bi-partite social dialogue system building on the present tri-partite structures. This would require a reinforcement of the strategic, policy and administrative capacity of the Ministry of Welfare and National Tripartite Co-operation Council to enable them to provide secretariat assistance and advisory support to social partners. The project also assists to provide an overall assessment about the current situation complemented by a gap elimination strategy. Finally it should enable the social partners to develop autonomous social dialogue by awareness raising including the improvement of the mechanism for peaceful settlement of labour disputes and help to prepare social partners in their future role in social dialogue at EU level.

The project is planned to be implemented by way of Twinning, technical assistance and a supply contract for acquis related equipment.

Conditionalities:

- Clear responsibility for the implementation of the project must be documented before the start of the project and steering committee established.
- Adequate staffing in place in the beneficiary institutions
- Co-financing from national budget must be ensured

**LE01.03.02 Development of Civil Society in Latvia**

Functioning Non-Governmental and Non-Profit Organisations (NGO/NPO) play a significant role in the formulation of citizens’ concerns through active participation and awareness-raising. NGOs have a key role in promoting inclusion of marginalized groups. Latvia is expected to improve the institutional environment that supports the sustainability of NGOs, thereby creating a favourable environment for the development and involvement of civil society in public affairs.

The project aims at a) developing a strategy to provide for a sustainable institutional framework in which NGOs/NPOs will be able to operate effectively as well as to enhance their operational capacity; b) promoting the involvement of NGOs/NPOs in the implementation of the acquis communautaire in policy areas in which the third sector plays a significant role in implementation and advocacy. This component is a continuation of the Phare 2000 ACCESS programme.

The project is planned to be implemented by Technical Assistance as regards the formulation of the strategy and by a grant scheme building on the structures set up for the implementation of Phare 2000 ACCESS programme.

Conditionalities

- Visible commitment by the government to develop a strategy to further support and promote the development of civil society. The government will approve the establishment of a working group for that purpose.
- The adequate implementation of the Phare 2000 Access Programme

**Objective 4: JUSTICE AND HOME AFFAIRS INCLUDING BORDER CONTROL**

**LE01.04.01 Inspection infrastructure at seaports and railroad border crossings**

Latvia has a well developed railway network with CIS countries. An important part of the freight coming from the CIS is declared as transit to be brought to the Baltic ports for further transportation. Railway customs control points at the Eastern border and in ports do not have the
necessary equipment to carry out appropriate physical checks of freight including veterinary and phytosanitary controls.

The project will co-finance the equipment and infrastructure necessary to carry out physical inspections of freight, including veterinary and phytosanitary inspections, in line with EU standards at the main Eastern railway border crossing points (Daugavpils and Rezekne) and at seaports (Riga, Ventspils, Liepaja).

*The project is an acquis related infrastructure project and planned to be carried out by works/supply contracts.*

The following **Conditionality** has to be complied with BEFORE the start of any project activities:

- Implementation of the project is conditional upon the findings of the independent expertise (needs assessment).

**LE01.04. 02: Asylum and Migration Management System**

*Twinning Component: LV2001/IB/JH-01*

The objective of this project is to assist the relevant institutions dealing with asylum and migration matters to enhance their capacity to effectively manage migration, asylum and visa issues in accordance with EU standards. On the institutional side, the project should contribute to reviewing existing structures involved in asylum and migration matters. It should define areas of responsibilities, enhance the co-operation and co-ordination process between services, review internal regulations – formulating new instructions where necessary - and improve the capacity for forward and emergency planning in this field. It should further help to align the relevant legislation to the EU acquis communautaire, provide for training of the staff of the institutions involved and establish a comprehensive migration information system.

*The project is planned to be implemented by Twinning, Technical Assistance and a supply contract.*

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

- Members of the Inter-Institutional Project Steering Committee will have to be identified before the start-up of the project.
- Budgetary commitment for the Co-financing by the state budget to be ensured.

**LE01.04.03: Preventing, combating and reducing organised crime**

*Twinning Component: LV2001/IB/JH-02*

The project is to provide support to establish an effective organised crime prevention framework taking into account the recommendations of the EU action plan against organised crime and the European Strategy - Prevention and Control of organised Crime. The project will help Latvia to develop a long-term strategy and an action plan in the area of prevention and combat of organised crime. It includes the preparation of horizontal training programmes regarding the prevention of organised crime, covering issues such as corruption prevention, money laundering prevention, financial crimes and the development of specific training programmes for each involved institution, such as State Police, State Prosecutors office, Ministry of Justice and State Revenue Service. The project will also include support for the provision of equipment for the training facilities in the relevant institutions. The project will also address the issue of cross-border surveillance to set up
effective co-operation mechanisms building on Member States’ experience. The project also provides support to co-finance adequate equipment for court rooms to ensure witness protection.

The project is planned to be carried out by way of Twinning, Technical Assistance and the purchase of equipment relevant to implementing the acquis.

Conditionalities:
- project Steering Committee involving all relevant parties to be established before the start of the project
- Budgetary commitment (years 2002 and 2003) covering the co-financing requirements in place.

Objective 5: ECONOMIC AND SOCIAL COHESION

LE01.05.01: Development of business environment in Latvia

In addition to contributing to Economic Development, the Project aims at assisting the Latvian Authorities in preparing for participation in the EU structural funds. An integrated and demand driven approach is proposed, meaning that PHARE will co-finance investments in the public domain which should support concrete investment plans of enterprises. Under this programme, the key national priorities that will be addressed are "Expanding the Economic Contribution of the Latvian Forestry Sector" and "Building the Knowledge Economy". With reference to the National Development Plan, the public investments will consist of business related infrastructure on the one hand, and of human resource developments on the other hand. As according to the provisional NUTS classification, the whole of the territory of Latvia corresponds to a NUTS level II region, this project will apply throughout the country.

The project consists of 3 main related components, which will support the national priority areas mentioned above. The first will assist in identifying investment intentions of enterprises, which may significantly contribute towards accelerating economic development. Such investment intentions may concern one single major project, or a cluster of several intentions that together may act as a catalyst for development. As such funding will target projects of scale with the desired impact. The result will be a projects pipeline, which will be of use for all those involved in development and investments. It will also provide the necessary basis for possible PHARE co-financing from future budgets. Enterprise investment intentions to be supported by PHARE co-financing under the present programme have, or are now being identified. PHARE will assist the relevant authorities who have competence and responsibility in steering this operation and also strengthen their capacity to manage national development planning.

The second component provides for co-financing of business related infrastructure. These infrastructure works will facilitate access to the sites where enterprise investments are planned or are taking place as identified under the previous component. As the works are in the public domain, they will be accessible to the public at large. The size of the actions that will be co-financed under this scheme must be 500 000 Euro at least. Independent experts, selected under the project preparation facility LE 99.14, will appraise the projects proposed by the ESC steering Committee. The ESC Steering Committee will make the final selection of the projects according to selection criteria based on clear linkages to the milestone strategy under the NDP SM, addressing Latvia’s economic and social challenges (e.g. employment generation, equal opportunity, catalytic effect, etc.) and meeting normal due diligence standards.

The third component provides for human resources development (mainly vocational training) in support of the investments identified under component 1. However, up to a quarter of the funds available under this component may be used for addressing demand driven needs in the labour market at large. Through these measures, increasing the employability of unemployed persons will
also be pursued. The minimum size of activities for PHARE Co-financing is, in principle, 50,000 Euro.

A small administration and management allocation for managing and monitoring the schemes under components 2 and 3 is also provided for in this PHARE proposal.

The project is partly Institution Building and Investment. It is planned to be implemented through a series of services, works and supplies contracts. Component 3 will be administered through a grant scheme.

Conditionalities:

- Before the start of any project activity, the competent central key authorities shall ensure that the minimum required operational capacity is in place.
- Co-financing by State and municipal budget must be ensured. Joint co-financing will be applied whenever it appears to be possible.
- Infrastructure projects under component 2 are identified by the Latvian authorities, appraised by independent experts, approved by the ESC Steering Committee and endorsed by the EC Delegation, at the latest by 30 November 2002.
- Special guidelines for the grant scheme under component 3 are approved by the ESC Steering Committee and submitted to EC Delegation for endorsement before 31 May 2002.

Objective 6: Participation in Community Programmes

LE01.06.01 Participation in Community Programmes and Agencies

This project will assist Latvia to participate in a number of Community programmes and Agencies. It provides co-financing to the Latvian State Budget to enable Latvia to continue to participate or begin participation in certain Community Programmes and Agencies including the 5th RTD Framework Programme. The co-financing will cover the costs of the period 2002.

All investment projects which, according to the rules stipulated in Directive 85/337/CEE, as amended by Directive 97/11, require an Environmental Impact Assessment, should be the subject of an Environmental Impact Assessment. If the directive has not yet been fully transposed, the procedure should be similar to that established by the above-mentioned directive.

All investment projects shall be carried out in compliance with the relevant Community environmental legislation. The project fiches will contain specific clauses on compliance with the relevant EU-legislation in the field of the environment according to the type of activity carried out under each investment project.

2. BUDGET

The total financial commitment under the 2001 Phare National Programme in support of the projects described in section 4 above amounts to 31,405MEUR, as follows:

<table>
<thead>
<tr>
<th>Programme / Project</th>
<th>TOTAL PHARE INV+IB</th>
<th>INV</th>
<th>IB</th>
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</table>

All amounts in MEUR
| LE01.01. | Political Criteria | 2.0 | 0 | 2.0 |
| LE01.02. | Reinforcement of Institutional and Administrative Capacity | 5.4 | 2.34 | 3.06 |
| | 01 - Strengthening Tax and Customs Administration | | | |
| | 02 – Development of CAP Management Mechanisms | | | |
| | 03 – Maritime Transport | | | |
| | 04 – Twinning Light Reserve | | | |
| LE01.03 | Employment and Social Affairs | 2.2 | 0.07 | 2.13 |
| | 01 – Promotion of Bi-Partite Social Dialogue | | | |
| | 02 – Development of Civil Society in Latvia | | | |
| LE01.04. | Justice and Home Affairs including Border Control | 10.568 | 8.278 | 2.29 |
| | 01 – Inspection Infrastructure at Seaports & Railroad Border Crossings | | | |
| | 02 – Asylum and Migration Management System | | | |
| | 03 – Preventing, Combating and Reducing Organised Crime | | | |
| LE01.05. | Economic and Social Cohesion | 9.00 | 7.5 | 1.50 |
| | 01 – Development of Business Environment in Latvia | | | |
| LE01.06. | 01 - Participation in Community Programmes and Agencies | 2.237 | 0.80 | 1.437 |
| TOTAL | | 31.405 | 18.988 | 12.417 |

3. IMPLEMENTATION ARRANGEMENTS

The Programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The National Aid Co-ordinator (NAC) will have overall responsibility for programming, monitoring and implementation of Phare Programmes. The NAC and the NAO shall be jointly responsible for co-ordination between Phare (including Phare CBC), ISPA and SAPARD.

The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme and will be responsible for financial reporting to the European Commission. The NAO shall have the overall responsibility for the financial management of Phare funds. He/She shall ensure that Phare rules, regulations and procedures pertaining to procurement, reporting and financial management, as well as Community state aid rules, are respected, and that a proper reporting and project information system is functioning. The NAO shall have the full overall accountability for the Phare funds of a programme until the closure of the programme.

Appropriate financial control shall be carried out by the national Financial Control Authority with respect to the implementation of the Programme.
The Commission will transfer funds to the NF in accordance with the Memorandum of Understanding signed between the Commission and the Government of the Republic of Latvia on 2 December 1998. Funds will be transferred following requests from the NAO.

A distinction should be made between the payments concerning the participation in Community Programmes and Agencies and the payments concerning the other sub-programmes. However, only one bank account will be opened at the National Fund.

1. Community Programmes and Agencies
A single advance will be made to the National Fund to cover the full amount of the Phare contribution to the Phare part of the financial contribution for participation in Community Programmes and Agencies. This advance will be made, following signature of the Financing Memorandum and upon request from the National Fund.

This advance is separate from the advances made for the rest of the programme. However, it should be noted that the Phare contribution for each programme will only be transferred after the entry into force of the Decision establishing the terms and conditions for participation in that programme. If there is a delay in the entry into force of some of the Association Council Decisions, the payment to the National Fund may be divided into two or more tranches so that 100% of the funds necessary for the programmes can be transferred immediately.

The National Fund will be responsible for transferring the funds back to the Commission, following the call for funds of the Commission’s Directorate General responsible for the programme concerned and within the deadlines requested.

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

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

Implementing Agencies will be responsible for projects as follows:

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1 Excluding the amount foreseen for the community programmes
2 excluding the amount foreseen for the community programmes
The National Fund will transfer funds to IAs, including the Central Financing and Contracting Unit (CFCU), in accordance with Financing Agreements (FAs) signed between the NFs and the IAs/CFCU where applicable. Each individual FA will be endorsed in advance by the European Commission. In cases where the NF is itself the paying agent for the CFCU/IA there will be no transfer of funds from the NF to the CFCU/IA. The CFCU and the IAs will each be headed by a Programme Authorising Officer (PAO) appointed by the NAO after consultation with the NAC. The PAO will be responsible for all the operations carried out by the relevant CFCU/IA.

A separate bank account, denominated in EUR will be opened and managed by the NF in a separate accounting system in the Central Bank. In principle, all bank accounts will be interest bearing. Interest will be reported to the European Commission; if the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to an IA or the CFCU.

The NAO and the PAOs will ensure that all contracts are being prepared in accordance with the procedures set out in the DIS Manual. For grant schemes, whose procedures and formats are not covered by the current DIS Manual, the precise implementation arrangements will be specified in the relevant project fiches in line with the following principles:

- the procedures and formats to be used in the implementation of the schemes and award of the grants will follow the provisions of the Practical Guide. In particular, due care will be given to

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<tr>
<th>No.</th>
<th>Title</th>
<th>Implementing Agency</th>
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<tr>
<td>LE01.01.01</td>
<td>Promotion of Integration of Society in Latvia</td>
<td>CFCU</td>
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<tr>
<td>LE01.02.01</td>
<td>Strengthening Tax and Customs Administrations</td>
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<tr>
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<td>Development of CAP Management Mechanisms</td>
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<tr>
<td>LE01.02.03</td>
<td>Maritime Transport</td>
<td>Implementing Agency of Ministry of Transport</td>
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<td>LE01.02.04</td>
<td>Twinning Light Reserve</td>
<td>CFCU</td>
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<tr>
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<td>Development of Civil Society in Latvia</td>
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<td>CFCU</td>
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<tr>
<td>LE01.06.01</td>
<td>Participation in Community Programmes and Agencies</td>
<td>CFCU</td>
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</table>
the selection process of the beneficiary projects, which has to be done at technical level through selection committees composed of experts appointed by the authorities which are co-financing the schemes as well as by the relevant administrations and interest groups involved in the schemes.

- The competent PAO for the programme under which the grant scheme is financed has to retain his/her contractual and financial responsibility for the implementation of the schemes. In particular, the PAO has to formally approve the call for proposals, application forms, evaluation criteria, as well as the selection process and results. The PAO has also to sign the grant contracts with the beneficiaries and to ensure adequate monitoring and financial control under his/her authority and responsibility. With this reservation, the management of the schemes can be decentralised from the PAO to the appropriate bodies at sectoral level.

- The ex ante approval of the Commission (Delegation) will be required for the call for proposals, application forms, evaluation criteria, the selection procedures (including the composition of the committees) and results (list of projects to be funded). The grant contracts signed by the PAO will be subject to the ex post control of the EC Delegation.

- The implementation of the selected projects through the provision of works, supplies and services sub-contracted by the final beneficiaries of the individual grants shall be subject to the procurement regulations in the Practical Guide. The financial commitments in Phare terms will be effected at the date of signature of the grant contracts by the competent PAO. Project implementation and all Phare disbursements are to be done before the expiry date of the present financing memorandum.

The amounts earmarked for twinning projects will cover the eligible costs (as set down in the DIS instructions) for implementing the work plan agreed between the Member State and the Applicant Country. The eligible costs may include costs incurred by the selected Member State during the preparation of the twinning covenant in the period between signature of the financing memorandum and the final notification of the financing approval of the covenant.

All projects will be greater than 2MEUR, except in the following areas: Maritime Safety, Twinning Light, Bi-partite Social Dialogue, Organised Crime prevention, Civil Society which require smaller amounts.

All contracts must be concluded by 30 November 2003. All disbursements must be made by 30 November 2004. Any funds not used by the expiry date of the Programme will be recovered by the European Commission.

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

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

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

5. **ANTI-FRAUD-MEASURES, AUDIT AND EVALUATION**

All financing memoranda as well as the resulting contracts are subject to supervision and financial control by the Commission (including the European Anti-fraud Office) and the Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the Delegation in the Candidate Country concerned and on-the-spot checks.

In order to ensure efficient protection of the financial interests of the Community, the Commission can conduct check-ups and inspections on site in accordance with the procedures foreseen in Council Regulation (Euratom, EC) No. 2185/96 dated from November 11, 1996, concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities.

The procedures foreseen in Art. 15 para 3 of Commission Regulation No. 2222/2000 dated from June 7, 2000, on the communication in case of irregularities and the putting in place of a system to administrate the information in this field shall apply.

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant Implementing Agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Union's Court of Auditors as referred to in the General Conditions relating to the Financing Memorandum attached to the Framework Agreement.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.

6. **Visibility/Publicity**

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

7. **Special conditions**

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