1. Basic Information
1.1. Désirée Number: 2002/000-590-08-01
   Twinning Number: LV/2002/IB/SPP-01
1.2. Title: Public Finance Management
1.3. Sector: Regional Policy and Coordination of Structural Instruments
1.4. Location: Ministry of Finance, Riga, Latvia

2. Objectives
   2.1. Wider Objective
      To ensure efficient management and control of the EU and public funds in compliance with the EU acquis.

   2.2. Project Purpose
      - Enable the Latvian system of financial management of EU assistance (National Authorising Officer and the Ministry of Finance as Managing Authority; the Treasury as Paying Authority; and the various proposed partner institutions/intermediate bodies) to meet its responsibilities in relation to the transition from pre-accession assistance to the Structural and Cohesion Funds.
      - Prepare the system of financial control and internal audit to shift from pre-accession assistance to the Structural and Cohesion Funds.
      - Prepare system for sound inter-ministerial cooperation of MA/PA and partner institutions/intermediate bodies.

   2.3. Accession Partnership and NPAA priority
      - Regional Policy and Coordination of Structural Instruments
        - Complete legal and administrative framework which allows for the implementation of the acquis in the area of regional policy and coordination of structural instruments, in particular with regard to financial management and control.
        - Define the tasks to be performed by line ministries and other bodies on behalf and under the responsibility of the managing authority.
        - Ensure that the designated managing and paying authorities will progressively build up their capacity in order to be able, on accession, to fulfil their responsibilities and deliver the tasks assigned to each of them according to the Structural Funds Regulations.
        - Ensure effective inter-ministerial coordination and appropriate partnership with a view to both programming and implementation.

      - Financial Control
        - Complete the legislative framework for public internal financial control.
        - Develop and implement the concept of managerial accountability.
        - Develop the concept of audit trails and prepare audit trails for Community funds.
        - Continue efforts to ensure the correct use, control, monitoring and evaluation of Community funding.

      - NPAA
        - Technical Fiche LA-051: Further Improvement of Public Expenditure Management Framework
        - Technical Fiche LA-041: Preparation for Implementation of EU Regional Policy and Structural Instruments

3. Description
   3.1. Background
      The Latvian Ministry of Finance (MoF) is the cornerstone of management of implementation of pre-accession funds – Phare ESC (Economic and Social Cohesion), ISPA (Assistance Instrument for Structural Policies for Pre-Accession), SAPARD, through the National Authorising Office (NAO) as head of National Fund. Expertise and administrative capacity built for pre-accession funds will be utilised in the preparation for management the EU Structural/Cohesion funds.

      Currently the process of the design of the system for the management of the EU Structural/Cohesion Funds is ongoing. The commitments made by Latvia in the context of the negotiations need to be followed up very closely. This project is to ensure that these commitments will be fulfilled. The selected twinning experts should be aware of this and should take into account that the project activities are consistent with the additional information submitted by...
Latvia in the context of the negotiations.

A special decree by the Cabinet of Ministers on the designation of the responsible authorities for the preparation and implementation of Structural Funds and the Cohesion Fund was approved on February 5, 2002. This decree spells out the following important decisions regarding the institutional framework:

- Designation of the Ministry of Finance as Managing Authority and Treasury as Paying Authority of Structural Funds
- Designation of Ministry of Finance as authority responsible for the general management and coordination of Cohesion Fund operations and authority responsible for drawing up, submitting and certifying payment applications to and receiving payments from the Commission for Cohesion Fund operations (future paying authority for the Cohesion Fund)
- Designation of Ministry of Transport as the authority for the implementation of Cohesion Fund operations (implementing bodies) in transport sector
- Designation of Ministry of Environmental Protection and Regional Development as the authority for the implementation of Cohesion Fund operations (implementing bodies) in environment sector
- Designation of the Ministry of Welfare as main partner of the Managing Authority as regards the ESF
- Designation of the Ministry of Agriculture as main partner of the Managing Authority as regards the EAGGF and FIFG and also as Paying Agency of the EAGGF Guarantee Section.

The administrative setup will be precisely determined before commencement of this project. As an elaboration of the decree of 05.02.2002, the precise allocation of functions and the organisational relationship between the Managing Authority and Paying Authority, Partner Institutions and Intermediate Bodies will be defined by the Government before 1 July, 2003.

The Government also plans to elaborate a Human Resources Development Plan Human for institutions that will be involved in the management, monitoring, evaluation and control of the Regional policy and EU Structural Funds and Cohesion Fund. It is planned that the Plan will be prepared before the end of 2002. Its implementation will require substantial effort.

The efforts to build the system for management and control of EU funds, have revealed the following problems requiring solutions:

- Existing institutional problems at the MoF and the Treasury, such as high turnover of personnel, inadequate staff profile and qualifications may hinder its effective performance as the Paying and Managing authority. Equally importantly, the structure and organisation of the MoF does not reflect the demands to interact more pro-actively with line ministries and manage increasingly growing volumes of national and EC funds.
- There is lack of strategic and operational capacity to enable the existing system around the National Authorising Officer (NAO) to meet fully their responsibilities in relation to transition from pre-accession assistance to the Structural and Cohesion funds, i.e. building a system of Managing and Paying authorities.
- Until now, the system for management of national funds lags behind the elaborate management and control system established for EU pre-accession funds. The need to operate two different systems (accounting, control, planning) creates problems in the involved institutions and affects negatively efficacy of their operations. There must be a single system of financial management established for both national and the incoming EC funds. Thus, meeting the EU requirements towards structural funds implies strengthening of the system of management of national funds.
- Latvian Public Internal Financial Control System is not fully in a position to assume the responsibility of providing the assurance of sound financial practice within the organisations that will form the management framework for the structural and cohesion funds. Latvia is investing considerable efforts and budgetary resources into addressing these weaknesses. A shortage of capacity, experience and expertise does not allow it to expand and bridge the gaps without external assistance. Phare will be a meaningful contributor to the initiatives and commitments of the Latvian Government, providing the experience and the expertise, which would not be afforded otherwise.

The project will be owned by the MoF. In summary, the project will assist the Latvian public administration (focus on MoF, Treasury, but also involving partner institutions – see above, and intermediate bodies) in preparation and implementation of an action plan to guide transition from pre-accession assistance to the Structural and Cohesion Fund schemes. The project will build on progress to date in relevant areas. Extensive training of managerial and operational staff and testing of systems and procedures is seen as the essential core of the project.
3.2. Linked activities

3.2.1. The Phare 2000 Public Expenditure Management project

The Phare 2000 Public Expenditure Management project was designed to continue the preliminary reforms and, for the first time, assist with the implementation of the new laws on Public Agencies, Procurement and External Audit. It looks at improving the main elements of public expenditure management as one whole. The project pays particular attention to:

- Improving macro-economic and fiscal forecasting to anticipate economic developments and reflect them in economic policies and budget planning
- Assisting Latvia’s new Procurement Monitoring Bureau improve the public procurement system to ensure the legal and efficient use of public funds
- Building stronger internal audit across the public administration to provide the management assurance of sound internal control and efficient use of all available resources
- Assisting the reinforcement of Latvia’s external financial control system, with a focus on the administrative capacity of the State Audit Office as the guarantor of spending legality in the public administration
- Building Medium-Term Expenditure Framework and result-oriented budget planning
- Introducing a robust financial framework to apply to the new Public Agencies which will begin to be created in 2002
- Ensuring a horizontal link to the development of these key areas

Phare 2000 (on its current timetable) will complete in 2003. It will provide contribution to the present project in areas of public finance management. Assessments produced during Phare2000 project on accounting, treasury management, budget process will be used as valuable inputs by Component 3 Tools for Paying Authority of the present project. Recommendations on introduction of multi year budgeting produced under Phare 2000 will be exploited by Component 2 Tools for Management Authority.

3.2.2. Phare 2000 project Development Capacity for Regional development

Phare 2000 project Development of Institutional and Administrative Capacity for Regional Development was designed as the first major initiative to prepare for the launch of the structural and cohesion funds operations. It started in April 2002. Its planned duration is 18 months, under twinning implemented by French DATAR.

The DATAR project will look at various aspects of structural funds programming. It will focus on the following functions of the Managing Authority:

- Preparation of strong National Development plans and later Single Programming documents with strong regional development dimension
- Development of effective national/regional development policy
- Evaluation at program level
- Operational monitoring and monitoring on program level

The project leaves aside the operational aspects of the implementation stage (e.g. financial management and control, but also financial planning) of the structural and cohesion fund programs.

Besides, the capacity produced by DATAR in Latvia will need expanding and integrating into the wider functions of Latvia’s public expenditure management. Therefore, it is important that the outputs of this Phare 2000 twinning project are well tracked and co-ordinated with the objectives of the present Phare 2002 project. A major focus of the Steering Committee will be to ensure maximum coordination and synergy of the inputs, outputs and results of these projects.

3.2.3. Phare 2002 “Employment Strategy” project

Phare 2002 “Employment Strategy” project will provide support to Ministry of Welfare (MoW) in building capacity for the ESF activities, e.g. employment strategy dimension of the Single Programming Document. Close cooperation between the present project and the MoW initiative will be ensured to avoid any overlaps and facilitate synergies.

3.2.4. Bilateral assistance and assistance by international financial institutions

Bilateral and international financial institutions’ attention to the public expenditure management area signifies the importance attached to this factor of Latvian development. The projects of WB and other donors have been
predominantly short-term and narrowly focused. They produced limited impact on the area of Structural/ Cohesion funds management.

3.3. Results

Component 1 Managing Authority (PAA1 + twinning team of short-term MS experts)
- Efficient and effective systems of management, monitoring, assessment, reporting and control for structural and cohesion funding (including internal and independent audit functions, financial reporting and accounting in line with internationally recognised audit standards) – in place and functioning
- Effective evaluation methodology developed and applied
- Quality management system for Ministry of Finance in place and fully functioning
- Coherent administrative structure, complete internal rules and procedures, clear definition of responsibilities applying principles of separation of powers, sufficient staff in terms of quality and quantity, subject to reliable financial control at Managing Authority – ensured
- Legal amendments to relevant national legislation and corresponding by-laws – proposed
- Personnel at Managing Authority is equipped with suitable skill and is fully trained in implementing Community programmes
- Proposals for development /fine-tuning of IT systems for MA, drafting of technical specification/ request for proposals (RTP)

Component 2 Paying Authority (PAA2 + team of twinning STE)
- Efficient and effective system of financial management, reporting and control for structural and cohesion funding (financial reporting and accounting in line with internationally recognised audit and accounting standards) – in place and functioning
- Coherent administrative structure, complete internal by-rules, clear definition of responsibilities applying principles of separation of powers, sufficient staff in terms of quality and quantity, subject to reliable financial control at Paying Authority – ensured
- Legal amendments to relevant national legislation and corresponding by-rules – proposed
- Confirmation of independence of Treasury as PA from Managing Authority for the management of SF/CF.
- Personnel at Paying Authority is equipped with suitable skill and is fully trained in managing and implementing Community programmes
- Proposals for development /fine-tuning of IT systems for Paying Authority, drafting of technical specification/ request for proposals (RTP)

Component 3 Financial Control and Internal Audit (PAA3 + team of twinning STE)
- Comprehensive and coherent system of internal financial control and internal audit within the state administration in compliance wit the EU acquis – introduced
- Concept of internal audit within EU fund management system for harmonising respective functions, structure and methodology – implemented and functioning
- Operational procedures and systems at internal audit and financial control units in MA/PA/Intermediate bodies and partner institutions - in place
- Control over EU and public funds at all levels through financial control and internal audit reinforced, including reliable financial and operational control system over intermediate bodies – fully functioning
- Effective internal control within the institutions dealing with EU structural and cohesion funds – ensured
- Legal amendments to relevant national legislation and corresponding by-rules -proposed

Component 4 Intermediate Bodies and Partner Institutions (PAA1 + twinning STEs)
- Coordination mechanism of inter-ministerial cooperation - in place
- An appraisal of human resources, training and IT needs of each of the intermediate body - presented
- Draft memorandum of understanding with each partner institution and intermediate body with clear segregation of functions – produced
- Proposals for manuals of procedures for intermediate bodies and partner institutions - produced

3.4. Activities

3.4.1 Scope of activities
The project will consist of four interrelated components named after the principal beneficiaries (each component will involve/ benefit a wide range of institutions):
**Component 1 Managing Authority** - MA (assistance focus on MoF, also benefit partner institutions – MoT, MoW, MoA, MEPRD and intermediate bodies; responsibility on MoF and PAA1)

**Component 2 Paying Authority** – PA (focus on Treasury, benefit MoF departments, intermediate bodies; responsibility on Treasury and PAA2)

**Component 3 Financial Control, Internal Audit** (focus on Internal Audit Dept of MoF, benefit all financial control and internal audit units of Managing/ Paying Authority, intermediate bodies and partner institutions; involving State Audit Office; responsibility on MoF and PAA3)

**Component 4 Intermediate bodies, Partner institutions** (assistance focus on partner institutions and intermediate bodies, involves MA/ PA, steered by MA; responsibility on MoF and PAA1).

The project involves three main areas of responsibility in the attainment of the project objectives:
- Input provided by the Ministry of Finance, Treasury, line ministries
- Input provided by the Pre-accession Advisors (PAA)
- Input provided by short-term experts from the member states (MS) experts and MS administration

### 3.4.1.1. Component 1 - Managing Authority

**3.4.1.1.1. Preparation phase – Phase 1**

Immediately after commencement of the project, the PAA1 facilitated by MS experts should make an assessment of the situation prevailing at the moment of project’s start.

It will include a review of the progress already recorded, as well as a general baseline analysis of the legal, administrative and regulatory position in Latvia vis-à-vis compliance with the acquis. The report will also encompass latest developments in relation to the on-going legislative and institution building process, paying particular attention to ensuring integration of all related activities of this Component 1 Managing Authority with the implementation of government HDRP for SF/CF institutions.

The gap analysis will place a particular emphasis on the level of training required, bearing in mind training already carried out, on-going or proposed under related Phare projects (ref. 3.2) and other relevant training programs (e.g. implementation of government HDRP).

This will require design of appropriate questionnaires, interviews with Latvian counterparts; collection and review of national legislation, documentation; analysis of collected information; consultations with MoF/ partner institutions experts, re-interviews.

A series of seminars in Riga to facilitate exchange of views and consensus on stage of development will complement this process. The seminars will involve presentations, together with instructional material back-up, of operational systems in Member States (MS) and general background to EU requirements; the workshops will facilitate the coming together of MS experts with their Latvian counterparts to agree the basis of the gap analysis and later present/agree the elaborated reports and action plans. Target audience – experts of MoF/ partner institutions experts, re-interviews.

The gap analysis will result in elaboration of an action plan covering the measures needed to support transition from National Authorising Officer (NAO) system (EU pre-accession funds) to the Managing Authority system (structural and cohesion funds). This requires the project to carry out the following key activities:

- Review of underpinning legislation
- Review of administrative set-up and distribution of responsibilities internally (consider concentrating functions vs. spreading of MA functions throughout MoF, as at present envisaged)
- Analysis of segregation of functions Managing Authority vis-à-vis Paying Authority
- Review of System of Management and Coordination of EU Assistance
- Review of Procedural Operations in the executive offices of NAO/ Managing Authority
- Review of training and HR development strategy in the structures of NAO/ Managing Authority
- Analysis of human resources in the offices of NAO/ Managing Authority
- Appraisal of the need for IT systems and formulation of possible IT solutions
- Coordination with DATAR project (ref. 3.2.2)
- Drafting of technical specifications / requests for proposals (RFP) on IT needed solutions

**Interim Guaranteed Tangible Results:**

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A written report setting out **status of compliance** (legal/institutional) with the acquis and sound financial management principles and **what remains to be done**

- An **appraisal of human resources** needs of the Managing Authority
- An **assessment of training needs and IT support** for the Managing Authority
- An appropriate matrix for managing the interface between linked Phare and national activities and the present component
- **Strategic Management Plan for Managing Authority**

The reports and action plans will be presented for approval at the project steering committee.

**Means**

- PAA1 (resident team leader)
- 12 man-months of short-term twining assistance (6-7 MS experts) over a 3-month period.
- Seven 3-day seminars in Latvia.
- Experts of Latvian MoF departments and partner institutions.

### 3.4.1.1.2. Training and Systems Development – Phase 2

It is envisaged that training requirements will be delivered in three ways:

- Training in Latvia delivered through a series of focused seminars/ workshops by MS experts and organised and led by the PAA1
- Internships/ study visits in MS for selected staff
- In-house training in the MoF and other relevant agencies as appropriate (partner institutions) carried out by the PAA1 and MS experts and Latvian experts.

The training will be undertaken based on the outputs of the previous Phase 1 and in line with the government Human Resources Development Plan for SF/CF institutions. This component will contribute to implementation of the plan as far as possible.

A series of several-day seminars/ workshops will be envisaged based on the training needs appraisal performed under the previous phase. The training and on the job advice may cover i.a. the following issues:

- Functions of Managing Authority (acquis, MS practice, Latvian system)
- Delegation of functions
- Distribution of responsibilities, segregation of duties
- Inter-ministerial coordination
- Financial Engineering
- Financial planning of EU funds
- Budgeting, accounting and monitoring of multi-annual commitments
- Monitoring project database and IT systems
- Partnership arrangements
- Project selection and appraisal
- Implementation of additionality principles
- Information and publicity

Besides the MoF/ MA staff, the target audience will include partner institutions and intermediate bodies as well as non-governmental organisations and local authorities.

Provision will be made for intensive short visits (4-5 days) for a limited number of NAO/ Managing Authority staff (at least 20) to counterpart departments/ sections in a MS, as well as longer internships (for a period under four working weeks) for a total of 5 personnel. The study visits and internships will encompass inter alia these topics:

- Observer participation in Monitoring Committee meetings
- Participation in the carrying out of programme and project evaluations
- Observer participation in measure working group meetings
- Participation in the carrying out of control inspections
- Operational overview of relevant systems and procedures in MS
- Preparation of monitoring committee documentation and reports
- Setting up and operating a system to gather reliable financial and statistical information on implementation, for the monitoring indicators and for evaluation; and for reporting;
- Financial control and internal audit preparation and inspections.

Additional on the job training and advice will be provided at periodic intervals to a broader group of Latvian officials in some or all of the above issues by the PAA1, and short-term MS experts.
Systems development, writing of procedure manuals etc. will be undertaken concurrently and as a matter of course as training progresses. They will be based on the results of the analyses carried out in Phase 1 and approved by the Steering Committee and developed and fine-tuned throughout the phase. The work will be undertaken by the PAA1 in conjunction with MS experts and the relevant MoF departments and partner institutions/intermediate bodies.

**Interim Guaranteed Tangible Result**

- All appropriate systems and procedures (including **procedures manuals**) for Managing Authority in place.
- At least 20 NAO/MA people are acquainted with MS know-how and experience in MA business through study visits
- At least 5 key NAO/MA staff have the specific skills and hands-on know-how to carry out **core MA functions** through internships
- All NAO/MA staff broadly trained to enable NAO to meet fully their responsibilities in relation to EU funds and become the Managing Authority through seminars, on the job training and advice.

**Means**

- PAA1
- 15 short-term MS experts for a total of 24 man-moths over a 13-month period
- 18 seminars/workshops (3-5 day duration) in Latvia
- 5 internships to MS
- 3-4 day study visits (20 staff) to MS
- Officials of MoF, line ministries and partner institutions/intermediate bodies

**3.4.1.1.3. Operational Phase – Phase 3**

Following the extensive training carried out under Phase 2 this Phase concentrates in the main on testing of systems, procedures and staff in operational capacity. An assessment of progress will be carried out by the MS experts towards the middle of this phase on the basis of status reports prepared by the PAA1 in conjunction with relevant departments of the MoF. MS Experts will on the basis of the reports carry out a brief on-the-job review of systems and procedures and discuss the findings with principals of the relevant MoF departments and partner institutions/intermediate bodies via the mechanism of forum-type sessions to maximise exchange of views. The forum sessions will cover all aspects of transition from NAO (EU pre-accession funds) to Managing Authority (Structural/Cohesion funds). They will take place in plenary format to facilitate horizontal as well as vertical coordination.

Key activities will also include:

- seminars/workshops to revise and update developments to date and to reinforce both theoretical and operational elements of the training carried out in the previous phase
- ongoing on the job training by PAA1 and MS experts;
- revision and fine-tuning of operational manuals;
- full and satisfactory operational trials of new systems, procedures and IT support systems.

Relevant MS experts and PAA1 will engage directly with counterpart MA and partner institutions/intermediate bodies personnel via workshop sessions. The initial series of workshops will be held early in the Phase 3 and will include a stock take of progress achieved under the previous Phase 2 in relation to systems development. Plans for ongoing review and development will be agreed and further assessments made later in this Phase 3.

The end of this Phase 3 will see fully operational procedures and systems in place, which meet fully the objective of implementing a quality management system (meeting EU standards) to equip NAO/MA to carry out fully EU related responsibilities. The systems will be operated by fully trained staff and meet the acquis in all relevant respects.

**Interim Guaranteed Tangible Results**

- **Operational procedures and systems at Managing Authority** are in place
- Systems in Managing Authority are operated by **fully trained staff**
- Finalised **manuals of procedures** cover all dimensions of Managing Authority
- All relevant **systems necessary** to the satisfactory implementation of the functions of NAO as Managing Authority in place and fully operational

**Means**

- 9 workshops in Latvia
- Final plenary presentation of project outcomes for wide audience
- A team of 12 short term MS experts for a total of 8 man-months over an 8-month period
3.4.1.2. Component 2 Paying Authority

3.4.1.2.1. Preparation phase – Phase 1

Immediately after commencement of the project, the PAA2 facilitated by MS experts should make an assessment of the situation prevailing at the moment of project’s start. It will include a review of the progress recorded, as well as a general baseline analysis of the legal, administrative and regulatory position in Latvia vis-à-vis compliance with the acquis. The report will also encompass latest developments in relation to the on-going legislative and institution building process paying particular attention to ensuring integration of all related activities of this Component 2 Paying Authority with the implementation of government HDRP for SF/CF institutions.

The gap analysis will place a particular emphasis on the level of training required, bearing in mind training already carried out, on-going or proposed under related Phare projects (ref. 3.2) and other relevant training program (including activities to implement the government HDRP).

This exercise may require designing questionnaires, interview Latvian counterparts; collect and review national legislation, literature; analyse collected information; consult Treasury experts.

A series of seminars in Riga to facilitate exchange of views and consensus on stage of development will complement the process. The seminars will involve presentations, together with instructional material back-up, of operational systems in Member States and general background to EU requirements; the workshops will facilitate the coming together of MS experts with their Latvian counterparts to agree the basis of the gap analysis and later present/ agree the elaborated reports and action plans. Target audience – experts of Treasury departments involved in performing of National Fund/Paying Authority functions, experts from line-ministries and intermediate bodies.

The gap analysis will result in elaboration of an action plan covering the measures needed to support transition from National Authorising Officer (NAO) and National Fund system (EU pre-accession funds) to the Paying Authority system (Structural and Cohesion funds). This requires from the project to carry out the following key activities:

- Review of underpinning legislation including legal assurance of the functional independence of the Treasury as Paying Authority
- Review of administrative set-up and distribution of responsibilities internally in Treasury (Paying Authority)
- Review of Procedural Operations in the executive offices of Treasury (National Fund) / Paying Authority
- Review of training and HR development strategy in the structures of Treasury (National Fund)/ Paying Authority
- Analysis of human resources and IT needs in the offices of Treasury (National Fund)/Paying Authority
- Drafting of technical specifications / requests for proposals (RFP) on IT needed solutions

Interim Guaranteed Tangible Results:

- A written report setting out status of compliance (legal/institutional) with the acquis and sound financial management principles and what remains to be done
- An appraisal of human resources needs of the Paying Authority
- An assessment of training and IT support needs for the Paying Authority
- An appropriate matrix for managing the interface between linked Phare and national activities and the present component
- Strategic Management Plan for Financial Control and Internal Audit of EU funds

The reports and action plans will be presented for approval at the project steering committee.

Means

- PAA2
- 10 man-months of short-term twining assistance (6-7 MS experts) over a 3-month period.
- Five 3-day seminars in Latvia.
- Experts of Latvian Treasury departments.

3.4.1.2.2. Training and Systems Development – Phase 2

It is envisaged that training requirements will be delivered in three ways:
Training in Latvia delivered through a series of focused seminars/ workshops by MS experts and organised and led by the PAA2

- Internships/ study visits in MS for selected staff
- In-house training in the Treasury and other relevant agencies as appropriate carried out by the PAA2 and MS experts and Latvian experts.

The training will be undertaken based on the outputs of the previous Phase 1 and in line with the government Human Resources Development Plan for SF/CF institutions. This component will contribute to implementation of the plan as far as possible.

A series of several-day seminars/ workshops will be envisaged based on the training needs appraisal performed under the previous phase. The training and on the job advice may cover i.a. the following issues:

- Functions of Paying Authority (acquis, MS practice, Latvian commitment)
- Design of Structural and Cohesion Fund
- Distribution of responsibilities, segregation of duties
- Debt management
- Accounting for the purposes of the controls and reporting requirements
- IT systems
- Financial management of EU funds – payments and draw down
- Certification of expenditure, declaration of winding up
- Operational procedures

Besides the MoF staff, the target audience will include partner institutions and intermediate bodies as well as non-governmental organisations and local authorities.

Provision will have to be made for intensive short visits (4-5 days) for a limited number of Treasury/ Paying Authority staff (at least 15) to counterpart departments/ sections in a MS, as well as longer internships (for a period under four working weeks) for a total of 5 personnel. The study visits and internships will involve:

- Operational overview of relevant systems and procedures.
- Preparation (hands-on) of demands for payment, e.g. on ESF, Cohesion Funds or ERDF (internship)
- Certification of expenditure; declaration of winding up (internship)
- Financial control and internal audit preparation and inspections (internship).

On the job training and advice will be provided at periodic intervals to a broader group of Latvian officials in some or all of the above issues by the PAA2, and short-term MS experts.

Systems development, writing of procedure manuals etc. will be undertaken concurrently and as a matter of course as training progresses. They will be based on the results of the analyses carried out in Phase 1 and approved by the Steering Committee and developed and fine-tuned throughout this Phase 2. The work will be undertaken by the PAA2 in conjunction with MS experts and the relevant Treasury departments and intermediate bodies.

Interim Guaranteed Tangible Results

- All appropriate systems and procedures (including procedures manuals) for Paying Authority in place.
- Overview of flow charts of payments - EC to final beneficiaries and declarations from expenditure to certification by PA
- At least 15 Treasury/ PA and intermediate bodies people are acquainted with MS know-how and experience in PA business
- At least 5 key Treasury staff have the specific skills and know-how to carry out core PA functions
- All Paying Authority staff broadly trained to enable them to meet fully their responsibilities in relation to EU funds.

Means

- PAA2
- 5 short-term/ medium-term MS experts for a total of 13 man-months over a 7-month period
- 14 seminars/ workshops (3-5 day duration) in Latvia
- 5 internships to MS
- 3-4 day study visits (15 staff) to MS
- Officials of Treasury / Paying Authority

3.4.1.2.3. Operational Phase – Phase 3

Following the extensive training carried out under Phase 2 this Phase concentrates in the main on testing of systems, procedures and staff in operational capacity. An assessment of progress will be carried out by the MS experts towards
the middle of this phase on the basis of status reports prepared by the PAA2 in conjunction with relevant departments of the Treasury/PA. MS Experts will on the basis of the reports carry out a brief on-the-job review of systems and procedures and discuss the findings with principals of the relevant Treasury departments via the mechanism of forum-type sessions to maximise exchange of views. The forum sessions will cover all aspects of transition to Paying Authority. They will take place in plenary format to facilitate horizontal as well as vertical coordination.

Key activities will include:
- seminars/workshops to revise and update developments to date and to reinforce both theoretical and operational elements of the training carried out in the previous phase
- ongoing on the job training by PAA2 and MS experts;
- revision and fine-tuning of procedures manuals.

Relevant MS experts and PAA1 will engage directly with counterpart Treasury/PA personnel via workshop sessions. The initial series of workshops will be held early in the Phase and will include a stock take of progress achieved under the previous Phase in relation to systems development. Plans for ongoing review and development will be agreed and further assessments made later in this Phase 3.

The end of this Phase 3 will see fully operational procedures and systems in place, which meet fully the objective of implementing a quality management system (meeting EU standards) to equip Treasury to carry out fully EU related responsibilities as Paying Authority of Latvia. The systems will be operated by fully trained staff and meet the acquis in all relevant respects.

Interim Guaranteed Tangible Results
- Operational procedures and systems at Paying Authority are in place
- Systems are operated by fully trained staff
- Finalised manuals of procedures cover all dimensions of Paying Authority
- Independence of Treasury as PA from Managing Authority for the management of SF/CF – guaranteed and necessary legal amendments - completed.
- All relevant systems necessary to the satisfactory implementation of the functions of Treasury as Paying Authority in place and fully operational

Means
- 15 workshops in Latvia
- Final plenary presentation of the outcomes for wide audience
- A team of 12 short term MS experts for a total of 15 man-months over an 8-month period
- PAA2
- Latvian Treasury officials - counterparts

3.4.1.3. Component 3 Financial Control and Internal Audit

3.4.1.3.1. Preparation Phase – Phase 1

Immediately after commencement of the project, the PAA3 facilitated by a team of short-term twinning experts should make an assessment of the situation prevailing at the moment of project’s start. It will include a review of the progress recorded, as well as a general baseline analysis of the legal, administrative and regulatory position in Latvia vis-à-vis compliance with the acquis. The report will also encompass latest developments in relation to the on-going legislative and institution building process, paying particular attention to ensuring integration of all related activities of this Component 3 with the implementation of government HDRP for SF/CF institutions.

The gap analysis will place a particular emphasis on the level of training required, bearing in mind training already carried out, on-going or proposed under relevant training programs (including implementation of government HDRP).

This exercise will require from the experts and the PAA3 to carry out the following activities: design of questionnaires, interviews with Latvian counterparts; collection and review of national legislation, literature; analysis of collected information; elaboration of reports; consultations with internal audit experts, re-interviews.

A series of seminars in Riga to facilitate exchange of views and consensus on stage of development will complement the process. The seminars will involve presentations, together with instructional material back-up, of operational systems in Member States and general background to EU requirements; the workshops will facilitate the coming together of MS experts with their Latvian counterparts to agree the basis of the gap analysis and later present/ agree
the elaborated reports and action plans. Target audience – experts of Internal Audit departments of Paying/Managing Authority, partner institutions, intermediate bodies.

The gap analysis will result in elaboration of an action plan covering the measures needed to support financial control and internal audit in their transition from pre-accession funds to structural and cohesion funds. This requires from the project to carry out the following key activities:

- Review of underpinning legislation
- Review of system of management and coordination of Control and Audit functions
- Review of Procedural Operations
- Review of training and HR development strategy in the financial control and internal audit units of MA/PA, partner institutions and intermediate bodies
- Analysis of human resources in the financial control and internal audit units of MA/PA, partner institutions and intermediate bodies
- Development of Strategic Management Plan covering Systems and Processes

Interim Guaranteed Tangible Results:

- An appropriate matrix for managing the interface between linked Phare and national activities and the present component
- A written report setting out status of compliance (legal/institutional) with the acquis and sound financial management principles and what remains to be done
- An appraisal of human resources and training needs of the internal control and audit units
- Strategic Management Plan for Financial Control and Internal Audit system

The reports and action plans will be presented for approval at the project steering committee.

Means

- PAA3
- 10 man-months of short-term twinning assistance (6-7 MS experts) over a 3-month period.
- Three 3-day seminars in Latvia.
- Experts of Latvian audit and financial control in MoF, State Audit Office.

3.4.1.3.2. Training and Systems Development – Phase 2

It is envisaged that training requirements will be delivered in three ways:

- Training in Latvia delivered through a series of focused seminars/workshops by MS experts and organised and led by the PAA3
- Internships/study visits in MS for selected staff
- In-house training in the MA, PA and other relevant agencies and bodies as appropriate carried out by the PAA3 and MS experts and Latvian experts.

The training will be undertaken based on the outputs of the previous Phase 1 and in line with the government Human Resources Development Plan for SF/CF institutions. This component will contribute to implementation of the plan as far as possible.

A series of several-day seminars/workshops will be envisaged based on the training needs appraisal performed under the previous phase. The training and on the job advice may cover i.a. the following issues:

- Management and control systems
- Control and audit regulations and procedures including control cascades, audit trails, risk analyses, fraud and irregularities checks
- Sample checks
- Development of training manuals and operations procedures
- Interaction with relevant units in Commission Directorates, Court of Auditors, OLAF

Provision will have to be made for intensive short visits (4-5 days) for a limited number of Financial Control/Internal Audit staff of MA/PA/intermediate bodies (at least 15) to counterpart departments/sections in a MS, as well as longer internships (for a period under four working weeks) for a total of 10 personnel. The study visits and internships will involve:

- Operational overview of relevant control systems and procedures
- Certification of expenditure; declaration of winding up
- Financial control and internal audit inspections.
On the job training and advice will be provided at periodic intervals to a broader group of Latvian officials in some or all of the above issues by the PAA3, and short-term MS experts.

Systems development, writing of procedure manuals etc. will be undertaken concurrently and as a matter of course as training progresses. They will be based on the results of the analyses carried out in Phase 1 and approved by the Steering Committee and developed and fine-tuned throughout the phase. The work will be undertaken by the PAA3 in conjunction with MS experts and the relevant Internal Audit departments.

**Interim Guaranteed Tangible Result**

- All appropriate systems and procedures (including procedures manuals) for internal audit/ financial control departments in place.
- At least 15 MA/PA and audit officials people are acquainted with MS know-how and experience in financial management, control and audit
- At least 10 key audit staff has the specific skills and know-how to carry out core EU fund audits to required international auditing standards
- A core of Latvian audit staff broadly trained, to enable them to meet fully their responsibilities in relation to audit of EU funds.

**Means**

- PAA3
- 7 short-term medium-term MS experts for a total of 10 man-moths over a 7-month period
- 10 seminars/ workshops (3-5 day duration) in Latvia
- Internships to MS (10 people)
- 3-4 day study visits (at least 15 staff) to MS

### 3.4.1.3.3. Operational Phase – Phase 3

Following the extensive training carried out under Phase 2 this Phase 3 concentrates in the main on testing of systems, procedures and staff in operational capacity. An assessment of progress will be carried out by the MS experts towards the middle of this phase on the basis of status reports prepared by the PAA3 in conjunction with relevant departments of the bodies involved. MS Experts will on basis of the reports carry out a brief on-the-job review of systems and procedures and discuss and discuss the findings with principals of the relevant MoF departments via the mechanism of forum-type sessions to maximise exchange of views. The forum sessions will cover all aspects of the implementation, to the EU standards, of some financial management control and audit of the Structural and Cohesion funds. They will take place in plenary format to facilitate horizontal as well as vertical coordination.

Key activities will include:

- seminars/ workshops to revise and update developments to date and to reinforce both theoretical and operational elements of the training carried out in the previous phase
- ongoing on the job training by PAA3 and MS experts;
- revision and fine-tuning of operational manuals;
- full and satisfactory operational trials of new systems, procedures.

Relevant MS experts and PAA3 will engage directly with counterpart personnel via workshop sessions. The initial series of workshops will be held early in the Phase and will include a stock-take of progress achieved under the previous Phase in relation to systems development. Plans for ongoing review and development will be agreed and further assessments made later in this Phase 3.

The end of this Phase 3 will see fully operational procedures and systems in place to equip financial control and internal audit structures to remit fully EU related responsibilities. The systems will be operated by fully trained staff and meet the acquis in all relevant respects.

**Interim Guaranteed Tangible Results**

- Operational procedures and systems at internal audit and financial control units in MA/PA/Intermediate bodies and partner institutions are in place
- Systems are operated by fully trained staff
- Audit trails of Community funding
- Finalised manuals of procedures cover all necessary audit areas
- All relevant systems necessary to the satisfactory implementation of the financial control and internal audit functions in place and fully operational

**Means**

12/29
3.4.1.4. Component 4 Partner Institutions and Intermediate Bodies

The Managing Authority might delegate certain tasks to Partner Institutions and Intermediate Bodies depending on their administrative capacity. The Managing Authority will have to decide which tasks will be delegated at which moment to which body.

Depending on the state of play in the process of designating intermediate bodies and delegating functions to partner institutions, this component will assist the Managing Authority in designing / fine-tuning the partnership system.

It is planned that the final division of functions in relation to the implementation of the Structural Funds will be produced during the development the draft Single Programming Document (target date end of 2002). The detailed responsibilities of all institutions that will perform the functions of Intermediate Bodies will be stated in the Cabinet of Ministers regulations on the management, monitoring, evaluation and control of the EU Structural Funds and Cohesion Fund (planned date of approval – July 1, 2003).

Delegation of functions to Partner Institutions and Intermediate Bodies depends on their capacity. The MS experts, PAA2, PAA3 led by the PAA1 will assist the Managing Authority to carry out the assessment of their capacity after the delegation of functions to enable their strengthening (if the delegation will not already have taken place, the exercise will assist MA decision making).

The concrete criteria for capacity assessment will be elaborated by the project (coordinated with similar attempts by the Latvian side taken prior to the project commencement); however the following main criteria could be mentioned:

- experience and know-how of pre-accession funds
- experience in project generation and project preparation
- experience in project selection and evaluation
- clear and identified staff including clear assignment of responsibilities
- knowledge about EU legislation at operational level (rules on state aid, public procurement, environment, equal opportunities)
- existence of an operational project development and management system, as well as good knowledge on the Project Cycle Management in general
- existence of internal rules and procedures in accordance with the general principles of the Structural Funds management in Latvia.

The assessment will produce a capacity assessment report for each of the partner institutions and intermediate bodies. The reports will overview readiness of the organisations to assume the functions from Managing Authority and propose what needs to be done to strengthen them (if necessary).

Following the decision by the Managing Authority to delegate its functions and designate intermediate bodies, the project will assist the MA in preparing formal memoranda of understanding for each of the Partner institution or Intermediate Body and assist in establishing appropriate internal procedures.

Based on the results of the training needs assessments and gap analysis, the experts will assist the Managing Authority in organising a series of workshops to establish better relations with the counterparts to facilitate cooperation, to reach common understanding of the functions of Partner Institutions (functions will be decided precisely by MA prior to designation) and share the know-how and experience in identified areas of expertise. The workshops will focus on the following subjects, inter alia:

- information and publicity;
- collection and processing of financial and statistical data for transfer to MA;
- verification and approval of the payment claims before submission to the Paying Authority;
- accounting systems;
- preparation of the Annual Implementation report.

EU experts will assist the Managing Authority in organising similar workshops with like objectives to be held with the intermediate bodies (in conjunction with respective partner institutions). The topics may include:

- Verification of the correctness of the financed activities, and ensuring availability of the respective supporting documentation;
- Verification of payment claims;
- Carrying out checks of the consistency with the Community Policies;
Ensuring adequate accounting system;
Drafting of the contracts with Final Beneficiaries;
Ensuring dissemination of the information and publicity of the assistance in accordance with rules and plans set by the Managing Authority;
Ensuring gathering of the financial and statistical information and monitoring of the physical and financial progress of the assistance at each measure level;
Submission of the verified payment claims to the Partner Institutions.

Guaranteed Tangible Results:
- An appropriate matrix for managing the interface between linked Phare (ref. 3.2) and national activities and the present component
- A written report setting out status of readiness (legal/institutional) to assume delegated MA functions and what needs to be done – for each of partner institution and intermediate body
- An appraisal of human resources needs of each of the intermediate body
- An assessment of training needs and IT support for each of the intermediate body
- Draft memorandum of understanding with each partner institution and intermediate body with clear segregation of functions
- Coordination mechanism of inter-ministerial cooperation - in place
- Proposals for manuals of procedures for intermediate bodies and partner institutions

The reports and action plans will be presented for approval at the project steering committee.

Means
- PAA1 (as leader)
- PAA2, PAA3
- 15 short-term MS experts for a total of 16 man-months in Latvia over 18-month period
- at least 13 workshops in total
- officials of MA, PA, MoF Internal Audit dept.

3.4.2. Expert profiles/ qualifications

The project will employ 3 specialised full-time pre-accession advisors (PAA), who will be permanently attached to the Managing (PAA1) and Paying Authority (PAA2) and Internal Audit Department of MoF (PAA3). PAA1 will be the leading twinning expert.

The PAAs should preferably be coming from one country to be in a position to propose compatible solutions and to jointly produce an integrated system of SF/CF management.

PAA's assistants will be contracted by the CFCU and will be financed in the framework of the twinning covenant. PAA's assistant will be responsible for provision of full time assistance for purposes of translation and interpretation on a daily basis.

Component 1 – Managing Authority

This component will be lead horizontally by PAA1 (input: 24 months). His tasks will include:
- be the head of the all the twinning project’s experts and activities, being the leading twinning counterpart of the beneficiary
- advice the Project Steering Committee (PSC) on ways to improve design, planning and implementation framework of all project components
- upon request from the head of the PSC, deliver general advisory support to the ministries, other involved institutions
- assist senior management of the MoF and the responsible structures in assuming responsibilities of the managing authority
- be responsible for management and co-ordination of all sub-components of the Managing authority component to ensure that the component proceeds, as planned, in an efficient and orderly fashion
- ensure successful correlation and collaboration of all the institutions engaged in the component activities as far as it is necessary to achieve its objectives
- follow up on the activities carried out during short-term missions of the expert pool in all the components proposing the PSC any further measures needed to ensure the sustainability of the project
The PAA 1 profile should comprise:
- At least 10 years of recent professional experience in senior position at a private or public institution involved in management of community funds and a good grounding in the fields of laying down structures and strategic development in financial management of Community funds.
- Ideally experience of working with senior officials in an advisory role.

The pool of short-term twinning experts will be called in to deliver field-specific advice under the respective subcomponents:

EU expert(s) with practical experience (at least 4 years) of work at a managing authority of a member state, proficient in methodology and procedures of SF.

EU expert(s) with strong (at least 6 years) experience in multi-annual budgeting and financial planning and financial frameworks/forecasts on national and EU level of the SF.

EU expert(s) with at least 5-year professional experience in the management and financial mechanisms of EU Structural funds on EU and national level.

EU expert(s) with practical experience (at least 6 years) of devising internal procedures and procedures manuals.

Component 2 –for Paying Authority

This component will be lead horizontally by PAA2 (input: 18 months). His tasks will include:
- assist senior management of the Treasury and the responsible structures in assuming responsibilities of the paying authority
- be responsible for management and co-ordination of all sub-components of the Paying authority component to ensure that the component proceeds, as planned, in an efficient and orderly fashion
- ensure successful correlation and collaboration of all the institutions engaged in the component activities as far as it is necessary to achieve its objectives
- follow up on the activities carried out during short-term missions of the expert pool in all the components proposing the PSC any further measures needed to ensure the sustainability of the project.

The PAA2 profile should comprise:
- At least 10 years of recent professional experience in senior position at a private or public institution involved in financial management of community funds, ideally at a member state institution which performed functions of a paying authority.
- Ideally experience of working with senior officials in an advisory role.

The pool of short-term twinning experts will be called in to deliver field-specific advice under the respective subcomponents:

EU experts with strong (at least 6-year) experience of operating various functions of a Paying Authority (ideally with experience of work at a Paying Authority of a MS).

EU expert(s) with strong (at least 6-year) experience in legislation and practice of accounting and reporting systems in public administrations and at the central level (MA/ PA).

EU expert(s) with extensive (at least 5 years) experience in Budget and Treasury management and conduct of public expenditure management analysis.

EU expert(s) with extensive (at least 5 years) experience in Financial Planning Functions.

EU expert(s) with strong (at least 5-year) experience in functioning of expenditure cycles with associated/supported spending agencies.

EU expert(s) with experience (at least 4-6 years) in expenditure management tools and budget execution.

EU expert(s) with strong (at least 5-year) experience in modern public accounting and reporting practices, including accruals accounting to international accounting standards.

EU expert(s) with strong (at least 5 years) experience in financial management techniques in public administration and links of supporting systems (Management and IT implications), particularly in relation to Paying Authority function.
EU expert(s) with experience (at least 4 years) in accounting concepts and practices in the public sector, including resource accounting/ performance indicators.

**Component 3 - Controls**

This component will be lead horizontally by PAA3 (input: **18 months**). His tasks will include:

- assist the Internal Audit Department of MoF in its coordinating efforts
- be responsible for management and co-ordination of all phases of this component to ensure that the component proceeds, as planned, in an efficient and orderly fashion
- ensure successful correlation and collaboration of all the institutions engaged in the component activities as far as it is necessary to achieve its objectives
- follow up on the activities carried out during short-term missions of the expert pool in all the components proposing the PSC any further measures needed to ensure the sustainability of the project

The PAA3 profile should comprise:

- At least 10 years of recent professional (preferably qualified auditor) experience in financial control/ audit of community funds, ideally at a member state institution which audited Paying/ Managing Authority or EC funds.
- Ideally with experience of working with senior officials in an advisory role.

This component will be facilitated by a pool of short-term twinning experts, who will deliver field-specific advice.

EU experts with practical (at least 7 years) experience of financial control and internal audit at MS Managing/Paying authorities.

**Component 4 – Intermediate bodies and partner institutions**

Lead by PAA1, assisted in large by PAA2, PAA3.

EU twinning experts with professional experience (at least 5 years) at MS Managing Authority and intermediate bodies.

EU twinning experts with professional experience (at least 5 years) at MS Managing Authority and practical experience in management of partnership arrangements.

**3.5. Lessons learned**

The latest (February 28, 2002) Interim Evaluation of the Phare Programme in Public Finance has come to the following conclusion:

“The Phare programmes LE 980.05, LE 99.03, LE 00.11 that have been reviewed are expected to largely achieve the objectives set during their lifetime. There has been good progress towards the improved management of public finance. The recommendations of the previous assessment have been largely addressed. A rating of satisfactory is therefore given.”

The evaluation has also provided inter alia the following recommendations:

“The National Administration and Commission Services should consider providing further assistance for IT improvement in the area of public finance. But it should be given only if it is accompanied by assistance for improving administrative capacity and modifying the existing management practices as to accept management change. This should especially include the strengthening of the human resource (...)”

**4. Institutional framework**

Overall management of the project will rest with the State Secretary of the MoF, Ms. V.Andrejeva, (Head of Managing Authority), who will chair the Project Steering Committee (PSC) that will meet at least every three months.

Strong emphasis will be put on ensuring real inter-ministerial cooperation, especially among those involved in EC funds management as partner institutions and intermediate bodies. The Ministry of Finance is conscious that the project requires full support across the board as the crucial condition for its success.
Therefore the project steering committee will comprise representatives of the MoF as well as the Ministry of Transport, the Ministry of Welfare, the Ministry of Agriculture, the Ministry of Environmental Protection and Regional Development (the major partner institution) will signify (and ensure) the commitment to a concerted effort in this initiative.

The PSC mandate will include regular review the quarterly progress reports on the project compiled by the PAAs. The PSC will appraise (and adjust where necessary) the detailed work plans/projections for the following three to six month period. It will design any corrective measures necessary for the success of the project.

On the Latvian side, the following officials will be the counterparts for MS experts in respective project components with responsibility for successful implementation respective project activities. Component 1 Managing Authority will be led by the Deputy State Secretary of the Ministry of Finance, Ms. Inguna Sudraba. Component 2 Paying Authority will be lead by the Treasurer Mr. Aivars Veiss. Component 3 Internal Audit and Financial Control will be led by the Director of Internal Audit Dept. of the MoF, Ms. Dace Nulle. Component 4, Partner institutions and Intermediate Bodies will be led by Deputy State Secretary of the Ministry of Finance, Ms. Inguna Sudraba.

5. Budget

<table>
<thead>
<tr>
<th>Twinning Covenant</th>
<th>Investment Institution</th>
<th>Total Phare</th>
<th>National Co-financing</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Building</td>
<td>Total Phare</td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>Twinning Covenant</td>
<td>2 485 000</td>
<td>2 485 000</td>
<td>250 000</td>
<td>2 735 000</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>2 485 000</td>
<td>2 485 000</td>
<td>250 000</td>
<td>2 735 000</td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1. Implementing Agency

Central Financing and Contracting Unit (CFCU) will be the implementing agency under the Program Authorising Officer – the State Secretary of the Ministry of Finance, Ms Valentina Andrejeva. The CFCU will be responsible for financial implementation of the project.

The technical implementation of the project will be the responsibility of the Senior Project Officer (SPO), Deputy State Secretary of MoF - Ms. Inguna Sudraba.

6.2. Twinning

There will be one Twinning Covenant that will comprise all project components. It will include 3 pre-accession advisors (PAA) ideally from the same Member State.

The PAA1 will be working at the structures of NAO (for Component 1 Managing Authority). He will be the leading project expert overseeing PAA2, PAA3 and short-term MS experts. His input is estimated at 24 months of full-time work in Riga.

The PAA2 will be stationed at the Treasury (Component 2 Paying Authority). He will be employed full-time for the duration of 18 months.

PAA3 will be attached to Internal Audit Unit of MoF (Component 3). His input is estimated at 18 months of full-time on-site work in Riga.

The twinning expert pool comprising short/mid -term experts in concrete fields will be involved under all specific project components. The twinning team should ideally be coming from the same Member State to share an integrated approach.

Mrs Inguna Sudraba, Deputy State Secretary, MoF, will be the official LV contact point for the twinning arrangement (tel: 371 7095419; fax: 7095421, address: Smilsu 1, Riga, LV-1919).

For further details about the specific counterparts for each component, please see point 4 of this fiche.

6.3. Non-standard aspects

During the project implementation DIS Manual will be strictly followed. The contracts will be signed according to the procedures provided in Practical Guide for Phare, ISPA and SAPARD Contracting Procedures.
Ratio: if during project implementation the project cost for some reasons will decrease, the Phare financing will also decrease proportionally.

6.4. Contracts

Contract 1: Twinning covenant for 2,735,000 EUR

7. Implementation Schedule

<table>
<thead>
<tr>
<th>Event</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Call for proposals</td>
<td>Q4 2002</td>
</tr>
<tr>
<td>Start of project activity</td>
<td>Q1 2003</td>
</tr>
<tr>
<td>Project Completion</td>
<td>Q1 2005</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

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

9. Conditionality and sequencing

9.1. Conditionality

- Clear institutional framework to be the counterpart for the project is in place before its commencement
- Adequate staffing in the recipient institutions is in place for implementation and monitoring of project activities
- Adequate co-financing is allocated in the national budget
- Project Steering Committee is established

9.2. Sequencing

Simultaneous implementation of all proposed project components is desirable provided the need for synergies and correlation between them.

Specific activities within the project components can largely be organised in sequence proposed in the text (Phase 1 -> Phase 2 -> Phase 3), depending on expert availability and absorbing capacity of the beneficiary.

ANNEXES TO PROJECT FICHE

1. Logical framework matrix in standard format
2. Detailed implementation chart
3. Contracting and disbursement schedule by quarter for full duration of programme (including disbursement period)
4. Organigram of the Latvian Ministry of Finance
5. Reference to the EC acquis
## LOGFRAME PLANNING MATRIX FOR

**Public Finance Management**

<table>
<thead>
<tr>
<th>Program name, number:</th>
<th>Date of drafting:</th>
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<tbody>
<tr>
<td></td>
<td>April 2002</td>
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</table>

<table>
<thead>
<tr>
<th>Contracting period expires:</th>
<th>Disbursement period expires:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Budget:</th>
<th>Phare contribution:</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,74 MEUR</td>
<td>2.5 MEUR</td>
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</table>

### Wider objective

**To ensure efficient management and control of the EU and public funds in compliance with the EU acquis.**

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of information</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• System of public expenditure management meets best practice standards and acquis</td>
<td>• Intern/extern evaluations</td>
<td>• Suitable staff can be recruited and retained in accordance with recent government decisions</td>
</tr>
</tbody>
</table>

### Project purpose

- Enable the Latvian system of financial management of EU assistance to meet fully its responsibilities in relation to the transition from pre-accession assistance to the Structural and Cohesion Funds.
- Prepare the system of financial control and internal audit to shift from pre-accession assistance to the Structural and Cohesion Funds.
- Prepare system for sound inter-ministerial cooperation of MA/PA and partner institutions/intermediate bodies.

**Project will be measured against the following Key Indicators for Candidate Countries to Effectively Manage the SF (ref. NEI Study for DGs REGIO, ELARG):**

- Accounting and auditing expertise ensured
- Existence of accounting system and financial procedures secured
- Established practice in dealing with financial irregularities
- Assignment of intermediate bodies
- Staffing at intermediate bodies
- Established mechanism for inter-ministerial cooperation
- Staffing at MA/PA
- Arrangement and delegation of tasks at MA/PA.

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of information</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intern/extern evaluations</td>
<td>• Project quarterly reports</td>
<td>• Annual MoF public reports</td>
</tr>
</tbody>
</table>

### Results

**Component 1 Managing Authority**

- Efficient and effective systems of management, monitoring, assessment reporting and control for structural and cohesion funding (including internal and independent audit functions, financial reporting and accounting in line with internationally recognised audit standards) – in place and functioning.
- Effective evaluation methodology developed and applied.
- Quality management system for Ministry of Finance in place and fully functioning.
- Coherent administrative structure, complete internal rules and procedures, clear definition of responsibilities applying principles of separation of powers, sufficient staff in terms of quality and quantity, subject to reliable financial control at Managing Authority – ensured.
- Legal amendments to relevant national legislation and corresponding by-laws – proposed.
- Personnel at Managing Authority is equipped with suitable skill and is fully trained in implementing Community programmes.
- Proposals for development/fine-tuning of IT systems for MA, drafting of technical specification/request for proposals (RTP) - produced.

**Component 1 Managing Authority**

- Estimates of staff requirements available.
- Estimates take account of programme size, characteristics and tasks delegated.
- Responsibilities and tasks assigned to job descriptions.
- Staff training competed (~100) and each individual staff certified by PAA1/MS experts, as meeting criteria for competence in MA activities.
- Manuals of procedures completed, signed off by PAA1 and approved by MA management.
- Legal texts/amendments completed and accepted by beneficiary (reviewed by PSC).
- Evaluation methodology in place, evaluators trained. System endorsed by EC experts.
- Appropriate segregation of duties in MA endorsed by responsible EC services.
- Self assessment by MS completed, independent audit and opinion on MA systems and procedures completed by joint audit of MOF internal audit and MS expert team.

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of information</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Intern/extern evaluations</td>
<td>• Project quarterly reports</td>
<td>• Annual MoF public reports</td>
</tr>
</tbody>
</table>

**Component 2 Paying Authority**

- Efficient and effective system of financial management, reporting and...
control for structural and cohesion funding (financial reporting and accounting in line with internationally recognised audit and accounting standards) – in place and functioning
  o Coherent administrative structure, complete internal by-rules, clear definition of responsibilities applying principles of separation of powers, sufficient staff in terms of quality and quantity, subject to reliable financial control at Paying Authority – ensured
  o Independence of Treasury as PA from Managing Authority for the management of SF/CF – guaranteed.
  o Necessary legal amendments to relevant national legislation and corresponding by-laws – proposed
  o Personnel at Paying Authority is equipped with suitable skill and is fully trained in managing and implementing Community programmes
  o Proposals for development /fine-tuning of IT systems for Paying Authority, drafting of technical specification/request for proposals (RTP) - produced

Component 3 Financial Control and Internal Audit
  o Comprehensive and coherent system of internal financial control and internal audit within the state administration in compliance with the EU acquis – introduced
  o Concept of internal audit within EU fund management system for harmonising respective functions, structure and methodology – implemented and functioning
  o Operational procedures and systems at internal audit and financial control units in MA/PA/Intermediate bodies and partner institutions - in place
  o Control over EU and public funds at all levels through financial control and internal audit reinforced, including reliable financial and operational control system over intermediate bodies – fully functioning
  o Effective internal control within the institutions dealing with EU structural and cohesion funds – ensured
  o Legal amendments to relevant national legislation and corresponding by-rules -proposed

Component 4 Intermediate Bodies and Partner Institutions
  o Coordination mechanism of inter-ministerial cooperation - in place
  o An appraisal of human resources, training and IT needs of each of the intermediate body - presented
  o Draft memorandum of understanding with each partner institution and intermediate body with clear segregation of functions – produced
  o Proposals for manuals for intermediate bodies and partner institutions - produced

Component 2 Paying Authority
  o Responsibilities and tasks assigned to PA
  o System of payment flows in place and on paper
  o Systems of expenditure forecasting in place
  o System for certification of payment requests in place
  o Procedures for verification and reality of expenditure in place
  o Staff training competed (~50) and each individual staff certified by PAA2/ MS experts, as meeting criteria for competence in PA activities
  o Manuals of procedures completed, signed off by PAA2 and approved by PA management
  o Legal texts/amendments completed and accepted by beneficiary (reviewed by PSC)
  o Responsibilities and tasks in financial management and control assigned at the level of job description
  o Organisational structure, separation of duties, channels of communication, job descriptions and responsibilities all complete and endorsed by PSC/ PA/ MS experts.
  o IT system for Paying Authority analysed and costed. RFP for necessary upgrading complete, approved by beneficiary and circulated to bidders.
  o Accounting systems found complaint with International accounting standards
  o Internal audit of Treasury/ Paying Authority in accordance with IIA standards
  o Self-assessment complete by PA, positive opinion received from independent joint audit of MoF internal audit and MS audit team

Component 3 Financial Control and Internal Audit
  o 20 Internal auditors certified in compliance with IIA
  o all internal audit manuals, strategy, plans, risk assessments, methodologies complete and approved by MoF, MS audit team
  o Detailed training completed in fraud and irregularities detection for EU structural and Cohesion funds and certified (20 auditors) by MS audit team
  o Legal and administrative systems guarantee functional independence of auditors – endorsed by EC DG Budget and REGIO
  o Presence of a sufficient audit trail for EU funds
  o Existence of an annual audit control plan and/or system
  o System for correcting irregularities existing and applicable to EU funds
**Activities**

<table>
<thead>
<tr>
<th>Component 1 Managing Authority</th>
<th>Component 2 Managing Authority</th>
<th>Component 3 Managing Authority</th>
<th>Component 4 Intermediate Bodies and Partner Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1 Preparation</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>o Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at MA</td>
<td>o Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at MA</td>
<td>o Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at MA</td>
<td><strong>Method for sample checks in place</strong></td>
</tr>
<tr>
<td>o Appraise of human resources needs of the Managing Authority</td>
<td>o Appraise of human resources needs of the Managing Authority</td>
<td>o Appraise of human resources needs of the Managing Authority</td>
<td><strong>Body for carrying out sample checks designated,</strong></td>
</tr>
<tr>
<td>o Assess training needs and IT support for the Managing Authority</td>
<td>o Assess training needs and IT support for the Managing Authority</td>
<td>o Assess training needs and IT support for the Managing Authority</td>
<td><strong>Capacity for carrying out of sample checks secured</strong></td>
</tr>
<tr>
<td>o Develop Strategic Management Plan for Managing Authority</td>
<td>o Develop Strategic Management Plan for Managing Authority</td>
<td>o Develop Strategic Management Plan for Managing Authority</td>
<td><strong>Assignment of intermediate bodies to individual measures carried out</strong></td>
</tr>
<tr>
<td><strong>Phase 2 Training and systems development</strong></td>
<td><strong>Phase 3 Operational Phase</strong></td>
<td></td>
<td><strong>Assignment of intermediate bodies to individual measures carried out</strong></td>
</tr>
<tr>
<td>o Devise appropriate systems and procedures (including procedures manuals) for Managing Authority.</td>
<td>o Carry out interim evaluation</td>
<td>o Complete training</td>
<td><strong>Assignments in line with main responsibilities of intermediate bodies</strong></td>
</tr>
<tr>
<td>o Acquaint at least 20 NAO/ MA people with MS know-how and experience in MA business through study visits</td>
<td>o Test, fine-tune procedures mechanisms and systems</td>
<td>o Finalise manuals of procedures</td>
<td><strong>All memoranda of understanding between MA/PA and partner bodies endorsed by Government</strong></td>
</tr>
<tr>
<td>o Train at least 5 key NAO/ MA staff to have the specific skills and hands-on know-how to carry out core MA functions through internships</td>
<td>o Complete training</td>
<td>o Finalise manuals of procedures</td>
<td><strong>Experience in project generation and project preparation obtained</strong></td>
</tr>
<tr>
<td>o Train all NAO/ MA staff broadly, to enable NAO to meet fully their responsibilities in relation to EU funds and become the Managing Authority through seminars, on the job training and advice</td>
<td>o Recruitment at Managing, Paying authorities, intermediate bodies and partner institutions is completed to a large extent before commencement of the training activities</td>
<td><strong>Knowledge of EU legislation at operational level</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Component 1 Managing Authority</strong></td>
<td><strong>Component 2 Managing Authority</strong></td>
<td><strong>Component 3 Managing Authority</strong></td>
<td><strong>Component 4 Intermediate Bodies and Partner Institutions</strong></td>
</tr>
<tr>
<td><strong>Component 1 Managing Authority</strong></td>
<td><strong>Component 2 Managing Authority</strong></td>
<td><strong>Component 3 Managing Authority</strong></td>
<td><strong>Component 4 Intermediate Bodies and Partner Institutions</strong></td>
</tr>
<tr>
<td><strong>Activities</strong></td>
<td><strong>Means</strong></td>
<td><strong>Sources of information</strong></td>
<td><strong>Assumptions</strong></td>
</tr>
<tr>
<td>Phase 1 Preparation</td>
<td>PAA1 for a total of 24 months</td>
<td>Recruitment at Managing, Paying authorities, intermediate bodies and partner institutions is completed to a large extent before commencement of the training activities</td>
<td>• Recruitment at Managing, Paying authorities, intermediate bodies and partner institutions is completed to a large extent before commencement of the training activities</td>
</tr>
<tr>
<td>o PAA1</td>
<td></td>
<td><strong>Staff availability on both sides</strong></td>
<td>• Staff availability on both sides</td>
</tr>
<tr>
<td>o 12 man-months of short-term twining assistance (6-7 MS experts) over a 3-month period.</td>
<td></td>
<td><strong>Willingness of co-operation between central level and decentralised level</strong></td>
<td>• Willingness of co-operation between central level and decentralised level</td>
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<tr>
<td>o Seven 3-day seminars in Latvia.</td>
<td></td>
<td><strong>Inter ministerial support to the project</strong></td>
<td>• Inter ministerial support to the project</td>
</tr>
<tr>
<td>o Experts of Latvian MoF departments and partner institutions</td>
<td></td>
<td><strong>Ability of co-ordination and attention given to change management</strong></td>
<td>• Ability of co-ordination and attention given to change management</td>
</tr>
</tbody>
</table>

**Notes:**
- **Component 1 Managing Authority**
- **Component 2 Managing Authority**
- **Component 3 Managing Authority**
- **Component 4 Intermediate Bodies and Partner Institutions**

**Activities:**
- **Phase 1 Preparation**
  - Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at MA.
  - Appraise of human resources needs of the Managing Authority.
  - Assess training needs and IT support for the Managing Authority.
  - Develop Strategic Management Plan for Managing Authority.
- **Phase 2 Training and systems development**
  - Devise appropriate systems and procedures (including procedures manuals) for Managing Authority.
  - Acquaint at least 20 NAO/MA people with MS know-how and experience in MA business through study visits.
  - Train at least 5 key NAO/MA staff to have the specific skills and hands-on know-how to carry out core MA functions through internships.
  - Train all NAO/MA staff broadly, to enable NAO to meet fully their responsibilities in relation to EU funds and become the Managing Authority through seminars, on the job training and advice.
- **Phase 3 Operational Phase**
  - Carry out interim evaluation.
  - Test, fine-tune procedures mechanisms and systems.
  - Complete training.
  - Finalise manuals of procedures.

**Means:**
- PAA1 for a total of 24 months.
- 12 man-months of short-term twining assistance (6-7 MS experts) over a 3-month period.
- Seven 3-day seminars in Latvia.
- Experts of Latvian MoF departments and partner institutions.
- 15 short-term MS experts for a total of 24 man-months over a 13-month period.
- 25 seminars/workshops (3-5 day duration) in Latvia.
- 5 internships to MS.
- 3-4 day study visits (20 staff) to MS.
- Officials of MoF, line ministries and partner institutions/intermediate bodies.
- 9 workshops in Latvia.
- Final plenary presentation of project outcomes for wide audience.
- A team of 12 short term MS experts for a total of 8 man-months over an 8-month period.
- PAA1.
Component 2 Paying Authority

Phase 1 Preparation
- Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at PA
- Appraise of human resources needs of the Paying Authority
- Assess training needs and IT support for the Paying Authority
- Develop Strategic Management Plan for Paying Authority

Phase 2 Training and Systems development
- Devise all appropriate systems and procedures (including procedures manuals) for Paying Authority.
- Design flow charts of payments - EC to final beneficiaries and declarations from expenditure to certification by PA
- Train at least 15 Treasury/PA and intermediate bodies people to become acquainted with MS know-how and experience in PA business
- Hand-on train at least 5 key Treasury staff to have the specific skills and know-how to carry out core PA functions
- Broadly train all Paying Authority staff, to enable them to meet fully their responsibilities in relation to EU funds.

Phase 3 Operational Phase
- Carry out interim evaluation
- Test, fine-tune procedures mechanisms and systems
- Complete training
- Finalise manuals of procedures

Component 3 Financial Control and Internal Audit

Phase 1 Preparation
- Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done
- Appraise of human resources needs of the internal audit and financial control units
- Assess training needs of the internal audit and financial control units
- Develop Strategic Management Plan for financial control and audit of EU funds

Phase 2 Training and Systems development
- Devise all appropriate systems and procedures (including procedures manuals) for control and audit system of EU funds.
- Train at least 15 audit officials to become acquainted with MS know-how and experience in financial management, control and audit through study visits to MS
- Hand-on train at least 10 key Treasury staff to have the specific skills and know-how to carry out EU funds audits to international auditing standards
- Broadly train all Paying Authority staff, to enable them to meet fully their responsibilities in relation to EU funds.

Phase 3 Operational Phase
- Latvian officials- counterparts

Component 2 Paying Authority

PAA2 for a total of 18 months

Phase 1 Preparation
- PAA2
- 10 man-months of short-term twining assistance (6-7 MS experts) over a 3-month period.
- Five 3-day seminars in Latvia.
- Experts of Latvian Treasury departments.

Phase 2 Training and Systems development
- PAA2
- 5 short-term/ medium-term MS experts for a total of 13 man-months over a 7-month period
- 25 seminars/workshops (3-5 day duration) in Latvia
- 5 internships to MS
- 3-4 day study visits (15 staff) to MS
- Officials of Treasury / Paying Authority

Phase 3 Operational Phase
- PAA2
- 15 workshops in Latvia
- Final plenary presentation of the outcomes for wide audience
- A team of 12 short term MS experts for a total of 15 man-months over an 8-month period
- Latvian Treasury officials- counterparts

Component 3 Financial Control and Internal Audit

PAA3 for 18 man months

Phase 1 Preparation
- PAA3
- 10 man-months of short-term twinning assistance (6-7 MS experts) over a 3-month period.
- Three 3-day seminars in Latvia.
- Experts of Latvian audit and financial control in MoF, State Audit Office.

Phase 2 Training and Systems development
- PAA3
- 7 short-term/ medium-term MS experts for a total of 10 man-months over a 7-month period
- 10 seminars/workshops (3-5 day duration) in Latvia
- Internships to MS (10 people)
- 3-4 day study visits to MS (at least 15 staff)
<table>
<thead>
<tr>
<th>Component 4 Intermediate Bodies and Partner Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Assess status of readiness (legal/institutional) of partner institutions and intermediate bodies to assume delegated MA functions and determine what needs to be done</td>
</tr>
<tr>
<td>- Assess human resources needs of each of the intermediate body</td>
</tr>
<tr>
<td>- Assess training and IT support needs for each of the intermediate body</td>
</tr>
<tr>
<td>- Draft memorandum of understanding with each partner institution and intermediate body with clear segregation of functions</td>
</tr>
<tr>
<td>- Propose amendments to manuals of procedures for intermediate bodies and partner institutions</td>
</tr>
<tr>
<td>- Develop coordination mechanism for effective inter-ministerial cooperation</td>
</tr>
<tr>
<td>Phase 3 Operational Phase</td>
</tr>
<tr>
<td>- PAA3</td>
</tr>
<tr>
<td>- 7 workshops in Latvia</td>
</tr>
<tr>
<td>- A team of 12 short term MS experts for a total of 10 man-months over an 8-month period</td>
</tr>
<tr>
<td>Component 4 Intermediate Bodies and Partner Institutions</td>
</tr>
<tr>
<td>- PAA1 (as leader)</td>
</tr>
<tr>
<td>- PAA2, PAA3</td>
</tr>
<tr>
<td>- 15 short-term MS experts for a total of 16 man-months in Latvia over 18-month period</td>
</tr>
<tr>
<td>- at least 13 workshops</td>
</tr>
<tr>
<td>- officials of MA, PA, MoF Internal Audit dept.</td>
</tr>
</tbody>
</table>

**Preconditions**

- Clear institutional framework is in place to be the counterpart for the project before its commencement
- Adequate staffing in the recipient institutions is in place for implementation and monitoring of project activities
- Co-financing via national budget
- Established Project Steering Committee
### Annex 2

**Implementation Chart**

<table>
<thead>
<tr>
<th>Component 1 – Managing Authority</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1 Preparation</strong></td>
<td>X X X</td>
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<tr>
<td>Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at MA</td>
<td>x x x</td>
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<tr>
<td>Appraise of human resources needs of the Managing Authority</td>
<td>x x x</td>
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<tr>
<td>Assess training needs and IT support for the Managing Authority</td>
<td>x x x</td>
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</tr>
<tr>
<td>Develop Strategic Management Plan for Managing Authority</td>
<td>x x</td>
<td></td>
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</tr>
<tr>
<td><strong>Phase 2 Training and Development</strong></td>
<td>x x x x x x x x x x x x</td>
<td></td>
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</tr>
<tr>
<td>Devise appropriate systems and procedures (including procedures manuals) for Managing Authority</td>
<td>x x</td>
<td>x x</td>
<td>x x</td>
<td>x x</td>
</tr>
<tr>
<td>Acquaint at least 20 NAO/MA people with MS know-how and experience in MA business through study visits</td>
<td>x x x x x x</td>
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<tr>
<td>Train at least 5 key NAO/MA staff to have the specific skills and hands-on know-how to carry out core MA functions through internships</td>
<td>x x x x</td>
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<tr>
<td>Train all NAO/MA staff broadly, to enable NAO to meet fully their responsibilities in relation to EU funds and become the Managing Authority through seminars, on the job training and advice</td>
<td>x x x x x x</td>
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<tr>
<td><strong>Phase 3 Operational</strong></td>
<td>x x x x x x</td>
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<tr>
<td>Carry out interim evaluation</td>
<td>x x</td>
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<tr>
<td>Test, fine-tune procedures mechanisms and systems</td>
<td>x x x x</td>
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<tr>
<td>Complete training, finalise manuals of procedures</td>
<td>x x x x</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Component 2 Paying Authority</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Phase 1 Preparation</strong></td>
<td>X X X</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done at PA</td>
<td>x x x</td>
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<tr>
<td>Appraise of human resources needs of the Paying Authority</td>
<td>x x x</td>
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<tr>
<td>Assess training needs and IT support for the Paying Authority</td>
<td>x x x</td>
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<tr>
<td>Develop Strategic Management Plan for Paying Authority</td>
<td>x x</td>
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<tr>
<td><strong>Phase 2 Training and Systems development</strong></td>
<td>x x x x x x</td>
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24/29
<table>
<thead>
<tr>
<th>Phase</th>
<th>Activity</th>
<th>Component 3 Financial Control and Internal Audit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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<td><strong>Component 3 Financial Control and Internal Audit</strong></td>
</tr>
<tr>
<td></td>
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<td><strong>Phase 1 Preparation</strong></td>
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<tr>
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<td>Assess status of compliance (legal/institutional) with the acquis and sound financial management principles and determine what remains to be done</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Appraise of human resources needs of the internal audit and financial control units</td>
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<td>Assess training needs of the internal audit and financial control units</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop Strategic Management Plan for financial control and audit of EU funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Phase 2 Training and Systems development</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Devise all appropriate systems and procedures (including procedures manuals) for control and audit system of EU funds</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Train at least 15 audit officials to become acquainted with MS know-how and experience in financial management, control and audit through short-term study visits to MS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hand-on train (internships) at least 10 key Treasury staff to have the specific skills and know-how to carry out EU funds audits to international auditing standards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Broadly train all Paying Authority staff, to enable them to meet fully their responsibilities in relation to EU funds</td>
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<td></td>
<td><strong>Phase 3 Operational Phase</strong></td>
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<td></td>
<td></td>
<td>Carry out interim evaluation</td>
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<td></td>
<td></td>
<td>Test, fine-tune procedures mechanisms and systems</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Complete training</td>
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<td></td>
<td>Finalise manuals of procedures</td>
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</tbody>
</table>

**Devise all appropriate systems and procedures (including procedures manuals) for Paying Authority**

**Design flow charts of payments - EC to final beneficiaries and declarations from expenditure to certification by PA**

**Train at least 15 Treasury/PA and intermediate bodies people to become acquainted with MS know-how and experience in PA business**

**Hand-on train at least 5 key Treasury staff to have the specific skills and know-how to carry out core PA functions**

**Broadly train all Paying Authority staff, to enable them to meet fully their responsibilities in relation to EU funds**
<table>
<thead>
<tr>
<th><strong>Finalise manuals of procedures</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Component 4 Intermediate Bodies, Partner Institutions</strong></td>
<td></td>
</tr>
<tr>
<td>Assess <em>status of readiness</em> (legal/institutional) of partner institutions and intermediate bodies to assume delegated MA functions and determine <em>what needs to be done</em></td>
<td>x x</td>
</tr>
<tr>
<td>Assess <em>human resources</em> needs of each of the intermediate body</td>
<td>x x x</td>
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<tr>
<td>Assess <em>training and IT support needs</em> for each of the intermediate body</td>
<td>x x x x x x</td>
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<tr>
<td>Draft memorandum of understanding with each partner institution and intermediate body with clear segregation of functions</td>
<td>x x x</td>
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<tr>
<td>Propose amendments to manuals of procedures for intermediate bodies and partner institutions</td>
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<tr>
<td>Develop coordination mechanism for effective inter-ministerial cooperation</td>
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Annex 3

CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (€ thous. Phare + cofinancing)

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<td>2 735</td>
</tr>
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</table>
Annex 5
Reference to Acquis

The following list of European Communities legislation/regulations will underpin the project. It relates to pre-accession aid, Structural and Cohesion Funds, protection of the Communities financial interests and the Own Resources system. For clarity, the regulations are grouped under the four main sub-areas of the project, however, given the linkages which exist between the sub areas the categorisation is not intended to be mutually exclusive.

Support to NAO/MA/PA system
- Regulation No. 1263/99 on the Fisheries Fund (FIFG)
- Regulation No. 1159/2000 on information and publicity requirements

Financial Control and Internal Audit
- Council Regulation (EC, Euratom) No. 2988/95 of 18 December 1995 on the protection of the European Communities financial interests
- Council Regulation (EC, Euratom) No. 2185/96 of 11 November 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
- Commission Regulation (EC) No. 438/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No. 1260/99 as regards the management and control systems for assistance granted under the Structural Funds
- Commission Regulation (EC) No. 448/2001 of 2 March 2001 laying down detailed rules for the implementation of Council Regulation (EC) No. 1260/99 as regards the procedure for making financial corrections to assistance granted under the Structural Funds