STANDARD SUMMARY PROJECT FICHE

1. Basic Information
   1.1 Désirée Number: 2002/000-590-08-02
   1.2 Title: Phare Project Preparation Facility
   1.3 Sector: Regional Policy and Coordination of Structural Instruments
   1.4 Location: Latvia

2. Objectives
   2.1 The Overall Objective of the project is to facilitate the production of projects for Economic and Social Cohesion programme funding.

   2.2 Project purpose is the provision of technical assistance for the preparation of investment support projects in the knowledge based economy sector to promote economic and social development in Latvia.

   2.3 Accession Partnership and NPAA priority

      Accession Partnership
      Regional policy and coordination of structural instruments:
      - Develop the technical preparation of projects eligible for Structural and Cohesion Funds assistance (project pipeline).

      The National Programme for Adoption of the Acquis (NPAA)
      NPAA outlines the priority action in support of the Accession Partnership priorities:
      - Preparation for work with the EU pre-accession financial instruments, and the Structural and Cohesion Funds.

   2.4 Contribution to National Development Plan
      The Cabinet of Ministers of the Republic of Latvia has approved the National Development Plan (NDP) for Latvia on December 11, 2001. Among other the NDP refers to the following priorities:
      - Promotion of the economic development and competitiveness;
      - Balanced and sustainable development of the territory of the country

   The NDP also stresses that “Latvia has to gradually restructure the economy paying more and more attention to the industries with higher value added and developing the knowledge-based economy”, at the same time pointing out that “one of the main tasks of the state is to ensure an attractive business environment”.

3. Description

   3.1 Background and justification:

      The National Development Plan for Latvia sets the knowledge based economy as one of the priorities for the development. One of the most important elements for a favourable business environment is the supply of adequate business infrastructure resources that meet the demands of both public and private sector actors.

      It is acknowledged that intensive development of the economic infrastructure becomes a crucial precondition for economic growth and achievement of the goals set by the NDP. Moreover, balanced and sustainable development of the whole country is seen as an important prerequisite for the future national development.
The aim of the project is to support the competitive advantages of Latvia by contributing to the development of key national development projects in the field of knowledge based economy and thereby increasing economic growth and addressing social challenges. The present situation in Latvia demonstrates that the demand for economic infrastructure in the regions exceeds the available national and external financial resources. At the same time the relevant national and regional authorities realise that the lack of funding combined with weak capacities and competences for carrying out comprehensive project feasibility studies (and the preparation of necessary tender documentation) form a serious obstacle to the successful use of pre-structural funding and future structural funding. While the operational part of the NDP contains a series of projects in the field of knowledge based economy in most cases the knowledge gaps and weak administrative and/or financial capacities hinder the successful launch of such projects.

Therefore the project will provide funding for preparation of documentation for a limited number of projects of national significance in the knowledge based economy sector. It is expected that these projects will optimise the benefits of the EU funding to address Latvia’s financing targeted at social and economic challenges.

This project is foreseen as a follow-up activity of the two from Phare National programme funded project activities. One of the projects is funded under Phare 2000 National Programme “Development of institutional and administrative capacity for regional development”, other under - Phare 2001 project “Development of business environment in Latvia”. In both before mentioned projects there are activities foreseen with creation of a project pipeline for future EU funding. The results reached after the implementation of those activities should serve as a starting point for the activities of this project. In addition the lessons learned from the implementation of the Phare 1999 Project Preparation Support (PPS) project, which started in January 2002, will be taken into account while starting the further preparation and implementation of the current project.

3.2. Linked activities:

Development of business environment in Latvia (LE 01.05.01) – one of the project component is directly linked with the creation dynamic project pipelines for future funding with the ultimate objective of being prepared for the challenge of Structural funds.

Economic and Social Cohesion Measures in the Latgale (LE 0012.02) and Zemgale (LE 0012.03) – addressing the regional disparities and social cohesion challenges through sustainable economic development. It is planned that the competitive nature of the ESC 2000 Programme (funding projects that display real economic development potential and partnership focus) will promote innovation in proposal development. The implementation of the project activities began in January 2002 and is planned to finish at the end of next year.

Development of institutional and administrative capacity for regional development (LE 00/IB/OT-01) – the project activities will support Latvian administration to address institutional, legislative and administrative challenges in the field of regional policy in the country. One of the project components will aim at the development of capacity for implementation of national regional development policy at regional level as well at the building project pipeline in compliance with the Single Programming Document (SPD). The activities within these components will include tasks such as (i) identification of project proposals and preparation of draft project applications for each of the EU funds, (ii) assistance in coordination between regions and municipalities for elaboration of joint projects to be submitted for financing from different EU funds/support schemes and (iii) promotion of partnership between the public and private bodies during the elaboration of projects. The project has recently started and the first outputs of this project sub-component are expected in mid-summer of the next year.

Project Preparation Support (LE 9914.02) - aiming at detailed preparation of the project proposals to be ready for contracting under the business related infrastructure measure as well as at identifying associated actions to be supported by the human resource development component. PPS provides funding to the expertise to assist the preparation of 6 project proposals, defined as “Milestone projects” for the Phare 2001 Economic and Social Cohesion measures. The project has started in January 2002.
Support to Industrial Cluster Restructuring (LE 9812/01.0001). This project based upon ‘cluster’ theory, was involved in developing strategic re-orientation in a number of principal industrial sectors. The developments to date have reinforced the importance of building from existing significant economic contributors a new vision with a multidisciplinary, collaborative approach, in order to create new potentials. It has reinforced the importance of the linkages with education, training and research and has validated the importance of the elements of this project fiche. This project has highlighted the importance of a number of elements in the development of future competitive advantage. The concept for successful industrial clusters in a European and Global context is contrary to the traditional approach of value chain enhancement as historically defined. It is based upon a perspective of multidisciplinary, cross sector, collaborative, but potentially competitive, informal groupings of entities and skill sets. It is an entirely changed approach to viewing economic structures from the traditional industry or sector approach. In a transition economy this demands a changed perspective, strategy and approach to policy development and underlines the importance of co-ordination within the entire administration. This cluster-based approach offers new potentials for Latvia and can be fully integrated to an effective demand driven measures envisaged within this fiche.

3.3. Results:
3.3.1. At least three qualitative project funding requests prepared for immediate contracting that will promote the development of knowledge based economy - a priority sector as defined in the National Development Plan;
3.3.2. Strengthened project packaging skills at the national and regional levels to promote smooth contracting for the future EU funding (including technical and financial engineering of projects);
3.3.3. Developed effective and efficient horizontal and vertical administrative relations and improved capacity of the Latvian government and administration to meet the challenges of Structural Funds.

3.4. Activities:
In order to achieve the above-mentioned results, the project proposes implementation of the following activities:

3.4.1. Opinion of experts on the feasibility of the ‘Infrastructure investments’ related to a series of selected projects;
3.4.2. Carrying out pre-feasibility studies for the projects;
3.4.3. Preparation of the Environmental impact assessment (EIA) for the projects as required;
3.4.4. Elaboration of completed Tender Dossiers incl. construction design and procurement documentation for ‘Infrastructure investment’ projects according to the provisions set out in the respective EU Contract Procedures and in accordance with respective Latvian legislation;
3.4.5.1. Needs assessment for the human resource development to support the investment parts of the projects

3.5. Means:
At this stage there are no identified and agreed projects to drive the knowledge economy sector. This will be an on-going activity based on inter-ministerial and other actor dialogue and the experience of projects such as the LE 9914.02 “Project Preparation Support” and LE 00/IB/OT-01 “Development of institutional and administrative capacity for regional development” as well as LE 01.05.01 “Development of Business environment in Latvia”. The projects will be identified prior to the elaboration of further project documentation e.g. ToR for the contractor.

3.6. Lessons learned:
As it was stated before the experience gained and lessons drawn from the implementation of the Phare Project Preparation Support LE 9914, LE 00/IB/OT-01 “Development of institutional and administrative capacity for regional development” and LE 01.05.01 “Development of business environment in Latvia” will be included in elaboration of further project documentation. Moreover the knowledge gained while implementing the Phare 2001 ESC projects respective activities will be taken into account as well.

4. Institutional Framework
The overall responsibility for the implementation of the projects will be under the Ministry of Finance (please see the structure of the Ministry of Finance in the Annex 5) where the responsibility for technical implementation will lie to the Regional Policy and Planning Directorate subordinated to the Deputy State Secretary of the Ministry of Finance (SPO). Whereas Programme Authorising Officer, State Secretary of the Ministry of Finance, will bear responsibility for administrative and financial management of the project.

Also the Steering Committee for the management and monitoring of the project activities will be established. The Steering Committee for the project will be chaired by the Senior Programme Officer (Deputy State Secretary of the Ministry of Finance) and will consist of representatives from the following institutions:

1. Ministry of Finance (Project Evaluation Department);
2. Regional Policy and Planning Directorate;
3. Ministry of Economy;
4. Ministry of Transport;
5. Ministry of Education
6. Ministry of Welfare
7. Ministry of Agriculture
8. Representatives from 5 planning regions

5. Detailed Budget

<table>
<thead>
<tr>
<th>Phare Support Investment Support</th>
<th>Support Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>National Co-financing</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1 (Services)</td>
<td>2 000 000</td>
<td>2 000 000</td>
<td>200 000</td>
<td>2 200 000</td>
</tr>
<tr>
<td>Total</td>
<td>2 000 000</td>
<td>2 000 000</td>
<td>200 000</td>
<td>2 200 000</td>
</tr>
</tbody>
</table>

6. Implementation Arrangements

6.1. Implementing Agency

PAO: Mrs Valentina Andrejeva  
State Secretary, Ministry of Finance  
Smilsu 1, Riga LV-1919

SPO: Mr Gints Freimanis  
Deputy State Secretary, Ministry of Finance  
Smilsy 1, Riga LV-1919

CFCU: Mr Armands Eberhards  
Director  
Smilsu 1, Riga LV-1919

6.2. Twinning

N/a

6.3. Non-standard aspects

The PRAG is to be strictly followed. Non-standard aspects are not foreseen.

6.4. Contracts
Contract 1 – service contract, total amount 2 200 000 €.

7. Implementation Schedule

<table>
<thead>
<tr>
<th>Contract 1</th>
<th>Start of tendering/call for proposals</th>
<th>Start of project activity</th>
<th>Project Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2nd quarter, 2003</td>
<td>4th quarter, 2003</td>
<td>4th quarter, 2004</td>
</tr>
</tbody>
</table>

8. Equal Opportunity

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

9. Environment

The technical support provided under the project preparation facility has no environmental impact in itself (though it will finance also the environmental impact assessment).

10. Rates of return

Not relevant.

11. Investment criteria

Not relevant.

12. Conditionality

- Provision of project co-financing from the state budget;
- Proper human resource capacity is in place for the project management and monitoring purposes;
- Partnership with regions established and better inter-ministerial cooperation developed;
- Project Steering Committee established;

Sequencing

- Successful implementation of the Phare 2000 and 2001 project activities related to the development of the project pipeline.
## LOGFRAME PLANNING MATRIX FOR

### Project

**Phare Project Preparation Facility**

<table>
<thead>
<tr>
<th>Programme name and number</th>
<th>Contracting period expires</th>
<th>Disbursement period expires</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

### Overall objective

To facilitate the production of projects for Economic and Social Cohesion programme funding

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increase the quality and significance and expediency of applications for ESC funding</td>
<td>• National statistical reports</td>
</tr>
<tr>
<td>• Increased contribution of knowledge based economy sector to GDP growth</td>
<td>• Studies by international institutions</td>
</tr>
<tr>
<td>• National reports and statistics</td>
<td>• Commission reports</td>
</tr>
</tbody>
</table>

### Project purpose

Provision of technical assistance for the preparation of investment support projects in the knowledge based economy sector to promote economic and social development in Latvia.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Expansion of readiness of the projects of national significance in the sector of knowledge based economy</td>
<td>• National reports and statistics</td>
<td>• Political and economic stability</td>
</tr>
<tr>
<td>• Increased efficiency of Latvian administration to manage large scale projects</td>
<td>• Commission reports</td>
<td>• Continuing and improving government commitment to the aims of the programme</td>
</tr>
<tr>
<td>• Nationally co-ordinated development of contributors towards potential future competitive advantage</td>
<td>• Political and economic stability</td>
<td>• Availability of qualified technical assistance</td>
</tr>
<tr>
<td>• National reports and statistics</td>
<td>• Commission reports</td>
<td>• Existence of real partnership</td>
</tr>
</tbody>
</table>

### Results

- At least three qualitative project funding requests prepared for immediate contracting that will promote the development of **knowledge based economy** - a priority sector as defined in the National Development Plan;
- Strengthened project packaging skills at the national and regional levels to promote smooth contracting for the future EU funding (including technical and financial engineering of projects);
- Developed effective and efficient horizontal and vertical administrative relations and improved capacity of the Latvian government and administration to meet the challenges of Structural Funds.

<table>
<thead>
<tr>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Number of bankable projects implemented successfully</td>
<td>• Monitoring reports</td>
<td>Efficient programme management (implementation, monitoring and assessment)</td>
</tr>
<tr>
<td>• Improved environment for FDI</td>
<td>• Service provider’s reports</td>
<td>Co-ordination between the implementing authorities, service provider, contacting organisations and other institutions involved</td>
</tr>
<tr>
<td>• Increased contribution of key sectors to GDP growth</td>
<td>• Applications prepared within the project applying for funding from the Phare and Structural Funds</td>
<td></td>
</tr>
<tr>
<td>• Identifiable contributors of national significance towards potential future competitive advantage</td>
<td>• Monitoring reports</td>
<td></td>
</tr>
</tbody>
</table>

### Activities

- Opinion of experts on the feasibility of the ‘Infrastructure investments’ related to a series of selected projects;
- Carrying out pre-feasibility studies for the projects;
- Preparation of the Environmental impact assessment (EIA) for the projects as required;
- Elaboration of completed Tender Dossiers incl. construction design and procurement documentation for ‘Infrastructure investment’ projects according to the provisions set out in the Practical Guide to Phare, Ispa and Sapard Contract Procedures and following the rules and regulations of the FIDIC and in accordance with respective Latvian legislation;
- Needs assessment for the human resource development to support the investment parts of the projects

<table>
<thead>
<tr>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Contract</td>
<td>• Timely availability of co-financing resources</td>
</tr>
<tr>
<td></td>
<td>• Effective use of the experience gained during implementation of Phare 1999 PPS and ESC 2001</td>
</tr>
</tbody>
</table>

### Preconditions

- Provision of project co-financing from the state budget;
- Proper human resource capacity is in place for the project management and monitoring;
- Partnership with regions established and better inter-ministerial cooperation developed;
- Project Steering Committee established;
# DETAILED IMPLEMENTATION SCHEDULE OF THE PROJECT ACTIVITIES

<table>
<thead>
<tr>
<th>Institutional Building</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval of ToRs by the EC Delegation</td>
<td></td>
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<tr>
<td>Tender for the Service providers</td>
<td></td>
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</tr>
<tr>
<td>Implementation of the project activities</td>
<td></td>
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<tr>
<td>Inception phase</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Pre-feasibility study</td>
<td></td>
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<td></td>
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<tr>
<td>Feasibility study</td>
<td></td>
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<tr>
<td>Preparation of the tender dossiers</td>
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</table>
ANNEX No.3

CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (EUR million)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Contracted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,200</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursed</td>
<td></td>
<td></td>
<td>0,660</td>
<td>1,320</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,200</td>
</tr>
</tbody>
</table>
STRUCTURE OF THE MINISTRY OF FINANCE, FEBRUARY 2002

Minister of Finance

Minister for Special Assignment for Cooperation with International Financial Agencies

Bureau of Minister

Bureau of Minister for Special Assignment

State Secretary

Deputy State Secretary

Administrative Department

Informatics Department

Non profit organization State LTD “Nams”

Central Finance and Contract Unit (EU PHARE)

Technical Unit

State Stock Company “State Real Estate Agency”
State Stock Company Latvian Mortgage and Land Bank
State Stock Company “Latvijas Loto”

Procurement Supervision Bureau
State Proven Supervision Inspection
Raffle and Games of Chance Supervision Inspection
State Revenue Service
Transport Bureau

State Treasury

Budget Department
European Integration Department

Deputy State Secretary

Deputy State Secretary

Deputy State Secretary

Foreign Assistance Coordination Department
Structural Instruments Department

Regional Policy and Planning Directorate

State LTD “Regional Development”

under authority of MoF

under supervision of MoF

under subordination of MoF