Standard Summary Project Fiche

1. **Basic Information**
   1.1 **CRIS Number:** 2003/004-979-03-01
   1.2 **Twinning Number:** LV/2003/IB/AG-01
   1.3 **Title:** Market Administration System for Agricultural Products
   1.4 **Sector:** Agriculture
   1.5 **Location:** Republic of Latvia
      Ministry of Agriculture; Republikas laukums 2, Riga, LV-1981
      Rural Support Service; Republikas laukums 2, Riga, LV-1981
      State Revenue Service’s National Customs Board; K. Valdemara 1a, Riga, LV-1010

2. **Objectives**
   2.1 **Overall Objective(s):**
      To implement EU Common Agriculture Policy in Latvia
   2.2 **Project purpose:**
      To establish the appropriate administration system of trade mechanisms and market intervention measures for agricultural products and non-Annex I goods.

2.3 **Accession Partnership and NPAA priority**
   **Accession Partnership**
   **Agriculture:**
   Upgrade the capacity of the agricultural administration and complete preparations for the enforcement and practical implementation of the management mechanisms of the common agricultural policy, in particular the integrated administrative and control system and the paying agency, as well as for the implementation and enforcement of veterinary and phytosanitary and food safety legislation.

   **National Programme for Adoption of Acquis**
   - Stabilisation of agricultural market by implementing the CAP policy instruments (LA – 027);
   - Development of administrative capacity needed for structural changes, promotion of agricultural and rural development within support programs of the EU pre-accession and Structural Funds (LA-043)

3. **Description**
   3.1 **Background and justification:**
      **Introduction**
      Upon the Negotiating Position Paper on the Area of Agriculture – Chapter 7 the Republic of Latvia has agreed to adopt the *acquis communautaire* in the area of trade mechanisms on the date of accession to the European Union. To adopt CAP market mechanisms Latvia has been involved in two Twinning projects – the harmonization of legislation on Common Markets Organization (CMO) (LE/IB/OT/01) and the establishment of functional IACS system (LV/2001/IB/-AG-01).

      The trade mechanisms of basic agricultural products including non-Annex I goods (processed agricultural products which are not listed in Annex I of the Treaty establishing the European Community) have been implemented only partially. There is only a national import-export licensing system for certain agricultural goods in Latvia (import and export licences for cereals and cereal based products are administrated by Agricultural Market Intervention Agency (AMIA) and import licences for sugar administrated by Rural Support Service (RSS). Currently no security deposits are lodged or export refunds paid.

      Until now Latvia has partly applied trade mechanisms for non-Annex I goods in the framework of the Free Trade Agreements in connection with the preference regime administrating tariff rate import quota. Calculation of agricultural component, recipe registration system and refund certificates necessary for implementing import/export administration of processed agricultural goods are not applied in Latvia yet.

      The market intervention system in Latvia is functioning only partially comparing to that of EU Member States. At the time being AMIA is regulating only cereal market. By the time of the accession there
should be established an administrative system for operating private storage schemes in pig meat; sheep meat and goat meat; beef and veal; milk products and cereals, a withdrawal system for fruit and vegetables sectors and schemes of the intervention of buying-in and sales from intervention stocks of butter and skimmed milk powder cereals and beef.

The responsibility of the implementation of the state agricultural policy in Latvia is shared between RSS, Food and Veterinary Service (FVS) and National Customs Board (NCB). The FVS is responsible for consumer protection and control of activities of food undertakings. FVS shall control import and export of food; perform laboratory examination and supervision of intervention products. The NCB is responsible for the administration of import/export duties, checking customs declarations and goods at the border and in loading places while the RSS is responsible for implementation farmers support schemes and the administration of trade mechanisms – issuing import/export licences; managing of export refund and securities, making controls and checks, administration of recipe system.

Law “On Rural Support Service” entered into force on 27.04.2000, determines the functions of the Paying Agency. RSS is a responsible authority for SAPARD programme administration and at latest stage it will be responsible for undertaking the EU Member State’s obligations regarding administration of the CAP measures.

The Agricultural Market Intervention Agency currently is responsible for the national intervention measures in the agriculture sector. According to the Order of the Minister of Agriculture No 38 of 30 January 2002 the Rural Support Service has to be merged with AMIA by 1 May 2003. The plans to consolidate the administrative capacity were agreed at the Government level on 27 March 2002, when the Order of the Cabinet of Ministers No 101 was issued appointing the Rural Support Service as a single Paying Agency of the EAGGF-Guarantee fund after accession to the EU.

It is planned to fully adopt the EU market regulation (including intervention) measures at the date of Latvia’s accession to the EU. Because of the obligations raising from the Latvia’s membership in the WTO, it is not possible to implement all of these measures before the date of accession to gain experiences of the administration of similar systems. However, the administration schemes and relevant legislation for these measures have to be prepared before accession.

The detailed CMO implementation plans elaborated by MoA and RSS were submitted to the Commission in mid-2002 and apart from calculations of required human resources, they set out general description of the support schemes administration process, including the links between all involved institutions, a detailed breakdown of all main administrative functions related to each specific scheme, description of existing legal framework and other related matters (see Annex 6).

The following tasks of the relevant institutions are identified to administrate market regulation components:

**RSS**

**TRADE MECHANISMS**
- Issuing of export/import licenses;
- Managing the Security;
- Administration of export refunds and approving of the identification of beneficiaries;
- Administration of preferential quotas according to the method based on traditional trade flows and method using the “simultaneous examination” procedure;
- Managing Recipe System;
- Making manufacturing controls and checks;
- Communication to the Commission

**MARKET INTERVENTION SYSTEM**
- Organization of tenders;
- Administration of security;
- Controls of intervention stores and warehouses inspection;
- Administration of aid payment for products bought into intervention;
- Communication to the Commission.

**NCB**
- Administration of Customs Duty;
- Administration of preferential quotas according to the method “first come, first served”;
- Receiving application for export refund;
- Making controls and checks (including taking of samples) at the border and in loading places

**FVS**
• Quality control of food;
• Sanitary border control;
• Performance of laboratory examination and supervision of intervention products.

At present CMO implementation plans are elaborated more detailed and RSS is starting work out general model of desk instructions for trade mechanisms. RSS is involved in the development of actions plans of the administration of structural funds as well.

The system of licences in the form of paper will be introduced as from the accession. The objective of the project is the establishment of IT modules for client register, administration of payment of export refund, handling licences and securities for such kind of licences. To administrate market regulation components according to the EU requirements extensive IT systems has to be developed, providing specific security measures for data transfer, functional and control standards according to the European Commission requirements.

It is necessary to purchase hardware, elaborate software to adopt the existing RSS’s client register and paying and reporting systems and unified Customs declaration processing system, establish secure network connection between RSS, NCB and FVS. The elaboration of IT systems should be started with priority sectors of Latvia – milk, cereals and non-Annex I goods.

The use of the Internet and electronic media for providing public services is compatible with Latvia’s Conception on e-administration elaborated according to the Decision No 10 of the President of Ministers on 12 December 2000 “On the working group for the elaboration of the project of the conception on e-administration”. The main objective of the Latvia’s Conception on e-administration is the gradual electronization of the rendering of social services during 2002-2007.

Before the IT modules for handling licences and export refund are introduced the licences will be processed manually in conformity with the acquis as from the accession. To reach this task RSS is introducing the trade administration system according to the following time chart:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2003</th>
<th>2004</th>
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<tr>
<td><strong>Activity</strong></td>
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<tr>
<td>Analysis of EU regulation</td>
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<td>Analysis Member States legislation and advise in the elaboration of draft legislation for Latvia</td>
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<tr>
<td>Elaboration of manuals and desk instructions for administration of licences and export refund</td>
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<td>Training of the staff</td>
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<tr>
<td>Informing of traders</td>
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<tr>
<td>Administration of licences</td>
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<tr>
<td>Elaboration the registration procedures for applications in the client register</td>
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<td>Elaboration the form of application and licences according to EU requirements</td>
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<td>Elaboration the procedures for the administration of securities</td>
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<td>Elaboration the procedure for issuing licences</td>
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<tr>
<td>Administration of export refund</td>
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<td>Elaboration the model of the administration of export refund</td>
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<td>Elaboration the scheme of risk analysis</td>
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<td>Elaboration the procedures of controls</td>
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<td>Elaboration the agreement with NCB</td>
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<td>Elaboration the import administration procedures for sectors</td>
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<td>Elaboration the export administration procedures for sectors</td>
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<td>1 2 3 4 5</td>
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3.2 Linked activities:

- **Phare project LE01.02.02 and its twinning project LV/2001/IB-AG-01.**
  Twinning project LV/2001/IB-AG-01 “Development of the management mechanism of the Latvian agriculture in line with the EU Common Agriculture Policy” between Latvia and the Netherlands started in July 2002 and is mainly focused on the establishment of functional IACS system in Latvia. Additionally investments in IT technology for implementation of IACS are envisaged.
  According to the decision of MoA of 27 November 2002 the elaboration and implementation of the scheme of IACS is carried out in three stages in following order: the simplified scheme of IACS; the scheme of administration of area payments; the full scheme of IACS, providing a possibility to realize the first and second stages simultaneously.
  The main elements of IACS on which Phare 2001 project is focused are computerised database that includes common identification system for agricultural holdings, register of land parcels and bovine animals. IACS does not include such elements as trade mechanisms - licensing, managing of security; administration of customs duty and export refund, recipe system, administration of preferential quotas and system of controls and checks (included in this project). The harmonised computer network for IACS includes RSS and its regional offices, State Land Service, Latvian State Data Processing and Breeding Information Centre, but excluding NCB and FVS that are relevant to trade mechanisms. The only linkage envisaged is the common register of beneficiaries for both IACS and trade mechanisms administrated by RSS. IT technology for all institutions involved will be compatible.

- **Twinning project: LE/IB/OT/01**
  One of the components of the Latvia – Sweden Twinning Project LE/IB/OT/01 “Integration into the European Union: Law Approximation” was devoted to the harmonisation of legislation and the determination of necessary changes in Latvia legislation before the accession. The project was completed in April 2002.
  The project was foreseen to give overview of EU legislation on import and export of agricultural products, import levies and export refunds, on intervention, quotas, institutional prices and support measures. On that basis general administration schemes for Common Markets Organization’s trade mechanisms (See Annex 5) were elaborated. Also the relevant institutions and tasks were identified. That work is the basis for this project and will be further developed.

- **Phare project: LE/9903.01**
  Cover customs sector to strengthen the tax administration and one of Phare 2000 projects is devoted to the development of Integrated Latvian border management and infrastructure.

- **Draft of Phare project 2003 “Market Surveillance – Food Sector”**
  According to the fiche the Animal Pedigree Information Data Processing Center will build the National Animal register and herd register. It will be necessary to ensure information exchange between the Animal Pedigree Information Data Processing Center and FVS on the motion of animals and herds and the control of hygiene demands for milk to provide food safety. The electronic data transmission system between these institutions will be compatible. Other component of this project is focused on control of marketing standards of fresh fruits and vegetables, procedures will be developed, food inspectors trained and control equipment provided. The responsible institution for this component is FVS.

- **Draft Phare 2003 “Provision of the Operation of the Land Parcel System”**
  Within this project the updating of Land Parcel Register will be assured to meet the recruitments of ICAS. The investment support for State Land Service and training for producing aerophotos and conducting field control are planed in this project.

3.3 Results:

**Twinning should achieve the following guaranteed results:**

1. The horizontal model on administration of trade mechanisms (issuing licences; managing of securities; administration of export refund, controls and physical checks; administration of preferential quotas; communication of statistics) elaborated;
2. The licensing system for milk, cereals and non-Annex I goods – application for licences, issuing licenses and administration of securities implemented;
3. The system of granting export refund for milk, cereals and non-Annex I goods – application for refunds, administration of payments, recipe calculation, system of controls and checks implemented;
4. The market intervention measures – buying-in and sales from intervention schemes for milk products and cereals; public storage scheme for cereals and beef; private storage scheme for pig meat, cereals and milk products – implemented by the end of the project.

Investments:

5. Network connection among RSS, NCB and FVS for the administration of trade mechanisms established and proper management information system of trade administration measures implemented on a computerised basis in the RSS, NCB and FVS (purchase of hardware and elaboration of software / or purchase and adaptation of existing software from a Member State). The management information system of trade administration measures have to be compatible with clients register of RSS, linked to ASYCUDA system of NCB and ICAS system based on Oracle software elaborated in Phare project LE01.02.02.

6. IT system for management of market intervention measures developed (software) or existing software from a Member State purchased and adapted. The IT system for management of market intervention measures has to be compatible with clients’ register of RSS and FVS.

3.4 Activities:

1. Revision of horizontal model on administration of trade mechanisms (issuing licences; managing of securities; administration of export refund controls and physical checks; administration of preferential quotas; communication of statistics) and making of necessary modifications to introduce a system of electronic licensing;
   - Elaboration of detailed sub schemes for administration of the trade mechanisms;
   - Development of the agreement between RSS and NCB;
   - Training of staff in all institutions concerned – RSS, NCB and FVS to learn from the experience of the relevant administrative institutions of the Member State.

Means:
Twinning
   - Short term experts (3 experts for 1 m/m - one with experience in trade mechanisms for agricultural products; one with customs issues; one with audit of beneficiaries);
   - One seminar on the administration of trade mechanisms for both the basic agricultural products and non-Annex I goods for the approximately 30 civil servants of the RSS, NCB and FVS (basic training + specific training) to create a better understanding of the administration mechanisms for the market regulation measures and learn from the experience of the Member State on setting up specific requirements arising from EU legislation.

Short term experts profile:
   - experience in trade of agricultural goods and control of beneficiaries;
   - at least five-year experience on the administration of trade mechanisms;
   - experience in development of procedures and proposals;
   - working experience in similar EU Member state body
   - Relevant University degree;
   - fluency in English.

2. Implementation of licensing system for milk, cereals and non-Annex I goods – application for licences, issuing licenses and administration of securities;
   - Revison of the manuals on administrative procedures and desk instructions for the administration of licences: application for licences, issuing licenses, administration of securities and making of necessary modifications to introduce a system of electronic licensing;
   - Revision of application processing specifications (administrative steps, conditions etc.) and making of necessary modifications;
   - Evaluation of IT support needs on data basis for registration and printing of licences;
June 2003

- Establishment of cooperation framework among RSS, NCB and FVS and evaluation of necessary IT network;
- Training of the staff of RSS, FVS and NCB.

Means:
Twinning
- Short time experts (2 experts for 1 m/m – one with experience in trade mechanisms for basic agricultural products, one with – trade mechanisms for non Annex I goods);
- Short time IT expert (approximately 1 m/m);
- Two seminars on the administration of licensing for the approximately 25 civil servants of the RSS, NCB (basic + specific training);
- Seminar for approximately 10 civil servants of the RSS on the operation of IT technology for administration of licences (specific training);
- Study tours for the staff of RSS, NCB and FVS to the Member State’s relevant institutions to learn from the experience of The Member States on setting up system of market regulation measures and specific requirements arising from the EU legislation (3 study weeks for 5 people).

Short term experts profile:
- experience in trade of agriculture products and processed agricultural goods;
- at least five-year experience on the administration of trade mechanisms;
- experience in development of procedures and proposals;
- working experience in similar EU Member state body
- Relevant University degree;
- fluency in English.

Basic training: overall development of personnel – e.g. training on structural management, overview of different components of market regulation measures and information management etc.
Specific training: training on specific procedures, document management, client service, quality requirements.

3. Implementation the system of granting export refund for milk, cereals and non-Annex I goods – application for refunds, administration of payments, recipe calculation, system of controls and checks:
- Revision of the manuals on administrative procedures and desk instructions for the administration of export refund: application for refunds, administration of payments, recipe calculation, system of controls and checks and making of necessary modifications to introduce a system of electronic data processing and transmitting;
- Revision of application processing specifications (administrative steps, conditions etc.) for the priority sectors of the basic agricultural products – milk, cereals and making of necessary modifications;
- Revision of application processing specifications (administrative steps, conditions etc.) for non-Annex I goods, including recipe calculation, verification and registration on the basis of basic agricultural products and making of necessary modification;
- Evaluation of IT support needs for refund calculation, recipe registration and payment calculation;
- Training of the staff of RSS, NCB and FVS.

Means:
Twinning
- Short time experts (4 experts for 3 m/m each – one with experience in trade mechanisms for basic agricultural products, one with – trade mechanisms for non Annex I goods, one with – customs issues, one with – audit of beneficiaries);
- Short term IT expert (approximately 1 m/m);
- Training seminar on administrative procedures for RSS, NCB and FVS (approximately 30 people).
July 2003

- Seminar on the administration of export refund for non-Annex I goods including controls and laboratory analysis for the approximately 10 civil servants of the RSS, NCB and FVS (specific training);
- Study visit to MS relevant administrative body staff of NCB, RSS and FVS (approximately 10 people);

**Short term experts profile:**
- experience in trade of agricultural goods, customs issues and controls and audit of beneficiaries;
- at least five-year experience on the administration of trade mechanisms and or customs procedures;
- experience in development of procedures and proposals;
- working experience in similar EU Member State body
- Relevant University degree;
- fluency in English

4. The implementation of market intervention measures – buying-in and sales from intervention for milk products and cereals; public storage for cereals and beef; private storage for pig meat, cereals and milk products:

- Current intervention measures reviewed in perspective of national needs and the requirements of CMO;
- Proposals for implementation of the schemes buying-in and sales from intervention for milk products and cereals; public storage for cereals and beef; private storage for pig meat, cereals and milk products;
- Elaboration manuals of administrative procedures, desk instructions and processing specifications for buying-in and sales from intervention for milk products and cereals; public storage for cereals and beef; private storage for pig meat, cereals and milk products;
- Evaluation of IT support needs;
- Training of the staff of RSS and FVS.

**Means:**
Twinning
- Short time experts (2 experts for 2 m/m each);
- Short time IT expert 1 m/m;
- Seminar on the market intervention measures for the approximately 10 civil servants employees of the RSS (basic + specific training);
- Study tour for the staff of RSS and FVS to the Member State’s relevant institutions to learn from the experience of the Member States on setting up system of market intervention measures (2 study weeks for 5 people);
- Seminar for approximately 10 civil servants of the RSS on the operation of IT technology for intervention measures.

**Short term experts profile:**
- experience in control of food quality and inspection of warehouses;
- at least five-year experience on administration of intervention measures or in relevant EU Member State;
- experience in development of criteria and procedures;
- working experience in similar EU Member state body
- Relevant University degree;
- fluency in English.

5. The implementation of network connection among RSS, NCB and FVS for the administration of trade mechanisms established and proper management information system on a computerised basis in the RSS and NCB:
Development of information system will be considering twinning results (activities 2.2. and 3.5.). The information system will be built on basis of existing RSS’s client register and paying and reporting system and unified Customs declaration processing system (ASYCUDA++).

- Establishment of network connection between RSS and NCB;
- Establishment of proper IT system for the administration of licences, securities and export refunds;
- Software for management trade administration mechanisms (licensing, management of security, administration of export refund and costumes duty) elaborated;
- Training of staff in all RSS, NCB and FVS.

Means:
- Contract 2 (Supply contract): purchase of hardware and standard software;
- Contract 3 (Supply contract): purchase of ORACLE parallel server (4 processors);
- Contract 4 (Service contract): elaboration of software for administration of trade mechanisms;
- Contract 5 (Service contract): development of link to the ASYCUDA system.

6. IT system for management of market intervention measures developed (software).

Development of information system will be considering twinning results (activities 4.3.).

- IT system for management of market intervention established;

Means:
- Contract 4 (Service contract): elaboration of software for market intervention measures.

Pre-accession Adviser (PAA) for 15 months will cover all activities:

1. The procedural implementation of the trade mechanisms for basic agricultural goods and non-Annex I goods;
2. The technical implementation of the trade mechanisms for basic agricultural goods and non-Annex I goods;
3. Implementation of the market intervention measures.

His/her main tasks and activities will be as follows:
- Evaluation of current situation in agricultural market administration system;
- Elaboration of a detailed plan on introduction and implementation of market regulation measures in Latvia;
- Elaboration of necessary training programme for the relevant staff in order to provide the institutions of agricultural administration with a qualified personnel;
- Organising training and study trips;
- Reporting

PAA will be responsible for the employment of short-term experts, who will assist in specific items or topics of the envisaged project.

The PAA will be located in Riga, in the RSS, as the actual work will be done there.

PAA assistant will be recruited, whose main responsibilities will be assistance in reporting and budgeting, helping with coordination of short term experts activities, translation issues etc.

Pre-Accession Adviser profile:
- at least ten-year experience of the administration of market regulation measures in relevant body of EU Member State;
- experience in development of strategic documents and legislative acts;
- working experience with management of international projects;
- relevant University degree;
- fluency in English.

3.5 Lessons learned:
According to the final report of the Latvia – Sweden Twinning Project LE/IB/OT/01 “Integration into the European Union: Law Approximation” the general impression is that the situation is good for the most important CMO schemes when it comes to administrative planning. The legislative work is well in advance and many experts in the administration have good knowledge about the EU regulations concerned. Estimations about need of human resources for running the schemes are done and summarized. IT support is emphasised. Demands from administrative point of view liked to computer support and achievement of computer support should be assessed and that process is initiated.

Interaction between different bodies (MoA, RSS, FVS) is surveyed. Necessary coordination and need of agreements with other authorities should be assessed.

Based on the Latvia – Sweden Twinning Project, Latvia should be able to plan further their preparatory work and also take initiative to decide when different kind of output should be finalized. It should also help for continuing coordination of work and also as preparatory work become broader and goes into more of detailed preparations in depth of administrative content.

4. Institutional Framework

The Rural Support Service (RSS) is a civil institution subordinated to the Ministry of Agriculture and established in accordance with the Decision No 504 of the Cabinet of Ministers on 3 November 1999 “On Rural Support Service” and the “Law on Rural Support Service” adopted by the Parliament on 27 April 2000. According to the law the RSS consists of the central office in Riga and nine territorial structural units – Regional Agricultural Departments (RAD) plus the State Aiviekste Department of Land Reclamation Systems, which cover all territory of Latvia and fulfill the functions of the Service on a specific territory.

According to the Amendments on the Law on Rural Support Service the Rural Support Service has to be merged with the Agricultural Market Intervention Agency by 1 May 2003 that currently is responsible for the national intervention measures in the agriculture sector. The plans to consolidate the administrative capacity were agreed at the Government level on 27 March 2002, when the Order of the Cabinet of Ministers No 101 was issued appointing the Rural Support Service as a single Paying Agency of the EAGGF-Guarantee fund after accession to the EU.

Currently, one of the main tasks of the RSS apart from the administration of national support schemes for agriculture and rural development and implementation of SAPARD program is timely preparation of the RSS structure and administrative capacity for future management of different support schemes provided by the EU Common Agricultural Policy (CAP).

The National Customs Board (NCB) is a part of the State Revenue Service (SRS), which was established in 1993. The SRS operates under the supervision of the Ministry of Finance and is responsible for ensuring the registration of taxpayers, the collection of state taxes, duties and other state compulsory payments on the territory and customs borders of the Republic of Latvia, and implementing state customs policy and settling customs matters.

The Customs Service consists of its central headquarters – the SRS National Customs Board and SRS regional customs units. The Director manages the National Customs Board, being also the First Deputy Director General of the SRS. In the SRS regional units – customs matters are functionally subordinated to and managed by the National Customs Board.

There are 5 customs regions: Zemgale with the centre in Jelgava, Latgale with centre in Daugavpils, Vidzeme with centre in Valmiera, Kurzeme with centre in Kuldiga and Riga region. There are about 1700 customs officers in Latvia (160 customs officials in central head quarter, 1540 in regional/territorial customs offices).

The implementation of the unified Customs declaration processing system (ASYCUDA++) was finished on 30 July 2002 and on line connection of all Latvian customs control points has been ensured as well. The network system does not include the structural units of the FVS – Sanitary Border Inspection.

The Customs Service managed by the National Customs Board is responsible for collection of duties and taxes due on the importation and exportation of goods; and for the protection of the customs border from the movement of goods, which are prohibited from entering or leaving Latvia.

The Food and Veterinary Service (FVS) is a civil institution under the supervision of the Ministry of Agriculture that organizes and executes state supervision and control over the food circulation. The main functions of FVS are: veterinary surveillance and control; border sanitary control; laboratory investigations.
and food circulation control including conformity of the products purchased by intervention and supervision of intervention warehouses.

FVS consists of the central office and following structural units: laboratories; Sanitary Border Inspections; State Veterinary Medicine Diagnostic Centre and territorial structural units.

In the agricultural market regulation following institutions will be involved and will be beneficiaries of this project: Rural Support Service – the single Paying Agency;
- National Customs Board – the management of customs matters;
- Food and Veterinary Service – executor of quality control procedures of foodstuffs.

All involved parties - RSS, NCB, FVS and MoA as a legislative body - will be represented in the established Steering Committee, held on a quarter basis.

5. Detailed Budget (in Euros)

<table>
<thead>
<tr>
<th>Contract</th>
<th>Description</th>
<th>Phare Support</th>
<th>Institution Building</th>
<th>Total Phare (=I+IB)</th>
<th>Eligible costs</th>
<th>Non-eligible costs</th>
<th>TOTAL Eligible costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1:</td>
<td>Twinning</td>
<td>600 000</td>
<td>600 000</td>
<td>67 000*</td>
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<tr>
<td>Contract 2:</td>
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<td>502 500</td>
<td>167 500**</td>
<td>30 150</td>
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</table>

* - parallel cofinancing - will be applied for covering of office costs for experts, infrastructure facilities and travel costs for national counterparts
** - joint cofinancing

6. Implementation Arrangements
6.1. Implementing Agency

Central Financing and Contracting Unit, Ministry of Finance, Smilsu iela 1, Riga LV – 1919

- PAO Mrs Valentina Andrejeva, State Secretary of the Ministry of Finance,

The overall technical responsibility is under the Ministry of Agriculture; Republikas laukums 2, Riga, LV-1010;

Contact person SPO: Mr Aivars Lapinš, Deputy State Secretary, Ministry of Agriculture;
Phone: +371 7027112; Fax: +371 7830272, e-mail: Aivars.Lapins@zm.gov.lv.

6.2. Twinning

For the twinning Covenant a counterpart will be the Ministry of Agriculture; Republikas laukums 2, Riga, LV-1981;
Contact person: Mrs Laimdota Straujuma, State Secretary of the Ministry of Agriculture.

Mrs Straujuma will be assisted by
SPO: Mr Aivars Lapinš, Deputy State Secretary, Ministry of Agriculture; Phone: +371 7027112; Fax: +371 7830272, e-mail: Aivars.Lapins@zm.gov.lv.

The operational counterpart of the Twinning PAA will be:
Mrs. Rigonda Lerhe, Director of the Department of Agricultural Strategy; Phone: +371 7027338; Fax: +371 702 7246, e-mail: Rigonda.Lerhe@zm.gov.lv;

Mr. Andis Rukmanis; Deputy Directors in EU matters for the RSS; Phone: +371 7027692; e-mail: Andis.Rukmanis@lad.gov.lv;

Mrs. Baiba Vecmane, legal expert of the MoA; phone: +371 7027671; Fax: +371 7027246; e-mail: Baiba.Vecmane@zm.gov.lv;

Mrs. Evelina Fridemane, expert of the NCB; phone: +371 7047427; Fax: +371 7047452; e-mail: Evelina.Fridemane@dep.vid.gov.lv

### 6.3. Non-standard aspects

The provisions of the Practical Guide to PHARE, ISPA and SAPARD contract procedures will be followed under Extended Decentralised Implementation System.

For Contract 3 negotiated procedure will be used with following ORACLE distributors in Latvia: Data Pro; Dati; DigLat; MicroLink Systems; IT Alise; Mebius IT; Olimps and Verdiati.

To ensure compatibility with IT system for ICAS based on Oracle software for Contract 4 negotiated procedure with authorised developers of ORACLE software will be used.

For Contract 5 (Service contract for development of link to the ASYCUDA system) direct contract with UNCTAD (United Nations Conference on Trade and Development) will be used.

For the twinning covenant twinning manual will be followed.

Ratio: if during project implementation the project cost for some reasons will decrease, the Phare financing will also decrease proportionally.

### 6.4. Contracts

Three contracts will be tendered according to the implementation schedule, which will cover all envisaged project activities.

Contract 1 – Twinning covenant in the total amount of 600 000 € (parallel co-financing).

Contract 2 – Supply contract in total amount of 670 000 € (joint co-financing, excluding all taxes and duties).

Contract 3 – Supply contract for ORACLE enterprise in total amount of 240 000 € (joint co-financing, excluding all taxes and duties).

Contract 4 – Service contract in total amount of 900 000 € (joint co-financing, excluding all taxes and duties).

Contract 5 – Service contract on development of link to the ASYCUDA system in total amount of 100 000 € (joint co-financing, excluding all taxes and duties).

### 7. Implementation Schedule

<table>
<thead>
<tr>
<th>Contract</th>
<th>Start of tendering</th>
<th>Start of project activity</th>
<th>Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contract 1</td>
<td>III Quarter of 2003</td>
<td>IV Quarter of 2003</td>
<td>I Quarter of 2005</td>
</tr>
<tr>
<td>Contract 2</td>
<td>I Quarter of 2004</td>
<td>IV Quarter of 2004</td>
<td>I Quarter of 2005</td>
</tr>
<tr>
<td>Contract 3</td>
<td>I Quarter of 2004</td>
<td>IV Quarter of 2004</td>
<td>I Quarter of 2005</td>
</tr>
<tr>
<td>Contract 4</td>
<td>I Quarter of 2004</td>
<td>IV Quarter of 2004</td>
<td>I Quarter of 2005</td>
</tr>
<tr>
<td>Contract 5</td>
<td>I Quarter of 2004</td>
<td>IV Quarter of 2004</td>
<td>I Quarter of 2005</td>
</tr>
</tbody>
</table>

### 8. Equal Opportunity
The main criteria in the tender process for the staff evaluation are professional and experience in similar assignments, but not their sex or age. There is equal opportunity for both – men and women.

9. Environment
N/A

10. Rates of return
N/A

11. Investment criteria
11.1. Catalytic effect:
The project will assist to implement Community acquis regarding market regulation measures.
11.2. Cofinancing:
The project will be cofinanced by national budget sources in amount of 543 500 EUR
11.3. Additionality:
Phare grants will not displace other financiers as none have been identified for this present project.
11.4. Project readiness and Size:
Total project cost is 2 577 000 EUR. Investment components size is 1 910 000 EUR and 667 000 EUR institutional building size. Project is ready for implementation as soon as funds are available.
11.5. Sustainability:
Financial sustainability will be guaranteed. Latvian Government will cover future maintenance and operational costs.
11.6. Compliance with state aids provisions
State aids provisions of the Europe Agreement will be respected.
11.7. Contribution to National Development Plan
N/A

12. Conditionality and sequencing
- RSS will increase the number of persons involved in the administration of trade mechanisms and intervention measures from 10 specialists (in beginning of 2003) by 87 (50 for trade mechanisms and 37 for intervention measures) until May 1, 2004;
- MoA will provide legal basis for the implementation of market regulation measures:
  - Law on Agriculture and Rural development adopted by 01.07.2003, defining the responsible institutions of agricultural market administration.
- Contract for necessary IT equipment signed after taking into account results of twinning projects.

Abbreviations:
MoA – Ministry of Agriculture
RSS – Rural Support Service
NCB – National Costumes Board
AMIA – Agricultural Market Intervention Agency
SRS - State Revenue Service
FVS – Food and Veterinary Service

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. List of relevant Laws and Regulations
5. Institutional structure of Rural Support Service and future development of the staff plan
6. Flowcharts of the procedures of the administration of trade mechanism
### LOGFRAME PLANNING MATRIX FOR

**Program name and number**

**Project: “DEVELOPMENT OF THE MARKET ADMINISTRATION SYSTEM FOR AGRICULTURAL PRODUCTS”**

<table>
<thead>
<tr>
<th>Contracting period expires</th>
<th>Disbursement period expires</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total budget: €2.577 million</td>
<td>Phare budget: €2.0325 million</td>
</tr>
</tbody>
</table>

#### Overall objective

**To enable Latvia to participate in EU Common Agriculture Policy (CAP)**

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSS administrates trade mechanisms and intervention measures in accordance with Acquis Communautaire</td>
<td>Commission annual Progress Report</td>
</tr>
</tbody>
</table>

#### Project purpose

**To establish the appropriate administration system of trade mechanisms and market intervention measures for basic agricultural products and non-Annex I goods;**

<table>
<thead>
<tr>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continuing priority and on-going commitment by the Government of Latvia to preparations for European integration;</td>
</tr>
<tr>
<td>Legislation and other documentation requiring parliamentary or official approval will be submitted to relevant institutions in time.</td>
</tr>
</tbody>
</table>

#### Results

- The horizontal model on administration of trade mechanisms (issuing licences; managing of securities; administration of export refund and physical checks; administration of preferential quotas; communication of statistics) elaborated.
- The licensing system for milk, cereals and non-Annex I goods – application for licences, issuing licences and administration of securities implemented.
- The system of granting export refund for milk, cereals and non-Annex I goods – application for refunds, administration of payments, recipe calculation, system of controls and checks implemented.
- The market intervention measures – buying-in and sales from intervention schemes for milk products and cereals; public storage scheme for "oceans in beef;" private storage scheme for pig meat, cereals and milk products – implemented.
- Network connection among RSS, NCB and FVS for the administration of trade mechanisms established and proper management information system of trade administration measures implemented on a computerised basis in the RSS, NCB and FVS (purchase of hardware and elaboration of software) in line with requirements of EC working document VI/7368/97 rev 4.
- IT system for management of market intervention measures developed (software).

<table>
<thead>
<tr>
<th>Indicators of Achievement</th>
<th>Sources of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>-The general model of trade administration approved by the Ministry of Agriculture by the May 1, 2004;</td>
<td>Government official journal.</td>
</tr>
<tr>
<td>Forms of application for licences and forms of licences are approved by the May 1, 2004; The procedures for export refund administration in place by the end of the project;</td>
<td>Support from other relevant institutions;</td>
</tr>
<tr>
<td>On IT based import/export administration system functional by the end of project;</td>
<td>Adequate provision from state budget</td>
</tr>
<tr>
<td>The market intervention system in line with EU requirements by the end of project.</td>
<td>All necessary data and documentation are made available to the experts in sufficient time</td>
</tr>
</tbody>
</table>

#### Activities

<table>
<thead>
<tr>
<th>Means</th>
<th>Assumptions</th>
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<td></td>
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</tbody>
</table>

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### ANNEX 1
Elaboration of detailed subschemes for administration of the trade mechanisms;

Development of the agreement between RSS and NCB;

Revision of the manuals on administrative procedures and desk instructions for the administration of licences: application for licences, issuing licenses, administration of securities and making of necessary modifications to introduce a system of electronic licensing;

Revision of application processing specifications (administrative steps, conditions etc.) and making of necessary modifications;

Evaluation of IT support needs on data basis for registration and printing of licences;

Establishment of cooperation framework among RSS, NCB and FVS, evaluation of necessary IT network;

Revision of the manuals on administrative procedures and desk instructions for the administration of export refund: application for refunds, administration of payments, recipe calculation, system of controls and checks and making of necessary modifications to introduce a system of electronic data processing and transmitting;

Revision of application processing specifications (administrative steps, conditions etc.) for the priority sectors of the basic agricultural products – milk, cereals and making of necessary modifications;

Revision of application processing specifications (administrative steps, conditions etc.) for non-Annex I goods, including recipe calculation, verification and registration on the basis of basic agricultural products and making of necessary modification;

Evaluation of IT support needs for refund calculation, recipe registration and payment calculation;

Current intervention measures reviewed in perspective of national needs and the requirements of CMO;

Proposals for implementation of the schemes buying-in and sales from intervention for milk products and cereals; public storage for cereals and beef; private storage for pig meat, cereals and milk products;

Elaboration manuals of administrative procedures, desk instructions and processing specifications for buying-in and sales from intervention for milk products and cereals; public storage for cereals and beef; private storage for pig meat, cereals and milk products;

Evaluation of IT support needs;

Establishment of network connection among RSS, NCB and FVS;

IT system for management of market intervention established;

Establishment of proper IT system for the administration of licences, securities and export refunds;

Software for management trade administration mechanisms (licensing, management of security, administration of export refund and costumes duty) elaborated;

Training of the staff of RSS, NCB and FVS.

Long term expert 15 m/m;

Short term experts 17 m/m on procedural mechanisms;

IT short term experts on procedural mechanisms 2 m/m;

Short term experts on intervention administrative procedures 4 m/m;

IT short term expert on intervention measures 1 m/m;

Seminars, study visits;

Purchase of IT equipment.

Service contract: elaboration of software for administration of trade mechanisms and for market intervention measures;

Service contract on modification of ASYCUDA software.

Both organizations recruit and retain adequate staff

Appropriate administrative support (premises, office supplies) are provided

Staff in RSS and NCB understands requirements of relevant regulations and directives

Preconditions
RSS will increase the number of persons involved in the administration of trade mechanisms and intervention measures from 10 specialists (the present number of staff) by 87 until May 1 2004;

MoA will provide legal basis for the implementation of market regulation measures:
- Law on Agriculture and Rural development adopted by 01.07.2003, defining the responsible institutions of agricultural market administration.
- Contract for necessary IT equipment signed after taking into account results of twining projects.
_table

<table>
<thead>
<tr>
<th>Contract 1 Twinning</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>J F M A M J</td>
<td>J F M A M J</td>
<td>J F M A M J</td>
</tr>
<tr>
<td>The horizontal model on administration of trade mechanisms (issuing licences; managing of securities; administration of export refund, controls and physical checks; administration of preferential quotas; communication of statistics) elaborated:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Elaboration of detailed subschemes for administration of the trade mechanisms;</td>
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<tr>
<td>• Development of the agreement between RSS and NCB;</td>
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<tr>
<td>• Training of staff in all institutions concerned – RSS, NCB and FVS to learn from the experience of the relevant administrative institutions of the Member State.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The licensing system for milk, cereals and non-Annex I goods - application for licences, issuing licenses and administration of securities implemented:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Revision of the manuals on administrative procedures and desk instructions for the administration of licences: application for licences, issuing licenses, administration of securities and making of necessary modifications to introduce a system of electronic licensing;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Revision of application processing specifications (administrative steps, conditions etc.) and making of necessary modifications;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Evaluation of IT support needs on data basis for registration and printing of licences;</td>
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<td></td>
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<tr>
<td>• Establishment of cooperation framework among RSS, NCB and FVS and evaluation of necessary IT network;</td>
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<tr>
<td>• Training of the staff of RSS, FVS and NCB.</td>
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<tr>
<td>Implementation the system of granting export refund for milk, cereals and non-Annex I goods – application for refunds,</td>
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<tr>
<td>Task</td>
<td>Description</td>
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<td>----------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------</td>
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<tr>
<td><strong>Administration of payments, recipe calculation, system of controls</strong></td>
<td>• Revision of the manuals on administrative procedures and desk instructions for the administration of export refund: application for refunds, administration of payments, recipe calculation, system of controls and checks and making of necessary modifications to introduce a system of electronic data processing and transmitting;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Revision of application processing specifications (administrative steps, conditions etc.) for the priority sectors of the basic agricultural products – milk, cereals and making of necessary modifications;</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Revision of application processing specifications (administrative steps, conditions etc.) for non-Annex I goods, including recipe calculation, verification and registration on the basis of basic agricultural products and making of necessary modification;</td>
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</tr>
<tr>
<td></td>
<td>• Evaluation of IT support needs for refund calculation, recipe registration and payment calculation;</td>
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<tr>
<td></td>
<td>• Training of the staff of RSS, NCB and FVS</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>The market intervention measures – buying-in and sales from</strong></td>
<td><strong>The market intervention measures – buying-in and sales from</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>intervention for milk products and cereals; public storage for</strong></td>
<td><strong>intervention for milk products and cereals; public storage for</strong></td>
<td></td>
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<tr>
<td><strong>cereals and beef; private storage for pig meat, cereals and milk</strong></td>
<td><strong>cereals and beef; private storage for pig meat, cereals and milk</strong></td>
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<tr>
<td><strong>products – implemented:</strong></td>
<td><strong>products – implemented:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Current intervention measures reviewed in perspective of national needs</td>
<td>Current intervention measures reviewed in perspective of national needs</td>
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<tr>
<td>and the requirements of CMO;</td>
<td>and the requirements of CMO;</td>
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</tr>
<tr>
<td>Proposals for implementation of the schemes buying-in and sales from **</td>
<td>Proposals for implementation of the schemes buying-in and sales from **</td>
<td></td>
<td></td>
</tr>
<tr>
<td>intervention for milk products and cereals; public storage for **</td>
<td>intervention for milk products and cereals; public storage for **</td>
<td></td>
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</tr>
<tr>
<td>cereals and beef; private storage for pig meat, cereals and milk **</td>
<td>cereals and beef; private storage for pig meat, cereals and milk **</td>
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<tr>
<td>products:**</td>
<td>products:**</td>
<td></td>
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<tr>
<td>Elaboration manuals of administrative procedures, desk instructions</td>
<td>Elaboration manuals of administrative procedures, desk instructions</td>
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<tr>
<td>and processing specifications for buying-in and sales from intervention for **</td>
<td>and processing specifications for buying-in and sales from intervention for **</td>
<td></td>
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<tr>
<td>milk products and cereals; public storage for **</td>
<td>milk products and cereals; public storage for **</td>
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<td>cereals and beef; private storage for pig meat, cereals and milk **</td>
<td>cereals and beef; private storage for pig meat, cereals and milk **</td>
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<td>products:**</td>
<td>products:**</td>
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<td>Evaluation of IT support needs;</td>
<td>Evaluation of IT support needs;</td>
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<tr>
<td>Training of the staff of RSS and FVS</td>
<td>Training of the staff of RSS and FVS</td>
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<tr>
<td><strong>Contract 2 Supply</strong></td>
<td><strong>Contract 2 Supply</strong></td>
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</tr>
<tr>
<td>Network connection among RSS, NCB and FVS for the administration of **</td>
<td>Network connection among RSS, NCB and FVS for the administration of **</td>
<td></td>
<td></td>
</tr>
<tr>
<td>trade mechanisms established and implemented a proper management **</td>
<td>trade mechanisms established and implemented a proper management **</td>
<td></td>
<td></td>
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<tr>
<td>information system on a computerised basis in the RSS and NCB **</td>
<td>information system on a computerised basis in the RSS and NCB **</td>
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</tr>
<tr>
<td>(purchase of hardware)**</td>
<td>(purchase of hardware)**</td>
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<td>• Establishment of network connection among RSS, NCB and FVS;</td>
<td>• Establishment of network connection among RSS, NCB and FVS;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Contract 3 Services**

Network connection among RSS, NCB and FVS for the administration of trade mechanisms established and implemented a proper management information system on a computerised basis in the RSS and NCB (elaboration software):

- IT system for management of market intervention established;
- Trade administration mechanisms (licensing, management of security, administration of export refund and costumes duty) management IT system established;
- Training of staff of RSS, NCB and FVS.

**Contract 4 Services**

- Implementation of data exchange bridge in ASYCUDA software
## CUMULATIVE CONTRACTING SCHEDULE (by quarters, in Euros)

### Development of the Market Administration System for Agricultural Products PHARE 2003

<table>
<thead>
<tr>
<th>Project Description</th>
<th>2004</th>
<th></th>
<th></th>
<th></th>
<th>2005</th>
<th></th>
<th></th>
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<tr>
<td></td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
<td>I</td>
<td>II</td>
<td>III</td>
<td>IV</td>
</tr>
<tr>
<td>1 Twinning (parallel co-financing)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
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<tr>
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<td>540 000</td>
<td>600 000</td>
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<tr>
<td>National</td>
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<td>26 000</td>
<td>36 000</td>
<td>46 000</td>
<td>56 000</td>
<td>66 000</td>
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<tr>
<td>2 Investments in equipment (joint co-financing)</td>
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<tr>
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<tr>
<td>National</td>
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<td>150 700</td>
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<td>167 500</td>
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<tr>
<td>3 Investments in equipment of ORACLE enterprise (joint co-financing)</td>
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ANNEX 4

Sector related Acquis:

- Council Regulation (EEC) No 386/90 of 12 February 1990 on the monitoring carried out at the time of export of agricultural products receiving refunds or other amounts;
- Commission Regulation (EC) No 800/1999 of 15 April 1999 laying down common detailed rules for the application of the system of export refunds on agricultural products;
- Commission Regulation (EC) No 1291/2000 of 9 June 2000 laying down common detailed rules for the application of the system of import and export licenses and advance fixing certificates for agricultural products;
- Council Regulation (EC) No 3448/93 of 6 December 1993 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products;
- Regulation (EEC) No 2759/75 of the Council of 29 October 1975 on the common organization of the market in pigmeat;
- Commission Regulation (EC) No 1162/95 of 23 May 1995 laying down special detailed rules for the application of the system of import and export licences for cereals and rice;
- Commission Regulation (EC) No 327/98 of 10 February 1998 opening and providing for the administration of certain tariff quotas for imports of rice and broken rice;
- Commission Regulation (EEC) No 3002/92 of 16 October 1992 laying down common detailed rules for verifying the use and/or destination of products from intervention;
- Commission Regulation (EC) No 3122/94 of 20 December 1994 laying down criteria for risk analysis as regards agricultural products receiving refund;
Commission Regulation (EC) No 1686/2002 of 25 September 2002 fixing the agricultural components and additional duties applicable from 1 January 2002 on the importation into the Community of certain goods covered by Council Regulation (EC) No 3448/93 from Iceland and from Norway;

Commission Regulation (EC) No 1488/2001 of 19 July 2001 laying down rules for the application of Council Regulation (EC) No 3448/93 as regards the placement of certain quantities of certain basic products listed in Annex I to the Treaty establishing the European Community under the inward processing arrangements without prior examination of the economic conditions;

Commission Regulation (EC) No 1477/2000 of 10 July 2000 laying down the reduced agricultural components and additional duties applicable from 1 July 2000 to the importation into the Community of goods covered by Council Regulation (EC) No 3448/93 under Europe Agreements;

Commission Regulation (EC) No 1474/2000 of 10 July 2000 determining the reduced amounts of agricultural components and additional duties applicable from 1 July 2000 to imports into the Community of certain goods covered by Council Regulation (EC) No 3448/93 under an Interim Agreement between the European Union and Israel;

Commission Regulation (EC) No 1473/2000 of 10 July 2000 laying down the reduced agricultural components and additional duties applicable from 1 July 2000 to the importation into the Community of goods covered by Council Regulation (EC) No 3448/93 under Europe Agreements;

Commission Regulation (EC) No 1474/2000 of 10 July 2000 determining the reduced amounts of agricultural components and additional duties applicable from 1 July 2000 to imports into the Community of certain goods covered by Council Regulation (EC) No 3448/93 under an Interim Agreement between the European Union and Israel;

Commission Regulation (EC) No 822/2000 of 19 April 2000 applying a reduction coefficient to refund certificates for goods not covered by Annex I to the Treaty, as provided for by Article 6b of Regulation (EC) No 1222/94;

Commission Regulation (EC) No 1460/96 of 25 July 1996 establishing the detailed rules for implementing the preferential trade arrangements applicable to certain goods resulting from the processing of agricultural products, as provided for in Article 7 of Council Regulation (EC) No 3448/93;


Commission Regulation (EEC) No 4154/87 of 22 December 1987 laying down the methods of analysis and other technical provisions necessary for the implementation of Regulation (EEC) No 3033/80 laying down the trade arrangements applicable to certain goods resulting from the processing of agricultural products;

Commission Regulation (EEC) No 4056/87 of 22 December 1987 laying down the methods of analysis and other technical provisions necessary for the implementation of Regulation (EEC) No 3035/80 laying down general rules for granting export refunds on certain agricultural products exported in the form of goods not covered by Annex II to the Treaty, and the criteria for fixing the amount of such refunds;

ANNEX 5
6.1. Institutional structure of Rural Support Service and future development of the staff plan

- Director
- Deputy Director in EU matters
- Administrative Department
- Audit Department
- Support Department
- Information Department
- EU Direct Support Department
- Control Department
- Finance Department
- 9 Regional Agricultural Departments
- Aiviekste State Department of Land Reclamation Systems

Support Division
Land Reclamation Division
Finance Division
Control Division
6.2. Future development the staff plan of the Rural Support Service – single EU EAGGF-Guarantee Paying Agency

The Rural Support Service (RSS) is a civil institution subordinated to the Ministry of Agriculture and established in accordance with the Decision No 504 of the Cabinet of Ministers on 3 November 1999 “On Rural Support Service” and the “Law on Rural Support Service” adopted by the Parliament on 27 April 2000. According to the law the RSS consists of the central office in Riga and nine territorial structural units – Regional Agricultural Departments (RAD) plus the State Aiviekste Department of Land Reclamation Systems, which cover all territory of Latvia and fulfill the functions of the Service on a specific territory.

According to the Amendments on the Law on Rural Support Service the Rural Support Service has to be merged with the Agricultural Market Intervention Agency by 1 May 2003 that currently is responsible for the national intervention measures in the agriculture sector. The plans to consolidate the administrative capacity were agreed at the Government level on 27 March 2002, when the Order of the Cabinet of Ministers No 101 was issued appointing the Rural Support Service as a single Paying Agency of the EAGGF-Guarantee fund after accession to the EU.

Currently, one of the main tasks of the RSS apart from the administration of national support schemes for agriculture and rural development and implementation of SAPARD Programme is timely preparation of the RSS structure and administrative capacity for future management of different support schemes provided by the EU Common Agricultural Policy (CAP). Taking into account the variety and complexity of the CAP management mechanisms, which have to be fully implemented in Latvia by the date of accession, special attention was paid to the assessment of the future need for RSS administrative resources.

The calculations of required human resources were based on the number and type of support schemes concerned, type of specific functions within each of the schemes, potential number of applicants / beneficiaries, RSS practical administration experience, as well as member state experience in the administration of EU CAP management mechanisms. As a result, the detailed Common Market Organizations (CMO) implementation plans were drawn up in co-operation with the Ministry of Agriculture.

The detailed CMO implementation plans were submitted to the Commission in mid-2002 and apart from calculations of required human resources, they set out general description of the support schemes administration process, including the links between all involved institutions, a detailed breakdown of all main administrative functions related to each specific scheme, description of existing legal framework and other related matters.

The total estimated need for administrative resources as planned in the detailed CMO implementation plans was taken into account by the RSS when drafting State budget priorities for the year 2003 which in due time were submitted to the Ministry of Agriculture.

According to these priorities, the RSS envisages to strengthen its capacity at both, central and regional level, by increasing the total number of staff by 527 persons (the breakdown of the total RSS need for administrative resources post-accession is given in Table 1).

Table 1

<table>
<thead>
<tr>
<th>No</th>
<th>Function</th>
<th>Number of employees in the RSS</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Central office</td>
</tr>
<tr>
<td>1.</td>
<td>Direct payments</td>
<td>103,5-109</td>
</tr>
<tr>
<td>2.</td>
<td>Trade mechanisms</td>
<td>87</td>
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<tr>
<td>3.</td>
<td>Intervention</td>
<td>45</td>
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<tr>
<td>4.</td>
<td>Structural measures</td>
<td>14</td>
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<tr>
<td>5.</td>
<td>Land reclamation</td>
<td>3</td>
</tr>
<tr>
<td>6.</td>
<td>Maintenance of IT systems</td>
<td>19</td>
</tr>
<tr>
<td>7.</td>
<td>Accounting</td>
<td>17</td>
</tr>
<tr>
<td>8.</td>
<td>Audit</td>
<td>12</td>
</tr>
<tr>
<td>9.</td>
<td>Economical staff</td>
<td>3</td>
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</table>
The implementation of these plans and recruitment of additional staff is ultimately dependent on the outcome of State budget negotiations for the year 2003 and time of the approval. If the 2003 budget approval is not delayed and corresponds to the RSS requests, the recruitment of the staff for RSS central office would start in the first quarter of the year 2003 but for Regional Agricultural Departments – in second quarter of 2003.

Importantly, that strengthening of the RSS capacity was never considered as a short-term exercise and was gradually implemented since the establishment of the RSS in the year 2000. The year-by-year increase of the RSS capacity is reflected in Table 2.

Table 2

<table>
<thead>
<tr>
<th>Number of staff</th>
<th>01.01.2000.</th>
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<th>01.01.2002</th>
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<td>Headquarters</td>
<td>37</td>
<td>69</td>
<td>94</td>
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<tr>
<td>Regional Agricultural Departments</td>
<td>329</td>
<td>336</td>
<td>360</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>366</strong></td>
<td><strong>405</strong></td>
<td><strong>454</strong></td>
</tr>
<tr>
<td>Total budget appropriations (€)</td>
<td>3 494 440</td>
<td>3 938 577</td>
<td>5 941 128</td>
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</table>

In order to strengthen the preparatory work on establishing the administration system of CAP management mechanisms in Latvia, in January 2002, three new structural units of the Rural Support Service became operational – the EU Direct Support Department with Livestock division and Area aid division, the EAGGF division within the Finance Department and the IACS division within the Information Department.

Currently, there are ten persons employed in the EU Direct Support Department of which two are specifically working with the trade mechanisms. The total staff of the Agricultural Market Intervention Agency currently is 16 persons and although the main function of the Agency is administration of national intervention measures in agriculture sector, one expert is specifically assigned to trade mechanisms issue. The staff of the EAGGF division within the Finance Department currently accounts for three persons and the IACS division within the Information Department – for six persons.
Planed Administrative structure of trade mechanisms Elaborated by MoA and RSS

Flowchart for issuing export licenses for agricultural products receiving export refund and administration of export refund

Exporter

Application for licence is lodged and required security is deposited into an account of RSS

Rural Support Service

RSS receives application

Checks lodged information. Has a security been lodged?

Yes

Application is registered and export refund is prefixed

No

Application is not registered

Commission Board

Commission summarizes information.

If the applied quantity exceeds the limit, the Commission may reduce the quantities accepted

National Customs

After the closing date of the period for applications notifies Commission the quantities of the applications

1) receives licence or 2) advance fixing certificate

Issues

1) licence on accepted quantity or 2) advance fixing certificate

Notifies RSS the accepted amount or reduction coefficient, if it is applied

Exporter

Goods arrive at border; Licence is presented

Documentary control and physical control of goods

Is licence still valid?

Yes

No

Export denied

Export denied

Commission

If the all allowed amount is not exported simultaneously, customs deduct exported quantity on licence
Applies for export refund

1st officer carries out primary data and refund checks/
Calculates export refunds on the day of export

2nd officer carries out secondary data and checks the calculated refund.
Is the calculated sum of export refund correct?

Yes

Receives export refund

The payment order is sent to the officer responsible for payments.
Export refund is paid

No

Licence is sent to RSS

Commission

Receives licence
And releases security

Exports Rural Support
Service

National Customs Board

Checks documents and forwards the application to RSS

Notifies the Commission the number of licences and amount of goods covered by them
Application for licence is lodged and required security is deposited into an account of RSS

RSS receives application

Checks lodged information. Has a security been lodged?

Yes

No

Application is not registered

After the closing date of the period for applications notifies Commission the demanded amount of quota

Commission summarizes information. If the demanded amount of quota exceeds available quantity, Commission may set reduction coefficient

Issues licence on accepted quantity

Notifies RSS the accepted amount or reduction coefficient, if it is applied

Receives licence

Documents control and physical control of goods

Is licence still valid?

Yes

No

Imports denied

If the all allowed amount is not imported simultaneously, customs deduct exported quantity on licence

Licence is sent to RSS

And releases security

Notifies the Commission the number of licences and amount of goods covered by them

Goods arrive at border; Licence is presented

Receives licence

Issues licence on accepted quantity
Flowchart for system of recipe registration

Exporter

Application for recipe code

Correction of the application

Control of the application

Production control

Approval of the declaration

Recording the recipe to the database and issuing the recipe

Control of validity period of the recipe and annual confirmation

Information note to the exporter on the expiring licences

Extend the validity of the marked recipes

Rural Support Service

Marking recipes exporter wants to use for next period