STANDARD SUMMARY PROJECT FICHE

1. Basic Information

1.1. CRIS Number: 2003/004-979-05-01
   Twinning Number: LV/2003/IB/EN-01

1.2. Title: Administration of oil stock reserve system

1.3. Sector: Energy

1.4. Location: Latvia
   Project owner: Ministry of Economics, 55, Brivibas street, Riga, LV 1519, Latvia
   Involved institutions:
   - State Revenue Service, 1, Smilšu street, Riga, LV 1978
   - Public Utilities Commission, 55, Brivibas street, Riga, LV 1010
   - State Fire and Rescue Service (Ministry of Interior), 5, Maskavas street, Riga, LV 1515
   - State enterprise “State Material Reserves” (Ministry of Interior), 5, Piedrujas street, Riga, LV 1073

2. Objectives

2.1. Overall objective: To ensure security of oil supply

2.2. Project purpose: Improvement of oil stock reserve information system

2.3. Accession Partnership and NPAA priority

Energy
Continue alignment of oil stock requirements; make progress in ensuring the actual constitution of stocks, including the necessary investments, towards the level of 90 days and develop an administrative structure

NPAA priority
Technical Fiche LA – 034 defines the following priority action: Identification, estimation and gradual implementation of the rules (interaction of market creation policy and competition policy, safety of supply, environmental protection, rational utilisation of resources) of internal energy market.

3. Description

3.1. Background and justification:

According to the Europe Agreement Latvia has committed itself to fulfil the requirements of the EU directives 68/414/EC and 98/93/EC that impose an obligation to maintain 90 days’ minimum stocks of crude oil and/or petroleum products based on last year consumption. Basing on EU directives Latvia approved legislation and therefore legal framework is in place.

The following categories of liquid fuel shall be included in the stocks:

1) gasoline (motor spirit and aviation spirit);
2) diesel fuel, light heating oil, kerosene and jet fuel (aviation kerosene);
3) fuel oils.

The European Commission granted to Latvia a transitional period until 31 December 2009 to meet the obligations of Directive 68/414/EEC as amended by Directive 98/93/EC on imposing an obligation on Member States to maintain minimum stocks of crude oil and/or petroleum products. In this context, the EC took note of the following issues:

- Latvia’s plans to align with the acquis by 31 March 2002. Starting from June, 2002 Ministry of Economics is reporting monthly on oil stock reserves;
- to entrust the control of oil stocks to services that are planned to be strengthened within the Ministry of Economics and the Ministry of Finance;
- the programme for the building up of mandatory oil stocks;
Latvia’s plans to ensure that the financial means necessary to establish the compulsory oil stocks by 31 December 2009 through the State budget and through financing by the oil companies.

Latvia has committed itself to the following intermediate targets:

- 35 days of product category III oil stocks and 16 days of product categories I and II oil stocks by 31 December 2002;
- 40 days (category III) and 23 days (categories I and II) by 31 December 2003;
- 50 days (category III) respectively 30 days (categories I and II) by 31 December 2004;
- 60 days (category III) respectively 41 days (categories I and II) by 31 December 2006;
- 70 days (category III) respectively 49 days (categories I and II) by 31 December 2007;
- 90 days for all three categories by 31 December 2009.

The total costs to create 90 days (including maintenance) of oil product stocks represent approximately 2.8% of income to consolidated state budget of 2000.

The costs of compulsory stocks of entrepreneurs (60 days) will be passed on to consumers through market prices. The cost for 30-day stock will be allocated from state financing.

Starting from 01.01.2003 all oil companies acting in Latvian market and holding the licenses are responsible to report oil stock reserves based on Cabinet of Ministers regulation No 218.

Due to necessity to establish oil stock reserve data base system, to obtain necessary hardware equipment to make system operational and also to allocate needed people resources, Ministry of Economics emphasizes project’s importance for acceleration of process.

On the basis of the data provided by the State Revenue Service, Public Utilities Commission and State Enterprise “State Material Reserves”, the Ministry of Economics is preparing monthly reports on the level of oil stocks. The first monthly report on the level of oil stocks according to the requirements of the Directive 68/414/EEC is being prepared by the Energy Department of the Ministry of Economics and was submitted to the European Commission in June 2002.

In order to ensure supply of oil products for consumers in the event of an announced energy crisis Ministry of Economics must create an information system. The Energy Information System (EIS) will include data collection of generation and consumption of electricity, supply and consumption of natural gas and oil, and current level of oil stocks. Oil product reserve system will be a cornerstone for EIS. Allocated money from state budget will be used for co-financing the project.

Ministry of Economics has developed the principles for the establishment of the oil stock Unit. Still budgetary allocations are planned and not yet approved by the government and Parliament. The budgetary allocation of LVL 9778 is planned in the budget of 2003 for the recruitment of 2 additional employees in Energy department of the MoE. LVL 42166 is planned to be allocated in the state budget of 2003 for the creation of Energy Information System.

Under the current Phare project the necessary expertise from one EU member state shall be gained in order to establish an effective system to co-ordinate all activities relating formation and supervision of oil stocks in using the EU best practice. Project should focus on creation of an oil stock reserve information system which will perform both gathering information about oil stocks as well as monitor, control the oil companies on implementation of state requirements in formation of oil product stocks.

Project leader is Ministry of Economics. The direct beneficiaries of the support to the management of the administration system of oil stocks are the Ministry of Economics, State Revenue Service (Ministry of Finance), Public Utilities Commission, State Enterprise “State Material Reserves”, State Fire and Rescue Service (Ministry of Interior). The Unit of the oil stocks will be established under the Energy Department of the Ministry of Economics.

Ministry of Economics is responsible for management process of oil stock reserves as well as reporting to the EU. State Revenue Service manages database on quantities of oil products for end consumption and transit. However, the database needs to be further elaborated in order to use already existing data collected by SRS as well as the data from the newly established database. Under the State Revenue Service (SRS) there are two involved institutions: Customs board and Office of Excise goods. Customs board is collecting all data of
quantities of oil products crossing the national border for consumption in Latvia and transit supplies. Customs board will be the controlling institution of formation of oil stocks in cases when oil companies will declare their reserves in customs ware houses. Office of Excise goods is collecting all the data of import of oil products for end consumption in Latvia. Based on end consumption quantities proportion of required oil product reserves for each oil company will be set.

State enterprise “State material reserves” of Ministry of Interior is the holder of state established oil product reserves. It is planned that this institution will be responsible for building up the required state oil product reserves. Till 01.01.2003 State Fire and Rescue Service of Ministry of Interior is responsible of management of state oil product reserves.

Public Utilities Commission is the regulator of electricity and heat companies. Commission is responsible on reporting to Ministry of Economics on oil product reserves in electricity and heat companies.

In order to gather stocks effectively it is necessary to establish optimal system, and therefore it is necessary:

- to find out the optimal institutional structure and to work out instructions for involved institutions to set responsibility for each one in order to find best model for management of oil stock reserves and set oil stock reserve system requirements;
- to set precise tasks for oil stock reserve information system for meeting the requirements of safe and professional building up of oil stocks up to 90 days till 31.12 2009;
- to elaborate the procedures for the maintenance of the stocks. For that reason it’s highly recommended to have an expert from the European Union country with knowledge and practical experiences in the field of the storing of the stocks;
- to define, fulfil and implement the requirements for forming of oil stock reserves based on existing legislation for private companies (at present situation Latvia has no refinery or oilfields and has 71 oil product importers- license holders who will be obliged to form oil stocks) and State enterprise “State material reserves” of Ministry of Interior which is the holder of state established oil product reserves up to date;
- to establish oil stock reserve information system employable for use in energy emergency situations;
- to gain experience and know-how in efficient management of the compulsory stocks, since Latvia is mainly the end-user of the liquid fuels and there is not enough practical experience in this field. In order to guarantee more efficient management of the stocks, the corresponding know-how in the field is necessary both for the staff of the Ministry of Economics and the State Revenue Service of Ministry of Finance as the supervisory and control body of oil stocks;
- to make recommendations on existing legal framework, since there is legislation in place on bases on which the mandatory oil stock reserves will be built up. It is necessary to find out whether amendments to legislation could be delivered;
- to elaborate draft agreement with oil stock reserve keepers (private companies- fuel retailers and wholesalers) on utilization and compensation of utilized fuel;
- to train staff on coordination and operative mechanisms for information system and information exchange, as well as recommendations of legal framework and on institutional frameworks.

During elaboration of project it was investigated that there are no NGOs acting in the sector, which would support state position in formation of oil stock reserves. The only NGO- lobbying institution of fuel companies interests in market named The Latvian Fuel Trader Association dissents states policy in oil stock reserves formation.

3.2. Linked activities:

In the framework of project research, planning and situation analyses of Energy emergency situations in Republic of Latvia was done.

LE 95.03.02.06/08 “Energy Sector Emergency Situation Management and Energy Statistics in the Republic of Latvia” (April, 1997- April, 1998)
General objectives and achievements are: 1) drafting of the legislation acts and regulations for setting up and implementation of an institutional framework for energy emergency management in respect of district
heating, supply of electricity, natural gas, oil and oil products and 2) development of updated information system within the energy sector.


General objectives and achievements are: 1) drafting of the legislation acts and regulations for setting up information system, formation of oil stock reserves and 2) rise awareness of government about formation of oil stock reserves up to 90 days.

With the intervention of previous Phare projects legal framework for energy emergency management system is established as well as research performed on the best options for creation of oil stock reserves.

**LE 9911.02/0001 “Energy Sector Restructuring Project for Republic of Latvia”-ongoing** (July17, 2001- November17, 2002.)

Project is strictly focused on liberalization of electricity and gas Market in Republic of Latvia as well as preparation of amendments to Energy Law and new Electricity market law.

However, establishment of institutional co- operation mechanisms for management of oil stock reserves and information system was not the key focus point of the previous projects.

3.3. Results:

**Guaranteed twinning results:**

- Optimal institutional structure for the administration of the oil stock reserve system found out:
  - Present situation of information system regarding oil stock reserves, institutional framework and software in use in related institutions analysed;
  - Plan of unification and co-ordination, as well as recommendations for linking together (in the joint system or data forward system) for each individual institution and to the whole system made;
  - Conclusions on oil stock reserve system institutional problems and elaboration of action plan for resolution of institutional problems delivered.
- Precise tasks for oil stock reserve information system for meeting the requirements of safe and professional building up of oil stocks up to 90 days till 31.12 2009 set;
- Co-ordination and operative mechanisms for information system (and information exchange) elaborated;
- Requirements for stocks are properly defined, fulfilled and implemented;
- Procedures for the maintenance of the stocks elaborated;
- Procedures for institutional co-operation in case of energy crisis for oil stock utilization procedures elaborated;
- Recommendations for amendments of legislation worked out:
  - Recommendations on existing legal framework developed;
  - Recommendations on how to implement oil stock reserve system on the basis of existing legal framework and amendments to legislation made.
- Draft agreement with oil stock reserve keepers (private companies- fuel retailers and wholesalers) on utilization and compensation of utilized fuel elaborated;
- Model of oil stock reserve system developed;
- Experience and know-how in efficient management and legal framework of the compulsory stocks gained.

**Overall results:**

- Oil stock reserve system developed:
  - Information system developed;
  - Delivered exact system algorithm;
  - Software programming to meet demands of integrated system for all involved institutions developed;
- Data transmission system, security measures and data protection elaborated;
- Manual of software system prepared;
- Implemented oil stock reserve system tested;
- Necessary equipment for implementation of system provided.
  - Staff of involved institutions trained on use and operation of the system.

3.4. Activities:

Component 1: Define tasks, functions, prerequisite for oil stocks reserve information system and co-operation among involved institutions

Contract 1 Twinning Covenant

- Analyzing the present situation of information system regarding oil stock reserves, institutional framework and software in use of institutions;
- Planning of unification and co-ordination, as well as working out recommendations for linking together (in the joint system or data forward system) each individual institution and the whole system;
- Delivering conclusions on oil stock reserve system institutional problems and action plan for resolution of institutional problems;
- Elaboration of co-ordination and operative mechanisms for oil stock information system;
- Elaboration of the procedures for the maintenance of the stocks;
- Elaboration of procedures for institutional co-operation in case of energy crisis and oil stock utilisation;
- Developing recommendations on existing legal framework;
- Working out recommendations on how to implement oil stock reserve system on basis of legal framework, and making amendments to existing legal framework;
- Elaboration of draft agreement with oil stock retailers and wholesalers;
- Developing of oil stock reserve system model;
- Training of staff of the beneficiary institutions on:
  - enhancement of the efficiency of oil stock reserve system administration and solving institutional problems;
  - changes in legal framework;
  - co-ordination and operative mechanisms for information system (and information exchange).
- Study visit for members of beneficiary institutions to selected Member State on oil stock management and application of information exchange system. The main target is to get an overview about the activities related to the management and application of information exchange system (7 persons from all involved institutions, 5 m/d).

Means: Twinning Covenant

Long term expert-PAA (12m/m)

The main tasks of the PAA will be as follows:

- Overall management of the project
- Co-ordination of the project of administration of oil stock reserve system
- Performance of deep analysis of the current situation, making recommendations
- Elaborating the rules and procedures for the management of oil stock reserve system:
  - procedures and regulations for the usage and management of stocks
- Efficient training of the staff of the beneficiary institutions

Profile of EU Twinning expert - PAA:

- Comprehensive and practical 5 years experience in activities of oil stock reserve administration;
- Specific knowledge of the European policies, associated strategic documents and regulations in the stocks of liquid fuels; preferably also a knowledge of such documents set for a particular EU country;
- Ability to analyse the different strategies and adapt these to the local environment and understand its constraints and possibilities;
• Ability to think strategically;
• Experience in developing the legislation, regulations and principles to the procedures;
• Excellent English language skills and computer literacy.

1 EU short-term expert - system analyst (2 m/m)

Main task for short-term expert will be to work out oil stock information system model for implementation, analyze existing co-operation among involved institutions and oil stock reserve system procedures for institutional framework, as well as work out procedures for co-operation to perform reporting on oil stock reserves. Analyse all data base systems from which newly designed oil stock reserve system will obtain necessary data with task to secure information and prevent overlapping of data. Also held workshop on co-operation system and obligations of each institution and set institutional framework and obligations of each institution.

Expert should be capable to analyze collected oil stock data, to develop oil stock reserve database and best data circulation, protection system, and to eliminate oil stock reserve data overlap.

1 EU short-term expert - lawyer (1,5 m/m)

Main task for short term expert (lawyer) will be to conduct analyzes of legal framework and work out recommendations, develop recommendations to existing legal framework for management of oil stock reserve system, organize workshop for involved institutions on legal issues. Expert task also includes delivering of draft-agreement with oil stock reserve keepers (private companies- oil retailers and wholesalers) on utilization and compensation of utilized fuel.

Profile of the EU Twinning experts:

- Ability to think strategically; to analyse the different strategies and adapt these to the local environment;
- Specific knowledge of the European policies, associated strategic documents and regulations in the stocks of liquid fuels, preferably also a knowledge of such documents set for a particular EU country;
- Fluency in English and computer literacy.

Tasks of the experts will include analyzing the present situation of information system regarding oil stock reserves, institutional framework and software in use of institutions therefore there will be need to have assistance of each expert of all beneficiary institutions.

3 workshops is planned to be arranged together with Ministry of Economics, State Revenue Service, Public Utilities Commission, State enterprise “State Material Reserves”, State Fire and Rescue Service or duty successor. The main aims of these workshops are:

- to introduce the existing situation and planned actions in the development of oil stock reserve system, present procedures between involved institutions and find best solutions for institutional co-operation (approximately 20-22 participants from all the involved institutions);
- to present analyses of existing legal framework and needed improvements or amendments (approximately 20-22 participants from all the involved institutions);
- to present a developed model for oil stock reserve system- combined of procedures for institutional framework and taking into account legislation improvements concerning oil stock reserves (approximately 20-22 participants from all the involved institutions).

All short-term experts will work not only for beneficiary institution-Ministry of Economics, but also for all involved institutions - State Revenue Service, Public Utilities Commission, State enterprise “State Material Reserves”, State Fire and Rescue Service (Ministry of Interior), State enterprise “State Material Reserves” (Ministry of Interior).

**Contract 2  Programming of systems, technical support and training of staff**

**Means – Service contract**

- Training for staff of involved institutions (2 joint training seminars to be held with a purpose - at first, to get acquainted with a developed oil stock reserve system model designed by twining experts amended
with data transmission solutions and to make conclusions on best solutions for Latvia; at second, to obtain extensive knowledge on how to use oil stock system and practical skills. Seminars are to be held by service company based on the fact that service provider is the system developer and therefore knows the system best of all
- Developing the programming algorithm for all involved institutions
- Elaborating oil stock reserve system programming task
- Preparing instructions and Manual
- Testing of implemented oil stock reserve system
With these activities it is planned to achieve that the developed oil stock reserve system will be working properly and meet demands of involved institutions.

There will be provided:

Long term expertise 11 m/m in field of:
- programming, examination of IT data base systems for oil stock reserve system of State Revenue Service and State material reserves, the Public Utilities Commission, successor institution of State Fire and Rescue Service, Ministry of Economics. Due to situation that State Revenue Service has operational data base, experts should provide possible solutions of interchange and storage of oil stock reserve data as well as provide with examination of developed oil stock reserve system;
- data protection, preparation of guide book and all necessary instruction, manuals.

1 training expert 1 m/m - training of staff of all the involved institutions (approximately 12 participants) on how to use system practically.

**Contract 3 Supply of necessary equipment and data protection applications**

**Means: Supply contract**

Acquisition of hardware and software for successful implementation of the energy information system (detailed information in Annex 5).

**3.5 Lessons learned**

There have not been any previous Phare projects in the areas of oil stocks reserve system as strengthening of institutional co-operation and designing of incorporated IT system. The experience and expertise of previous Phare and EBRD projects in related fields will be taken into account. Descriptions of technical specifications for the planned equipment cannot be too detailed, because as previous experience suggests, technical solutions planned before some time, could become outdated by the time of project implementation due to very fast development of information technologies. For this reason there should be an opportunity for minor changes in specifications of equipment. The project design builds on the project management skills and experience obtained during the process of designing and implementing projects related to other fields.

**4. Institutional Framework**

Project leader is Ministry of Economics. The direct beneficiaries of the support to the management of the administration system of oil stocks are the Ministry of Economics, State Revenue Service (Ministry of Finance), Public Utilities Commission, State Enterprise “State Material Reserves”, State Fire and Rescue Service (Ministry of Interior). The Unit of the oil stocks will be established under the Energy Department of the Ministry of Economics in 2003. The Oil stock unit will be supervising and co-ordination body of oil stock reserve system.

The State Revenue Service supervises fulfilment of oil stock obligations. The Office of Excise Goods of the State Revenue Service is responsible for accounting, identification and verification of the oil stocks on the basis of the monthly reports of enterprises. The Customs Board of the State Revenue Service supervises all oil product import for inland use as well as all excise good warehouses and custom warehouses for oil products, and transit through Latvia. Public Utilities Commission is responsible to supervise energy companies and ascertain that energy companies form oil product stocks, and to submit report to MoE. State
Enterprise “State Material Reserves” is State oil product reserve keeper under supervision of Ministry of Interior. Initiator of the policy changes for the operation of State Enterprise “State material reserves” at the moment is State Fire and Rescue Service.

A Steering Committee will be set up to oversee the project implementation. The Steering Committee will meet once in a quarter and it will include the representatives of Ministry of Economics, State Revenue Service and Public Utilities Commission. The Deputy State Secretary of the Ministry of Economics will chair the Steering Committee. CFCU and EC Delegation will be invited to the Steering committee as observers. The Committee reviews and approves the project reports and makes recommendations in regard of the project activities for the project implementation period.

The Steering Committee will:
- review, comment and approve all the reports and work plans;
- solve the problems in project environment;
- ensure that project is commensurate with the aims and objectives of the Latvian Government and the requirements of EU;
- monitor expenditure against budgets.

5. Detailed Budget

<table>
<thead>
<tr>
<th>Contract I</th>
<th>Contract II</th>
<th>Contract III</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twinning</td>
<td>Services</td>
<td>Supplies</td>
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<tr>
<td>Phare Support</td>
<td>Total Phare</td>
<td>National Co-financing</td>
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<td>Investment Support</td>
<td>Institution Building</td>
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<tr>
<td>254 000</td>
<td>254 000</td>
<td>28 250*</td>
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<td>96 000</td>
<td>96 000</td>
<td>32 000**</td>
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<tr>
<td>40 000</td>
<td>40 000</td>
<td>13 400**</td>
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<td><strong>Total</strong></td>
<td><strong>136 000</strong></td>
<td><strong>254 000</strong></td>
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</tbody>
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*for the Twinning project there will be parallel co-financing, national financing will cover the office costs of local transport, telephone, fax, internet connection, copying and printing services, preparation of the premises
**Joint co-financing, excluding all taxes and duties.

6. Implementation Arrangements

6.1. Implementing Agency
The Contractual and Financial Implementation:
PAO – Ms. Valentina Andrejeva, State Secretary, of the Ministry of Finance
Tel.: +(371) 7095502, fax +(371) 7095413, address – 1, Smilšu street, Riga, LV 1919

Implementing agency - CFCU
Mr. Armands Eberhards, Director,
Tel.: +371 7094342, fax +371 7094348, address – 1, Smilšu street, Riga, Latvia LV 1919

The technical implementation will be the responsibility of the Ministry of Economics. The Ministry of Economics will ensure that the goals and objectives set in this project will correspond.

SPO: Ms. Ilga Preimate, Deputy State Secretary of the Ministry of Economics
Tel: +(371) 7013106, fax +(371) 7013186, address – 55, Brivibas street, Riga, LV 1519

6.2. Twinning
Contact person for PAA will be Ugis Sarma, Director of Department of Energy, Ministry of Economics, 55, Brivibas street, Riga, LV 1519
Tel: +(371) 7013169, fax +(371) 7013186, e-mail Ugis.Sarma@em.gov.lv

Twinning experts will be located at the Ministry of Economics.

Contact persons for Twinning experts will be:

State Revenue Service, 1, Smilšu street, Riga, LV 1978
Contact persons:
Head of Permit Supervision subdivision, Control Division, Ilona Stipinas
Tel: +(371) 7047412, fax +(371) 7047474, e-mail Ilona.Stipinas@vid.gov.lv
Head of division of Information Co-ordination and Economic Evaluation, Zaiga Užane
Tel: +(371) 7229103, fax +(371) 7227645, e-mail Zaiga.Uzane@vid.gov.lv

State Fire and Rescue Service (Ministry of Interior), 5, Maskavas street, Riga, LV 1515
Contact person:
Director, Aivars Straume
Tel: +(371) 7075833, fax +(371) 7223542, e-mail dienests@vugd.gov.lv
State enterprise “State Material Reserves” (Ministry of Interior), 5, Piedrujas street, Riga, LV 1073
Contact person:
Director of State enterprise “State Material Reserves”, Zigmunds Šalders
Tel: +(371) 7113353, fax +(371) 72138595, e-mail maritet@one.lv

Public Utilities Commission, 55, Brivibas street, Riga, LV 1010
Contact person:
Head of Energy Supply Regulation division, Dace Bite
Tel: +(371) 7097231, fax +(371) 7097265, e-mail dace.bite@sprk.gov.lv

6.3. Non-standard aspects

There will be no non-standard aspects regarding implementation of the project. Standard procedures of the Commission in accordance with Practical Guide to PHARE, ISPA and SAPARD contract procedures will be followed under Extended Decentralised Implementation System. Prior to EDIS accreditation, DIS will be followed. EDIS will apply from the date of accession at latest. For twinning, twinning covenant will be followed. For the Twinning component the 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

Twinning covenant – total– 254 000 EUR (parallel co-financing)
Service contract – total– 128 000 EUR (joint co-financing excluding all taxes and duties)
Supply contract -total– 53 400 EUR (joint co-financing excluding all taxes and duties)

7. Implementation Schedule

7.1. Start of tendering/call for proposals
Contract 1 Twinning covenant -Quarter IV 2003
Contract 2 Service contract-Quarter I 2004
Contract 3 Supply contract- Quarter II 2004

7.2. Start of project activity
Contract 1 Twinning covenant Quarter I 2004
Contract 2  Service contract-Quarter II  2004
Contract 3 Supply contract-Quarter III 2004

7.3. Project Completion
8. **Equal Opportunity**

Equal opportunities for women, men and minorities will be ensured by the Steering Committee during the implementation of the project.

9. **Environment**

N/A

10. **Rates of return**

N/A

11. **Investment criteria**

11.1 Catalytic effect

The implementation of this project will allow to improve oil stock reserve information system of Latvia accordingly to EU requirements in order to fulfil obligations of EU Member State in shorter time period than it would be without the financing.

11.2 Co-financing

The Ministry of Economics have requested co-financing from the state budget in the amount of 62900 EUR of the total project costs. The final decision on the co-financing has not been taken by the Government of Latvia yet.

11.3 Additionally

Phare grant will not displace other financiers

11.4 Project readiness and size

Project will be ready for tendering process after the signature of Financing Memorandum in July, 2003. The technical specifications and Terms of Reference will be prepared by local financing. The Phare rules and procedures to be followed.

11.5 Sustainability

The equipment provided to the responsible institutions will be maintained by their own means, the necessary costs will be envisaged in each institution’s yearly budget.

11.6 Compliance with state aid provisions

The project is in accordance with the Europe Agreement.

11.7 Contribution to NDP and/or Structural Funds Development Plan/SPD

N/A

12. **Conditionality and sequencing**

Activities to be carried out before the start of the project are following:

- Necessary resources provided by the state budget before the start of the project
- Adequate number of competent staffing which is in charge of the realisation of the project in the involved institutions has to be in place for implementing and monitoring the project activities
- Latvia should constantly ensure financing of the progressive build up of oil stocks
LIST OF ANNEXES

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ANNEX 2 - Detailed implementation chart
ANNEX 3 - Cumulative contracting and disbursement schedule by quarter
ANNEX 4 – Institutional framework
ANNEX 5 - Hardware and software requirements
ANNEX 6 - List of relevant Laws and Regulations
## LOGICAL FRAMEWORK MATRIX

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR PROJECT</th>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration of oil stock reserve system</td>
<td></td>
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<tr>
<td>Contracting period expires</td>
<td>Disbursement period expires</td>
</tr>
<tr>
<td>Total budget: 463 650 EUR</td>
<td>PHARE budget: 390 000 EUR</td>
</tr>
<tr>
<td>Overall objective</td>
<td>Sources of Information</td>
</tr>
<tr>
<td>Administrative system</td>
<td>EU Progress report</td>
</tr>
<tr>
<td>Administration of oil stock reserve system</td>
<td>Reports of Central Statistical Bureau</td>
</tr>
<tr>
<td>To ensure security of oil supply</td>
<td></td>
</tr>
<tr>
<td>Co-ordinated system for management of oil stocks in place.</td>
<td></td>
</tr>
<tr>
<td>To ensure security of oil supply</td>
<td>Assumptions</td>
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<tr>
<td>Co-ordinated system for management of oil stocks in place.</td>
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</tr>
<tr>
<td>Overall objective</td>
<td>Indicators of Achievement</td>
</tr>
<tr>
<td>Improvement of oil stock reserve information system</td>
<td></td>
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<tr>
<td>Secure and regular data collection and analyses.</td>
<td></td>
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<tr>
<td>Project reports</td>
<td></td>
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<tr>
<td>Project purpose</td>
<td>Sources of Information</td>
</tr>
<tr>
<td>Improvement of oil stock reserve information system</td>
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<tr>
<td>Regular and accurate submission of monthly oil stock reports.</td>
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<td>Independent evaluation reports</td>
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<tr>
<td>Improvement of oil stock reserve information system</td>
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<tr>
<td>Evolution of number of days of oil stocked in Latvia.</td>
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<tr>
<td>Monitoring reports</td>
<td></td>
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<tr>
<td>Results</td>
<td>Indicators of Achievement</td>
</tr>
<tr>
<td>• Optimal institutional structure for the administration of the oil stock reserve system found out:</td>
<td></td>
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<tr>
<td>- Present situation of information system regarding oil stock reserves, institutional framework and software in use in related institutions analyzed;</td>
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</tr>
<tr>
<td>- Plan of unification and co-ordination, as well as recommendations for linking together (in the joint system or data forward system) for each individual institution and to the whole system made;</td>
<td></td>
</tr>
<tr>
<td>- Conclusions on oil stock reserve system institutional problems and elaboration of action plan for resolution of institutional problems delivered.</td>
<td></td>
</tr>
<tr>
<td>- Precise tasks for oil stock reserve information system for meeting the requirements of safe and professional building up of oil stocks up to 90 days till 31.12 2009 set:</td>
<td></td>
</tr>
<tr>
<td>- Co-ordination and operative mechanisms for information system (and information exchange) elaborated;</td>
<td></td>
</tr>
<tr>
<td>- Requirements for stocks are properly defined, fulfilled and implemented;</td>
<td></td>
</tr>
<tr>
<td>- Procedures for the maintenance of the stocks elaborated;</td>
<td></td>
</tr>
<tr>
<td>- Procedures for institutional co-operation in case of energy crisis for oil stock utilization procedures elaborated</td>
<td></td>
</tr>
<tr>
<td>• Recommendations for amendments of legislation worked out:</td>
<td></td>
</tr>
<tr>
<td>- Recommendations on existing legal framework developed;</td>
<td></td>
</tr>
<tr>
<td>- Recommendations on how to implement oil stock reserve system on the basis of existing legal framework and amendments to legislation made.</td>
<td></td>
</tr>
<tr>
<td>- Draft agreement with oil stock reserve keepers (private companies- fuel retailers and wholesalers) on utilization and compensation of utilized fuel elaborated.</td>
<td></td>
</tr>
<tr>
<td>• Experience and know-how in efficient management and legal framework of the compulsory stocks gained</td>
<td></td>
</tr>
<tr>
<td>Model of oil stock reserve system developed</td>
<td></td>
</tr>
<tr>
<td>Oil stock reserve system developed:</td>
<td></td>
</tr>
<tr>
<td>- Information system developed;</td>
<td></td>
</tr>
<tr>
<td>- Delivered exact system algorithm;</td>
<td></td>
</tr>
<tr>
<td>- Software programming to meet demands of integrated system for all involved institutions developed;</td>
<td></td>
</tr>
<tr>
<td>- Data transmission system, security measures and data protection elaborated;</td>
<td></td>
</tr>
<tr>
<td>- Manual of software system prepared;</td>
<td></td>
</tr>
<tr>
<td>- Implemented oil stock reserve system tested;</td>
<td></td>
</tr>
<tr>
<td>- Necessary equipment for implementation of system provided.</td>
<td></td>
</tr>
<tr>
<td>- Oil stock reserve system corresponds to the set requirements</td>
<td></td>
</tr>
<tr>
<td>- Manual and instructions distributed to the staff</td>
<td></td>
</tr>
<tr>
<td>Number of people using and maintaining the system</td>
<td></td>
</tr>
<tr>
<td>- Support from other relevant institutions Adequate provision from state budget</td>
<td></td>
</tr>
</tbody>
</table>
Staff of involved institutions trained on use and operation of the system:
- Staff get acquainted with a developed oil stock reserve system model designed by twining experts amended with data transmission solutions and to make conclusions on best solutions for Latvia held;
- Staff obtained extensive knowledge on how to use oil stock system and practical skills held.

**Activities**

<table>
<thead>
<tr>
<th>Means</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Twinning:</strong></td>
<td>Support from other relevant institutions</td>
</tr>
<tr>
<td>Pre-accession adviser, 12 m/m</td>
<td>Adequate provision from state budget</td>
</tr>
<tr>
<td>1 short-term expert-system analyst, 2 m/m</td>
<td></td>
</tr>
<tr>
<td>1 short-term expert-lawyer 1.5 m/m</td>
<td></td>
</tr>
<tr>
<td>3 workshops (20-22 participants)</td>
<td></td>
</tr>
<tr>
<td>Training of staff-PAA</td>
<td></td>
</tr>
<tr>
<td><strong>Service contract:</strong></td>
<td></td>
</tr>
<tr>
<td>1 expert, 1 m/m (training)- 2 joint training seminars (12 participants in each)</td>
<td></td>
</tr>
<tr>
<td>Long term expertise, 11 m/m (programming, data protection, preparation of guide book, manuals)</td>
<td></td>
</tr>
<tr>
<td>Supply contract</td>
<td></td>
</tr>
</tbody>
</table>

**Preconditions**

Necessary resources provided by the state budget before the start of the project
Adequate number of competent staffing which is in charge of the realisation of the project in the involved institutions has to be in place for implementing and monitoring the project activities
Latvia should constantly ensure financing of the progressive build up of oil stocks

Analysing the present situation of information system regarding oil stock reserves, institutional framework and software in use of institutions;
Planning of unification and co-ordination, as well as working out recommendations for linking together (in the joint system or data forward system) each individual institution and the whole system;
Delivering conclusions on oil stock reserve system institutional problems and action plan for resolution of institutional problems;
Elaboration of co-ordination and operative mechanisms for oil stock information system;
Elaboration of the procedures for the maintenance of the stocks;
Elaboration of procedures for institutional co-operation in case of energy crisis and oil stock utilisation;
Developing recommendations on existing legal framework;
Working out recommendations on how to implement oil stock reserve system on basis of legal framework;
Elaboration of draft agreement with oil stock retailers and wholesalers;
Developing of oil stock reserve system model;
Training of staff of the beneficiary institutions on:
- enhancement of the efficiency of oil stock reserve system administration and solving institutional problems;
- changes in legal framework;
co-ordination and operative mechanisms for information system (and information exchange.)
Study visit for members of beneficiary to the selected Member state on oil stock management and application of information exchange system.

Training for staff of involved institutions;
Developing the programming algorithm for all involved institutions;
Elaborating oil stock reserve system programming task;
Preparing instructions and Manual;
Testing of implemented oil stock reserve system;
Supply of necessary equipment and data protection applications
## DETAILED IMPLEMENTATION CHART

<table>
<thead>
<tr>
<th>Contract 1</th>
<th>Twinning covenant</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Analysing the present situation of information system regarding oil stock reserves</td>
</tr>
<tr>
<td></td>
<td>Planning of unification and co-ordination, as well as linking together (in the joint system or data forward system) each individual institution and the whole system</td>
</tr>
<tr>
<td></td>
<td>Delivering conclusions on oil stock reserve system institutional problems and action plan for resolution of institutional problems</td>
</tr>
<tr>
<td></td>
<td>Elaboration of co-ordination and operative mechanisms for oil stock information system</td>
</tr>
<tr>
<td></td>
<td>Elaboration of procedures for institutional co-operation in case of energy crisis and oil stock utilization as well as for the maintenance of the stocks</td>
</tr>
<tr>
<td></td>
<td>Developing recommendations on existing legal framework</td>
</tr>
<tr>
<td></td>
<td>Working out recommendations on how to implement oil stock reserve system on basis of legal framework</td>
</tr>
<tr>
<td></td>
<td>Elaboration of draft agreements with oil stock retailers and wholesalers</td>
</tr>
<tr>
<td></td>
<td>Developing of oil stock reserve system model</td>
</tr>
<tr>
<td></td>
<td>Study visit for members of beneficiary to the selected Member state on oil stock management and application of information exchange system</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract 2</th>
<th>Service contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Training of staff of all involved institutions</td>
</tr>
<tr>
<td></td>
<td>Developing the programming algorithm for all involved institutions</td>
</tr>
<tr>
<td></td>
<td>Elaboration of oil stock reserve system programming task</td>
</tr>
<tr>
<td></td>
<td>Preparation instructions and Manual</td>
</tr>
<tr>
<td></td>
<td>Testing of implemented oil stock reserve system</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Contract 3</th>
<th>Supply contract</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Supply of necessary equipment and data protection applications</td>
</tr>
</tbody>
</table>

**ANNEX 3**
### CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE BY QUARTER

#### CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

**GRANT FUND (MEUR)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Contract 1 – Twinning Covenant</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted total:</td>
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<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Phare:</td>
<td>254 000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Disbursed total:</td>
<td>203 200</td>
<td>228 600</td>
<td></td>
<td>254 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phare:</td>
<td>203 200</td>
<td>228 600</td>
<td></td>
<td>254 000</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>National:</td>
<td>5 600</td>
<td>11 200</td>
<td>16 800</td>
<td>22 400</td>
<td>28 250</td>
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</tr>
<tr>
<td><strong>Contract 2 – Service Contract</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
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<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Phare:</td>
<td>96 000</td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>National:</td>
<td>32 000</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Disbursed total:</td>
<td>76 800</td>
<td>96 000</td>
<td></td>
<td>128 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phare:</td>
<td>57 600</td>
<td>72 000</td>
<td></td>
<td>96 000</td>
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<tr>
<td>National:</td>
<td>19 200</td>
<td>24 000</td>
<td></td>
<td>32 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Contract 3 – Supply Contract</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contracted total:</td>
<td>53 400</td>
<td></td>
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</tr>
<tr>
<td>Phare:</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National:</td>
<td>13 400</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disbursed total:</td>
<td>31 800</td>
<td>47 700</td>
<td></td>
<td>53 400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phare:</td>
<td>24 000</td>
<td>36 000</td>
<td></td>
<td>40 000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National:</td>
<td>7 800</td>
<td>11 700</td>
<td></td>
<td>13 400</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Parallel co-financing

?? ** Joint co-financing excluding all taxes and duties
INSTITUTIONAL FRAMEWORK

Institutional framework and current system of information flows in administration of oil stocks

- Ministry of Economics
  - Energy department
    - (State Energy Crisis Centre)

- Ministry of Finance
  - SRS
    - Directorate of Excise Goods
    - Main Customs Board
  - Central Statistical Bureau

- State Enterprise “State Material Reserves”
- Ministry of Interior
- Public Utilities Commission
- Energy companies
HARDWARE AND SOFTWARE REQUIREMENTS

In relation to the budget line for acquisition of the necessary equipment and data protection applications for the implementation of the Oil stock reserve system costs are estimated to be 0.05 MEUR for which 0.01 MEUR are to be co-financed via the PHARE 2003 National Programme.

7 PCs will be purchased for the staff involved in administration of oil stock reserves and accordingly 2 PC for Energy department of Ministry of Economics, 2 PC for Customs Board and 2 PC for Office of Excise goods and 1 PC for State enterprise “State material reserves”.

Two servers will be purchased for development and exploitation of the Oil stock reserve system within Energy department of Ministry of Economics. The purchase of server would enable the creation of oil stock reserve database. The servers must stay highly operational in the energy emergency situations and must be available 24 hours a day for use of State Energy emergency secretariat. One server should be located at Energy department of Ministry of Economics, another at State Revenue Service premises.

Software licenses will be acquired to support data input, processing, electronic data exchange with data suppliers.

<table>
<thead>
<tr>
<th>Hardware</th>
<th>No of pieces</th>
<th>Estimated price per unit</th>
<th>Estimated total cost (Phare)</th>
<th>Estimated cost (Co-financed)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal computers</td>
<td>7</td>
<td>2500</td>
<td>15000</td>
<td>-</td>
</tr>
<tr>
<td>Servers</td>
<td>2</td>
<td>7500</td>
<td>15000</td>
<td>-</td>
</tr>
<tr>
<td>Installation, switches and cabling</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8500</td>
</tr>
<tr>
<td>Data protection applications</td>
<td>-</td>
<td>-</td>
<td>10000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Standard software licences</strong></td>
<td></td>
<td></td>
<td></td>
<td>4900</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>40000</strong></td>
<td><strong>13400</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Costs excluding VAT indicated
LIST OF RELEVANT LAWS AND REGULATIONS

Latvian legislation:

- The Civil Defence Law, which regulates activities during military crisis or natural disaster, has been adopted on 15 December 1992 as amended on 21 May 1998.
- The Energy Law adopted in 1998 and amended in May 2001 in chapter XI set provisions for energy crisis management thus formulating the framework for establishment of the state oil stocks.
- Regulations “Statutes if the State energy Crises Center” which defines the competences and structure of the Center (January, 2002.)
- Regulations “On the procedure on energy supply and realization for consumers during announced energy crisis” (March, 2002).
- Regulations “On procedure of formation and maintenance of oil product stocks” (March, 2002).
- Regulations “Energy information system” (May 2002) Determines information exchange among Customs board, State excise tax board, Public Utilities Commission (energy companies) and Ministry of Economics in order for MoE to be able inform Cabinet of Ministers, EU on the level of oil stocks.

European Commission directives:

- European Council directive 96/414/EEC of 20 December 1968 imposing an obligation on Member States of the EEC to maintain minimum stocks of crude oil and/or petroleum products.