1. **Basic Information**
   - **1.1 CRIS Number:** 2003/004-979-06-03
   - **1.2 Title:** Economic and Social Cohesion measures in Latvia
   - **1.3 Sector:** Economic and Social Cohesion
   - **1.4 Location:** Latvia

2. **Objectives**

   2.1 **Overall Objective(s):**
   To promote sustainable economic and social development in the country, with particular regard to internal cohesion.

   2.2 **Project purposes:**
   (a) to develop innovative business infrastructure and applied research infrastructure;
   (b) to improve the employability of the labour force;
   (c) to develop local economic activities based on natural, cultural and historical sites revitalisation.
   (d) to prepare project proposals for funding under the Structural Funds.

   2.3 **Accession Partnership (2002)**
   - Economic criteria:
     - Promote competitiveness, notably through measures aimed at stimulating domestic and inward investment in growth – generating activities.
   - Regional policy and coordination of structural instruments:
     - Ensure effective inter - ministerial coordination and appropriate partnership with a view to both programming and implementation;
     - Develop the technical preparation of projects eligible for Structural Funds assistance (project pipeline)

   2.4 **Contribution to the Development Plan (Draft Single Programming Document – draft SPD)**
   This project fiche is prepared in accordance with the draft SPD which was submitted to the Commission on 19 March 2003. The activities proposed in this fiche are mainly based on the following priorities identified in the draft SPD:

   - **Promotion of Enterprise and Innovation** – to promote creation of new enterprises and raise competitiveness of the existing enterprises by providing conditions for transition towards knowledge intensive production.

   There are four measures (Measures for applied R&D in enterprises, innovations and technology transfer, Development of business related infrastructure, Support for introduction of unified market requirements, Promotion of the export capacity, Accessibility of financing for business) proposed within this priority into the draft SPD.

   In order to reach the overall objective of this programme, activities on development of innovative business and applied research infrastructure are proposed in accordance to the appropriate measure within this priority of the draft SPD.

   - **Promotion of Territorial Cohesion** – to raise the quality of life, improve the attractiveness of regions and promote balanced development of the whole territory of Latvia.

   There are five measures (Supporting participation of territories in regional development; Sustainable development and strengthening of regional identity; Development of accessibility and transport system; Development of information communication technologies; Development of healthcare and educational infrastructure) proposed within this priority into the draft SPD.
In order to reach the overall objective of this programme, activities on strengthening of regional identity are proposed in accordance to the appropriate measure within this priority of the draft of SPD.

- **Development of Human Resources and Promotion of Employment** – to enhance the competitiveness and quality of the workforce through life long learning, regional and local development, information society, equal opportunities between women and men and contribute to social cohesion and the economic growth, employability and employment promotion.

There are three measures (Promotion of Employment, Development of Education and Continuing Training, Combating Social Exclusion) proposed within this priority into the draft SPD.

In order to reach the overall objective of this programme, all proposed measures are in compliance to the appropriate measures within these priorities of the Development plan.

3. Description

3.1 Background and justification:

In recent years Latvia has experienced significant economic transformation as well as stable growth patterns. However, its level of economic and social development remains well below the EU average. Moreover, significant regional disparities within the country exist. There are big differences in terms of economic growth among different parts of Latvia.

Unemployment, inadequate infrastructure, low entrepreneurial activity, and low level of incomes, low proportion of high value added production have to be addressed throughout the country. With 18 economically active enterprises per 1000 inhabitants, entrepreneurial activity in Latvia is still low compared to the 40 to 60 per 1000 in EU Member States. This low number is explained by the number of competitive start-ups in recent years. Costs of starting up business is high due to lack of sites and premises, underdeveloped infrastructure, and insufficient funding for expansion of business.

A further explanation of low business activity is the production structure in which low value added products are still dominant. The share of knowledge intensive sectors in Latvia’s export structure is 6%, compared to 30% in the EU. Due to the lack of innovative technologies new enterprises in Latvia face problems in obtaining sustainable share of the market, particularly in the EU. The Cabinet of Ministers has adopted the National Innovation Programme in April 2003. It recognises Latvia’s science potential and proposes to address the factors hindering its effective use. These are an outdated structure and a lack of linkage with business. Thus infrastructure for applied research and industry networking will be supported.

The qualification of the labour force also needs to be addressed in order to increase economic activity in Latvia, and especially in its lagging regions. Inadequate teaching capacity, especially in the technology related profiles, deepens the gap between labour market “demand” and “supply”. Thus the need to increase the quality of vocational education and training throughout the country is an urgent task. An important step towards improving of the quality of vocational education and training is the use of appropriate professional software programmes, specialised textbooks and teaching manuals, and application of modern teaching tools and methods. This should be done in cooperation with social partners and professional groups.

The unemployment rate in Latvia is still higher than the EU average (in 2001 – by 5.7 percentage points). During the recent five years the unemployment rate in Latvia has decreased by 6.3 percentage points (1996 – 19.4%; 2001 – 13.1%), but it has not resulted in increased employment. The unemployment rate varies significantly by regions, as compared with the overall unemployment rate of 13.1% in 2001, the regions of Riga, Vidzeme and Zemgale all had rates between 11 and 13% but unemployment was higher in Kurzeme (15.2%) and in Latgale (18.9%). Active employment measures and programmes for integration of socially excluded groups into the labour market are an important tool for rising the competitiveness and employability of the labour force.

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1 Central Statistical Bureau, Latvian macroeconomics in numbers, 2002
Besides Latvia’s moving towards a knowledge-based economy, there is a rapid and successful expansion of the service sector creating jobs and diversified economic activity. Among these, tourism offers a development potential with Latvia’s low population density, mild climate, rich nature, culture heritage, and tradition of resorts as assets. However only a small part is properly used so far. Only 18% of the natural and cultural heritage sites are in relatively good condition. For the rest (including museums) renovation is required to increase their attractiveness for tourists and ensure the sustainability of the tourism development. Besides it, development of tourism potential and competitiveness of Latvia’s tourism products are hindered by the insufficient quality of tourism infrastructure, services and personnel, especially in the rural areas.

After becoming a member of the European Union, Latvia will have access to the EU Structural Funds. One of the pre-conditions for the optimal absorption of the funding provided by EU Structural Funds is a well prepared project pipeline and appropriate capacity including at the sub – national level to implement projects. The experience with Phare 2000 ESC programme shows that regions and municipalities have good project ideas and strong willingness to act, but they are limited by lack of funding for project preparation combined with low capacity, insufficient experience and knowledge on project justification, project feasibility studies (and the preparation of necessary tender documentation), linkage with regional and national development plans/programmes, project application preparation and implementation. Also partnership on regional level (including partnership between municipalities) is weak.

3.2 Linked activities:

Phare Project Preparation Support (PPS) (LE 99.14) – provided funding for the expertise to assist the preparation of 6 project proposals, defined as “Milestone projects” for the Phare 2001 Economic and Social Cohesion programme. The identified projects required a degree of analysis, preparation and packaging to ensure their impact and suitability in realising national development goals. Moreover the use of PPS in this focused manner promoted superior project selection procedures and appraisal techniques within the Latvian administration. The project has finished in November 2002.

Development of Institutional and Administrative Capacity for Regional Development (LE 00/IB/OT-01) This twinning project with the French institution DATAR seeks to establish an integrated mechanism to empower the national regional development policy in Latvia and strengthen the management and co-ordination of Latvia for Pre-structural and Structural Funds. One of the project components aims at the development of capacity for implementation of national regional development policy at regional level as well as at the building of a project pipeline in compliance with the Single programming Document (SPD). The activities within these components include such tasks as (i) identification of project proposals and preparation of draft project applications for each of the EU funds, (ii) assistance in coordination between regions and municipalities for elaboration of joint projects to be submitted for financing from different EU funds / support schemes and (iii) promotion of partnership between the public and private bodies during the elaboration of projects. The project started in April 2002 and the outputs of this project sub-component are expected in summer 2003. Therefore the presently proposed project will benefit from the experience gained during the implementation of LE00/IB/OT-01.

Economic and Social Cohesion Measures in Latgale region (LE 0012.02) –. This is part of the Phare 2000 Economic and Social Cohesion programme. Investment actions in the Latgale Region include: support to Integrated Business Development Projects as well as a Human Resource Development Fund. The implementation of the project activities began in January 2002 and is planned to finish at the end of year 2003.

Economic and Social Cohesion Measures in Zemgale region (LE 0012.03) – the activities implemented within this particular project are similar to those described above for Latgale region.

Development of business environment in Latvia (LE01.05.01) – addressing economic and social cohesion through key national priority sectors – Forestry and Knowledge Economy support. It is planned that the competitive manner of the ESC 2001 Programme (funding Milestone Projects – projects of national significance) will develop a new dynamism in business, industry, education, research, and public administration. The project activities are linked with business related infrastructure and human resources development projects.
Phare 2002 Project Preparation Facility (LE02.08.02) - the project will provide funding for preparation of documentation for projects of national significance in the knowledge based economy sector with a view of funding under the Structural funds. It is expected that project will start in June 2003 and will finish at the end of 2004.

Phare 2003 Institution Capacity Building in Regions
The objective of this proposed project is to increase the capacity of regional institutions and their socio-economic partners in identification, preparation and management of the projects to be co-financed by EU Structural funds, and to build and strengthen partnership at the regional level. The building of the capacity will be carried out throughout a set of activities aiming at strengthening of the planning and programming capacity of municipal administration and of socio-economic partners. It is expected that project will start at the fourth quarter of 2003.

3.3 Results:
- Business-related infrastructure for enterprises in place and used
- Applied research facilities improved
- Employability of labour force improved
- More high value goods produced.
- Labour force development enhanced
- Natural, cultural and historical heritage sites restored attracting a larger number of visitors
- Regional bodies and municipalities acquired experience in project development and implementation
- Project proposals for future EU funding prepared

3.4 Activities/components:
The 2003 ESC programme consists of three interrelated components:
(1) Development of Innovative Business and Applied Research Infrastructure;
(2) Investment in Human Capital and Human Resource Development;
(3) Investment in Development of Natural, Historical and Cultural Heritage;

It also includes two further components:
(4) Development of a Projects Pipeline;
(5) Technical Assistance for independent expertise on project evaluation

Conform the ESC approach, the interrelated components will be handled in an integrated way. This means i.a. that when infrastructure investments are envisaged, account will be taken of human resources investment needs and vice versa.

Component 1
DEVELOPMENT OF INNOVATIVE BUSINESS AND APPLIED RESEARCH INFRASTRUCTURE
The aim is to facilitate the development of innovative and high value added products through development of modern sites, premises and technological equipment, in locations justified by business needs.

Eligible activities:
- Transformation of sites, including access, energy supply, telecommunication networks and environmental improvements;
- Development of premises appropriate for R&D activities and business use;
- Investments in technological equipment for R&D activities and business use.

Eligible beneficiaries:
- Municipalities, municipal institutions and agencies;
- State institutions and agencies;
- Branch related non-profit organisations (e.g. business non-profit organisations etc.);
• Higher education and/or research institutions.

Further criteria to determine eligibility, to select or to prioritise, are i.a:
• Integrated approach between infrastructure/ material and human resources investment (possible needs for human resources development must be considered)
• Joint actions involving similar or complementary partners, thus providing a greater opportunity for economic viability
• Concrete demonstration of interest and commitment by end beneficiaries.

**Project financing**
Minimum amount of the project application is 500,000 EUR (Phare contribution), maximum under 2,000,000 EUR (Phare contribution).
Phare contribution may not exceed 75% of the total eligible public expenditure.

**Implementation provisions**

Ministry of Regional Development and Local Governments (MoRDLG) will be responsible for technical management.

MoRDLG shall ensure competitive and transparent selection of projects to be supported under this component.

The MoRDLG in close co-operation with the Ministry of Economy (MoE), Ministry of Education and Science (MoES) and the Ministry of Finance (CFCU) shall work out the instructions to applicants, application forms, evaluation provisions and other documents related to the above selection of projects. The project selection provisions shall be approved by the Phare 2003 ESC Steering Committee.

The MoRDLG shall launch open call for proposals. To ensure evaluation of project applications, the Evaluation Committee will be established. MoE and MoES will provide their expertise in the Evaluation of the project applications by delegating representatives in the Evaluation Committee, which will be chaired by MoRDLG. MoRDLG in close co – operation with the regional development agencies will ensure informative seminars and consultations to potential applicants.

The Phare 2003 ESC Steering Committee will approve the projects to be financed.

MoF (CFCU) shall be responsible for administrative and financial management of the Phare 2003 ESC after the projects to be supported are selected.

After the receipt of the list of the projects the MoF (CFCU) shall proceed with tendering of works and supplies in accordance with the PRAG provisions.

This component will be implemented via a number of works and supply contracts.

**Component 2**
**INVESTMENT IN HUMAN CAPITAL AND HUMAN RESOURCE DEVELOPMENT**

The aim of this component is to facilitate the employability of people through development of active employment initiatives, enhancing the education and training possibilities and ensuring access to the labour market of social excluded groups.

The implementation of this component will be realised through the following measures and via two separate Grant schemes for each of the Measures:

1. Promotion of Employment
2. Development of Vocational Education and Continuing Training

**Measure 2.1**
**Promotion of Employment**
The aim of the measure is to improve the professional skills of the employed and unemployed persons and to prevent unemployment of group population with risk of social exclusion (disabled persons, pre-retirement age persons, and youngsters with low basic skills and knowledge).

Eligible activities:
1. Active employment initiative projects e.g. subsidised work places, re-training programmes, and job seeking trainings.
2. Development of programmes for integration of risk groups (disabled persons, pre-retirement age persons, youngsters with low basic skills and knowledge) of social exclusion into labour market;

Eligible beneficiaries:
- State institutions;
- Municipalities and municipal institutions;
- Branch related non-profit organisations (e.g. social non – profit institutions etc.);
- State vocational schools and institutions, state higher education institutions.

Further criteria to determine eligibility, to select or to prioritise are i.a:
- Proposals based on relevant and appropriate partnership.
- Integrated approach between infrastructure/material and human resources investment.

Projects financing
Minimum amount of the project application is 50 000 EUR (Phare contribution). Phare contribution may not exceed 75% of the total eligible public expenditure.

Implementation provisions
Measure 2.1 will be implemented via a separate Grant Scheme according to the provisions of the Practical Guide for Phare, Ispa and Sapard Contract Procedures.

The MoRDLG will be responsible for technical management.

The Ministry of Welfare (MoW) in close co-operation with the MoRDLG and MoES shall define detailed eligibility criteria for projects and applicants, and develop evaluation grid.

The Ministry of Finance (CFCU) shall be responsible for administrative and financial management of the Phare 2003 ESC project.

The MoF (CFCU) shall develop Guidelines to Project Applicants and Project Application Form based on PRAG requirements and launch call for proposals. The call for proposals and project selection will be implemented in accordance with standard procedures of Practical Guide to PHARE, ISPA and SAPARD contract procedures under Extended Decentralised Implementation System. Prior to EDIS accreditation, DIS will be followed. EDIS will apply from the date of accession at latest.

The Ministry of Finance (CFCU) in close co-operation with the Ministry of Welfare (MoW) and with the regional development agencies will ensure informative seminars and consultations.

The Phare 2003 ESC Steering Committee shall approve the project selection documents.

To ensure evaluation of project applications the Evaluation Committee will be established. MoW and MoES will ensure their expertise in the Evaluation of the project applications by delegating representatives in the Evaluation Committee, which will be chaired by MoRDLG.

The Phare 2003 ESC Steering Committee will take a decision about approving the projects to be financed.

After selection of the projects the MoF (CFCU) shall proceed with signing grant contracts with the selected beneficiaries; ensure operational management and controls at the project level.
Measure 2.2
Development of Vocational Education and continuing training
The aim of the measure is in cooperation with Ministry of Education and Science and the Ministry of Welfare (MoW), regional development agencies and industry representatives to facilitate the development of improved and labour market oriented initial vocational education and continuing training, within the existing school network, in the regionally relevant economic branches.

The measure is targeted to improve the quality of training and competence based examination content, teaching methods, tools, especially e-learning tools, and teacher capacity in 5 regions (excluding Riga city), in selected number of regionally and nationally vital priority branches. The solutions for diminishing the lack of professionally based and delivered vocational guidance and education counselling in education systems, will be assisted by the Measure in order to equip youngsters with information and advise for motivated further educational and professional pathways, enabling their employability.

Eligible activities:
- Improvement of vocational education and training programmes curricula, provision of professional software programmes, specialised text books, teaching manuals and development and application of modern teaching methods;
- Elaboration of occupational standards, content of competence based qualification exams, labour market and skill needs analyses in partnership with industry representatives;
- Teacher training in vocational education;
- Vocational guidance.

Eligible beneficiaries:
- State vocational schools and institutions, state higher education institutions;
- State institutions and agencies;
- Branch related non-profit organisations

Priority should be given to the project applications:
- Showing evidence of methodologically consistent, nationally approved approach and knowledge available for the education content development issues;
- Based on relevant and appropriate partnership;
- Covering broader territories.

Project financing
Minimum amount of the project application is 50 000 EUR (Phare contribution). Phare contribution may not exceed 75% of the total eligible public expenditure.

Implementation provisions
Measure 2.2 will be implemented via a separate Grant Scheme according to the provisions of the Practical Guide for Phare, Ispa and Sapard Contract Procedures.

The MoRDLG will be responsible for technical management of the whole Phare 2003 ESC project.

MoES in close co-operation with the MoW and with the MoRDLG shall define detailed eligibility criteria for projects and applicants, and develop evaluation grid.

The Ministry of Finance (CFCU) shall be responsible for administrative and financial management of the Phare 2003 ESC project.

The MoF (CFCU) shall develop Guidelines to Project Applicants and Project Application Form based on PRAG requirements and launch call for proposals. The call for proposals and project selection will be
implemented in accordance with standard procedures of Practical Guide to PHARE, ISPA and SAPARD contract procedures under Extended Decentralised Implementation System. Prior to EDIS accreditation, DIS will be followed. EDIS will apply from the date of accession at latest.

The MoF (CFCU) in close co-operation with the MoES, the MoW and the regional development agencies will ensure informative seminars and consultations.

The Phare 2003 ESC Steering Committee shall approve the project selection documents.

To ensure evaluation of project applications the Evaluation Committee will be established. MoW and MoES will ensure their expertise in the Evaluation of the project applications by delegating representatives in the Evaluation Committee, which will be chaired by MoRDLG.

The Phare 2003 ESC Steering Committee will take a decision about approving the projects to be financed.

After selection of the projects the MoF (CFCU) shall proceed with signing grant contracts with the selected beneficiaries; ensure operational management and controls at the project level.

### Component 3

**INVESTMENT IN DEVELOPMENT OF NATURAL, HISTORICAL AND CULTURAL HERITAGE**

The aim of this component is the revitalisation and development of the region’s natural, historical and cultural heritage as a resource or a factor contributing to its economic and social development, in particular tourism development, with an ultimate objective of facilitation of the diversification of regional economies of Latvia.

**Eligible activities:**

- Revitalisation, renovation and maintenance of natural, cultural and historical heritage in order to develop new attractive tourism products and services;
- Improvement of natural, cultural and historical heritage related tourism infrastructure (e.g. access roads, parking and etc.).

Further criteria to determine eligibility, to select or to prioritise include i.a:
- the existence of a local development or business plan, incorporating activities envisaged by various actors, including those who will not directly benefit from this Phare co-financing.

**Eligible beneficiaries:**

- Municipalities, municipal institutions and agencies;
- State institutions and agencies;
- Branch related non-profit institutions (e.g. tourism and culture non-profit organisations etc.).

Priority should be given to the project applications:

- Showing clear evidence of incorporation of aspects of human resource development or strong evidence of availability of relevant human resources;
- Creating base for attractive and diverse tourism product in line with a local plan for development of strategic tourism product, development of tourism territories and tourism market;
- Based on relevant and appropriate partnership.

**Projects financing**

Minimum amount of the project application – 100 000 EUR (Phare contribution). Phare contribution may not exceed 75% of the total eligible public expenditure.

**Implementation provisions**

Ministry of Regional Development and Local Governments (MoRDLG) will be responsible for technical management of the whole Phare 2003 ESC project.
MoRDLG shall ensure competitive and transparent selection of projects to be supported under this component.

The MoRDLG in close co-operation with MoE, Ministry of Culture (MoC) and MoF (CFCU) shall work out the instructions to applicants, application forms, evaluation provisions and other documents related to the above selection of projects. The project selection provisions shall be approved by the Phare 2003 ESC Steering Committee.

The MoRDLG shall launch open call for proposals. To ensure evaluation of project applications, the Evaluation Committee will be established. MoE and MoC will provide their expertise in the Evaluation of the project applications by delegating representatives in the Evaluation Committee, which will be chaired by MoRDLG. MoRDLG in close co-operation with regional development agencies will ensure informative seminars and consultations to potential applicants.

The Phare 2003 ESC Steering Committee will approve the projects to be financed.

The Ministry of Finance (CFCU) shall be responsible for administrative and financial management of the Phare 2003 ESC after the projects to be supported are selected.

After the receipt of the list of the projects the MoF (CFCU) shall proceed with tendering of works, services and supplies in accordance with the PRAG provisions.

This component will be implemented via number of works, services and supply contracts.

**Component 4**

**PREPARATION OF PROJECT PIPELINE**

The aim of this component is to develop project pipeline for future funding with an ultimate objective of being prepared for the challenge of Structural Funds, in particular of European Regional Development Fund and European Social Fund and to support the development project ideas into project proposals.

One of the pre-conditions for the optimal absorption of the funding provided by EU Structural Funds is well prepared project pipeline and appropriate capacity to implement approved projects. There is a particular need to improve level of the technical preparation of the projects to be co-financed by the Structural Funds.

The present situation demonstrates that in spite of possessing dynamic project ideas the relevant national and regional authorities realise that there is the lack of funding combined with weak capacities for carrying out comprehensive project feasibility studies and the preparation of necessary tender documentation.

It is expected that projects developed under this component will optimise the benefits of the EU funding to address Latvia’s financing targeted at social and economic challenges.

**Eligible activities:**

1. Preparation of documentation:
   - Feasibility studies (economic and technical),
   - Detailed projects design,
2. Preparation of technical studies:
   - Environmental impact assessments,
   - Technical studies,
   - Architectural and engineering design,
   - Preparation of tendering documentation.

The final output of this component must be a fully completed project proposals utilising the standard ERDF or ESF Application Form for Latvia and prepared fully in full accordance with the SPD in Latvia. Detailed list of SPD measures for which the project proposals to be prepared will be elaborated in the Guidelines for Project Applicants.
As these project preparations are with a view to possible funding under the Structural Funds, it is clear that the envisaged actions must be eligible under those Structural Funds (ref Commission Regulation 1685/2000).

**Eligible beneficiaries:**
- Municipalities, municipal institutions and agencies;
- State institutions and agencies;
- Non-profit institutions.

**Projects financing**
Phare contribution may not exceed 90% of the total eligible public expenditure.

**Implementation provisions**
The component shall be implemented via a separate Grant Scheme according to the provisions of the Practical Guide for Phare, Ispa and Sapard Contract Procedures.

The MoRDLG will be responsible for technical management.

The MoRDLG in close cooperation with the Ministry of Transport, the Ministry of Environment, the Ministry of Welfare (MoW), Ministry of Education and Science (MoES) and Ministry of Economy (MoE) shall define detailed eligibility criteria for projects and applicants, and develop evaluation grid.

The Ministry of Finance (CFCU) shall be responsible for administrative and financial management of the Phare 2003 ESC project.

The MoF (CFCU) shall develop Guidelines to Project Applicants and Project Application Form based on PRAG requirements and launch call for proposals. The call for proposals and project selection will be implemented in accordance with standard procedures of Practical Guide to PHARE, ISPA and SAPARD contract procedures under Extended Decentralised Implementation System. Prior to EDIS accreditation, DIS will be followed. EDIS will apply from the date of accession at latest.

The MoF (CFCU) in close cooperation with the regional development agencies will ensure informative seminars and consultations.

The project selection documents shall be approved by the Phare 2003 ESC Steering Committee.

To ensure evaluation of project applications the Evaluation Committee will be established. MoW, MoE and MoES will ensure their expertise in the Evaluation of the project applications by delegating representatives in the Evaluation Committee, which will be chaired by MoRDLG.

The Phare 2003 ESC Steering Committee will take a decision about approving the projects to be financed.

After selection of the projects the MoF (CFCU) shall proceed with signing grant contracts with the selected beneficiaries; ensure operational management and controls at the project level.

**Component 5**
**TECHNICAL ASSISTANCE**

The aim is to provide independent expertise to institutions involved in the evaluation of project applications submitted for funding from the Phare 2003 ESC programme.

**Eligible activity:**
- Independent and external expertise for evaluation of project applications submitted within all the Components of Phare 2003 ESC described above;
The technical assistance shall be contracted gradually to provide on-time assistance to the Evaluation Committees to ensure independent and external expertise. Based on the above – the technical assistance shall be contracted via framework contracting as per the Practical Guide to Phare, Ispa and Sapard Contract Procedures.

3.4. Lessons learned:
The experience gained from the previous programme implementation:

- The programme implementation via grant schemes approach gives a possibility to involve different counterparts in the project preparation phase; it raises awareness on regional and local level about ESC type activities, their objectives and main tasks;
- Latvian institutions are ready to take this challenge to deal with the EU funds, however in the capacity should be build further on all programme implementation levels. Phare 2000 ESC gave only a little impression of what Latvia is expecting to receive from the EU funds in the future in the field of economic and social cohesion;
- Municipalities need assistance in projects identification and preparation (learning by doing) for structural funds, particularly ERDF activities;
- The main reason for not approving sufficient number of projects proposals within Phare 2000 Economic and Social Cohesion (ESC) was lack of proper cooperation and partnership at local and regional level due to that within investment and pre-investment Components of this Phare 2003 ESC project priority will be given to the project applications which are based on relevant partnership;
- Besides, strategic justification for the project proposals and lack of compliance with strategic objectives could be mentioned as main shortcomings also for project proposals received from the Zemgale region within Phare 2000 ESC, it justifies the necessity of the assistance for the preparation of project proposals for the Structural funds within the Component 4 of this Phare 2003 ESC;
- Lack of co-ordination and co-operation between national and sub-national level is considered as one of lessons to be learned and more close co-operation while preparing this project has been developed;
- Experience with Phare ESC 2001 shows that the projects of national significance seem to be very difficult to identify due to that Component of Phare 2003 ESC for the preparation of Project Pipeline will be implemented via grant scheme launching open call for proposals;
- The existence with Phare 2001 ESC showed that a conditionality - the implementation of the Phare 2001 ESC programme was strongly linked with the activities within the Phare 1999 PPS. It created difficulties to the Latvian authorities and was one of the main reasons of delays implementation of Phare 2001 ESC;
- The conclusions and recommendations of previous Interim Evaluations and M&A Reports have been considered.

4. Institutional Framework
In order to ensure the most effective use of the limited human resources the implementation of Phare ESC 2003 should as closely as possible to the provisions set out for implementing the Structural Funds.

4.1. MoRDLG will bear overall responsibility for the technical management of Phare 2003 ESC and its effective implementation, working in close coordination with the Ministry of Finance as the managing authority of the SPD, and with the following line ministries - the Ministry of Welfare, Ministry of Economy, Ministry of Education and Science and Ministry of Culture. Due to that main tasks and responsibilities of MoRDLG and partners (line ministries mentioned above) are:

- To take responsibility of managing the Phare 2003 ESC programme, as well ensure the efficient implementation of assistance and its compliance with the programme objectives and SPD;
- To ensure the compliance with the Latvian legislation and regulation in terms of implementing the programme;
- To ensure the compliance with the obligations concerning information and publicity of the ESC programme;
To define requirements to be implemented in the common system and in each institution involved to cover the whole cycle - for project selection process, for ensuring procurement process, for preparation and checking payment orders and expenditure declarations, for control system;

To assure that requirements for the ESC programme in the common system and in each institution involved are met;

To take responsibility for the preparation of the implementation reports of the programme;

To ensure the development and maintenance of the monitoring system (IT) for accumulation of data on implementation of the programme;

To organize and manage work of the ESC Steering Committee.

To review the results of the programme jointly with ESC Steering Committee and for adjusting the programme.

Besides, MoRDLG will be responsible for ensuring Latvian government’s co – financing from the State budget.

4.2. The **Central Finance and Contracting Unit** of Ministry of Finance headed by the Programme Authorising Officer; State Secretary of the Ministry of Finance will bear responsibility for the administrative and financial management of projects. Due to that the main tasks and responsibilities of the Central Finance and Contracting Unit are:

- Ensure procurement process (development of Guidelines for Project Applicants based on strategic input from the MoRDLG and line ministries, launching calls for proposals, signing grant contracts with selected beneficiaries – for the grant schemes (components 2, 4; tendering and contracting of works and supplies – for the selected projects (components 1 and 3).
- Ensure operational management of grant contracts on behalf of the Contracting Authority and perform required controls over operations of beneficiaries, and management of supply and works contracts.
- Review payment requests.
- Report on implementation of the projects to the concerned parties in accordance with norms and regulations.

4.3. In order to ensure the efficiency of the programme management an Economic and Social Cohesion, **Steering Committee** will be established and will consist of representatives from the following institutions:

1. Ministry of Regional Development and Local Governments;
2. Ministry of Finance (Phare co-ordination; managing authority of SPD)
3. Ministry of Economy
4. Ministry of Welfare
5. Ministry of Science and Education
6. Ministry of Culture
7. Latgale Development Council
8. Zemgale Development Council
9. Vidzeme Development Council
10. Riga Development Council

The Phare 2003 ESC Committee will be chaired by the Ministry of Regional Development and Local Governments, which will also fulfil secretariat functions for the Committee.

The Business representatives and social –economic partners at national and regional level may be invited as observers. The representatives of the European Commission and CFCU will be invited to the ESC Steering Committee meeting as observers.

The main tasks for the ESC 2003 Steering Committee:

- Approve Guidelines for project Applicants, Project Application form, Evaluation Grid and Evaluation Criteria
• Take a decision about approving the projects to be financed and submit prioritised project list for Components 1, 2, 3 and 4 to the Programme Authorising Officer;
• Coordinate and to monitor the implementation process of Phare ESC 2003 programme corresponding to the Financing Memorandum;
• Ensure the coherence between the programme activities and national development documents and SPD;
• Review and approve the time schedule of the programme implementation, the project application forms, the criteria for project selection and evaluation;
• If necessary, initiate changes within the programme implementation process;
• Review and approve reports on the programme implementation developed by MoRDLG.

4.4. The Regional Development Agencies and MoRDLG will assist potential final beneficiaries to prepare the project applications at regional level. The MoF (CFCU) shall administer the call for proposals and provide clarifications to potential applicants observing equal access and fair competition principles.

4.5. 5 separate Evaluation Committees will be established to ensure evaluation of project applications submitted within the Components 1, 3, 4 and Measures 2.1 and 2.2 of Component 2. Line ministries according to their competencies will ensure their expertise in the Evaluation of the project applications by delegating representatives in the respective Evaluation Committees that will be chaired by MoRDLG.

4.6. The Monitoring Committee for each of the supported projects within the Components 1, 2, 3 and 4 shall be established consisting of representatives of the respective regional development agency, potential beneficiary and social partners. The representative of the ministries can be invited as observers in the meetings of the project Monitoring Committee.

5. Detailed Budget

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* Investment Support is understood as the Pre – Investment support
** Joint co-financing, excluding all taxes and duties
*** Joint co-financing (may include taxes and duties paid by the grant beneficiary)
**** Parallel co-financing. It will cover the office costs of local transport, telephone, fax, Internet connection, copying and printing services, preparation of the premises

6. Implementation Arrangements

6.1 Implementing Agency

Contractual and Financial Implementation
Contracting Authority
PAO: Mrs Valentina Andrejeva,
State Secretary, Ministry of Finance
Smilsu 1, Riga LV –1919
The CFCU is responsible for the administrative and financial management of the project, including tendering, contracting, accounting, and payment procedures.

**Technical implementation**

SPO: Mrs. Ieva Verzemniece  
Deputy State Secretary, Ministry of Regional Development and Local Governments  
Raina bulv. 4, Riga LV-1050  

The Senior Programme Officer will be responsible for day-to-day management, technical implementation and monitoring of the Phare 2003 ESC.

The ESC 2003 programme will be implemented as follows:

1. The Steering Committee for the ESC 2003 established and the composition approved by the EC;
2. The preparation of Guidelines / instructions for Project Applicants;
3. Call for proposals launched;
4. Informative seminars on development of project proposals;
5. Project proposals received and registered;
6. Project proposals appraised by ESC Evaluation committee (assisted by independent and external experts)
7. Selected projects endorsed by the ESC Steering Committee and by EC;
8. Procurement of the service/supplies/works contracts (MoF CFCU);
9. Audit Unit of the MoRDLG elaborates the methodology for internal audit of the program and carries out the internal audit;
10. MoRDLG and CFCU makes the necessary data publicly available through the web-site of MoRDLG;
11. Management of project accounts, payments to service providers, suppliers of goods and works (State Treasury)
12. Operational monitoring of the project implementation (MoF CFCU)
13. Monitoring of the programme implementation (ESC SC and MoRDLG).

### 6.2 Non-standard aspects

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 (EDIS). Prior to EDIS accreditation, Decentralised Implementation System (DIS) will be followed. EDIS will apply from the date of accession at latest.

Works, service and supply contracts foreseen in the projects selected in the framework of the Components 1 and 3 will be tendered out and contracted in accordance with Practical Guide to PHARE, ISPA and SAPARD contract procedures. The project selection process itself shall not follow the Practical Guide but be carried out following transparent and competitive project selection process defined in instructions for applicants developed by the MoRDLG in close co-ordination with line ministries. The above instructions shall be approved by the Phare 2003 ESC Steering Committee.

Component 4 “Preparation of Project pipeline” will be implemented via grant scheme and the support provided is defined as “Pre-Investment Support” where Phare contribution shall be 90% of total public eligible costs.

The standard evaluation grid for Components 2 and 4 of Phare 2003 ESC project will be modified giving priority to the projects jointly proposed by several partners based on relevant and appropriate partnership.

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2 Following the EDIS accreditation the implementation arrangements will be changed and ex-ante controls waived
Other non-standard aspects will be explored by the CFCU in order to ensure the efficiency and effectiveness of the programme.

6.3 Contracts
- Component 1 – number of work, supply contracts for total amount of 9 333 000 EUR (Joint co-financing, excluding all taxes and duties);
- Component 2:
  - Measure 2.1 - grant scheme for total amount of 2 400 000 EUR (Joint co-financing);
  - Measure 2.2 - grant scheme for total amount of 2 400 000 EUR (Joint co-financing);
- Component 3 - number of work, supply contracts for total amount of 2 515 000 EUR (Joint co-financing, excluding all taxes and duties);
- Component 4 - grant scheme for total amount of 1 889 000 EUR (Joint co-financing);
- Component 5 – number of framework contracts for total amount of 190 000 EUR (Parallel co-financing).

7 Implementation Schedule
7.1. Start of project activities
The implementation of the Phare 2003 ESC will start after Financial Memorandum will be signed.

7.2. Project Completion
All contracts must be concluded in two years time period since the Financial Memorandum is signed. All disbursements must be made in three years period time since the Financial Memorandum is signed.

8 Equal Opportunity
Participation in the project will require professional qualifications and competence in the particular area and will allow an equal opportunity for men and women to participate in implementation of the project. Access to the project results will be equal for men and women. Respective acquis will be taken into account when implementing the project.

9 Environment
It is planned that each infrastructure project where it is necessary to be implemented within this programme should have elaborated project documentation including the Environment Impact Assessment, corresponding to 97/11/EC prior contracting. Annexes I and II to the 1997 directive define the cases where an Environment Impact Assessment is required.

10 Rates of return
Due to the breadth of potential projects within the proposed programme it is not possible to specifically define Rates of Return at this stage. Accordingly, any project that shows an ERR less than 5% (in real terms, in Euro) or a negative ENPV, after discounting at the benchmark 5% (in real terms) discount rate, should be carefully reviewed or even rejected.

11 Investment criteria
For investment (works) projects submitted under a Grant Scheme feasibility study will be worked out.

11.1 Catalytic effect:
Phare support will catalyse the process of improvement the economic and social cohesion in the region by providing support to increased competitiveness within existing enterprises, encouraging the development of new competitive enterprises encompassing multidisciplinary elements, investments in the proposed measures in compliance with the strategic objective of the National Development Plan. This project by building business infrastructure should improve the conditions for business development and test efficiency of administrative structures and sufficient planning and absorption capacities for regional development and implementation of structural funds.

11.2 Co-financing:
Co-financing structure and final beneficiary commitment
One of the criteria for Phare support will be the potential attraction of other sources of funding as it was already stated earlier in the fiche, including the private funding where appropriate according to the state law on “State support to entrepreneurship”. Furthermore the attraction on funding from different IFIs and local banks is of crucial importance.

11.3 Additionality:
Phare funding will not be allocated to projects which can be solely funded by the private sector or which fall under exclusive support of other IFI’s. Phare funding will not conflict or compete with funding activities of other financial institutions but will be complementary to leverage the effectiveness. The combination of Phare state / municipal budgets funding, will, for private sector projects, have a prerequisite of owners capital contribution, with a multiplier of funding from other sources (such as IFI’s or banks or venture capital entities).
Infrastructure projects will be given priority where the potential exists in the project to leverage the investment to benefit a number of strategic business developments in the locality.

11.4 Project readiness and size
All infrastructure projects must be ready for contracting i.e. they must have comprehensive and satisfactory technical and financial feasibility. They must be linked to concrete investments by private enterprise, which must have commitments for the necessary capital or other finance. The projects must contribute to competitive advantage development in economic appraisal and feasibility studies. A demonstrated contribution to competitive advantage, commensurate with the investment required by the State and providing amortisation over an appropriate time-scale.

11.5 Sustainability
The projects must be sustainable in the context of an enlarged EU in the long term. They must be implemented in compliance with EU norms and standards. They will prove- if applicable- the compliance with EU norms and standards. They should not have adverse effects on the environment and must be financially sustainable. The incorporation of the banking sector and the policy of ensuring private sector co-funding are partially designed to ensure project sustainability as well as to maximise the effect by size and significance of projects.

11.6 Compliance with state aids provisions
All assistance proposed under this programme will respect law on “State support to entrepreneurship” and will be consistent with State Aid Rules as they would apply to an Objective 1 consistent with treaty Articles 87(a) and European Commission guidelines on regional aid published in the Official Journal of the European Communities on 10 March 1998.

11.7 Contribution to the Development Plan
See point 2.4 in this fiche.

12 Conditionality and sequencing
• The minimum required operational capacity (structures, bodies) for the implementation of the ESC programmes should be put in place by September 1, 2003
• Detailed roles of all bodies, especially RDA’s, MoRDLG, MoW established in line with SF approach principles, respecting requirements of Phare programme implementation, and avoiding conflict of interest.
• State and municipal budget will provide co-financing.
• The application forms for ERDF and ESF are developed.
• Required technical documentation for individual projects prepared

ANNEXES TO PROJECT FICHE
1. Logical framework matrix in standard format
2. Detailed implementation schedule
3. Cumulative contracting and disbursement schedule
4. Project selection process within the components 2 and 4
5. Project selection process within the components 1 and 3
### Phare log frame

<table>
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<th>LOGFRAME PLANNING MATRIX FOR Project: Economic and Social Cohesion</th>
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<th>Sources of Verification</th>
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| • To promote sustainable economic and social development in the country, with particular regard to internal cohesion. | • Capacity improvement of administrations in national and sub-national level in relevant sector  
• The preconditions for the development of the entrepreneurship created  
• Employment rate increased per region | • National statistical reports  
• Commission reports |

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<th>Project purpose</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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| (a) to develop innovative business infrastructure and applied research infrastructure;  
(b) to improve the employability of the labour force;  
(c) to develop local economic activities based on natural, cultural and historical sites revitalisation;  
(d) to prepare project proposals for funding under the Structural Funds. | • Additional jobs created as a result of assisted innovative business, applied research or related tourism infrastructure supported projects  
• Number of projects eligible for EU financing increased  
• project pipeline developed | • National reports and statistics  
• Commission reports | • Political and economic stability |

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<thead>
<tr>
<th>Results</th>
<th>Objectively verifiable indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
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</table>
| • Business-related infrastructure for enterprises in place and used  
• Applied research facility improved  
• More high value goods produced  
• Employability of labour force improved  
• Labour force development enhanced  
• Natural, cultural and historical heritage sites restored attracting a larger number of visitors  
• Regional bodies and municipalities acquired experience in project development and implementation  
• Project proposals for future EU funding developed | • Number (8) of businesses attracted to the developed business - related infrastructure  
• Investment in R&D induced by beneficiaries in supported projects  
• Number of applied research facility improved  
• Number of schools (incl. trainers/teachers) benefiting from initiatives to modernise teaching content and tools (in total 5 attractions improved)  
• Increase in number of natural, cultural and historical heritage attractions for visitors | • National & regional statistics  
• Monitoring reports  
• Projects reports  
• Brochures, marketing activities  
• Information materials | • Sufficient demand for this project  
• Effective implementation of this project and good co-operation between institutions involved in this process |
created/ improved
- Number (25) of job places in natural, cultural and historical heritage sites

<table>
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<tr>
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<td>• Development of Innovative Business and Applied Research Infrastructure;</td>
<td>• Component 1 - a number of work, supply and service contracts for total amount of 9 333 000 EUR</td>
<td>• Stabilised regional administration structures staffed with the well trained and committed people</td>
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<td>• Investment in Human Capital and Human Resource Development:</td>
<td>• Component 2:</td>
<td>• Regional partnership developed</td>
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<td>- Promotion of Employment</td>
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<td>• Skills for the management and implementation of SF type programmes developed</td>
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<td>- Development of Vocational Education and Continuing Training</td>
<td>- Measure 2.1. - Grant scheme for total amount of 2 400 000 EUR</td>
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<td>• Investment in Development of Natural, Historical and Cultural Heritage for Economic Use;</td>
<td>• Component 3 - a number of work, supply and service contracts for total amount of 2 515 000 EUR</td>
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<td>• Development of Project Pipeline;</td>
<td>• Component 4 – Grant Scheme for total amount of 1 889 000 EUR</td>
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<td>• Technical Assistance.</td>
<td>• Component 5 – a number of framework contracts for total amount of 211 000 EUR</td>
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<td>• Beneficiaries’ co-financing for individual projects available</td>
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<td>• Co-financing of Latvian government available</td>
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# DETAILED IMPLEMENTATION SCHEDULE OF THE PROJECT ACTIVITIES

## Economic and Social Cohesion measures in Latvia

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# CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (EUR million)

## Economic and Social Cohesion measures in Latvia

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<td>0.014</td>
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<td></td>
<td><strong>0.021</strong></td>
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</table>

* Investment Support is understood as the Pre – Investment support
** Joint co-financing, excluding all taxes and duties
*** Joint co-financing (may include taxes and duties paid by the grant beneficiary)
**** Parallel co-financing. It will cover the office costs of local transport, telephone, fax, internet connection, copying and printing services, preparation of the premises
Final Beneficiary (Applicant)

Implementation of the projects

PROJECT SELECTION PROCESS within the Components 2 and 4

Regional Development Agencies

Central Finance and Contracting Unit

Ministry of Regional Development and Local Governments in close-coordination with the
Ministry of Welfare, Ministry of Economy, Ministry of Science and Education and Ministry of Culture

Phare 2003 Steering Committee

European Commission

Guidelines approved by ECD & SC

Ex-ante approval

Endorsement

Preparation of the instructions to applicants, application forms, evaluation provisions and other documents related to the selection of projects

MoRDLG launch open call for proposals

Submission of the project proposals

Evaluation of the project applications by the Phare 2003 ESC Evaluation Committees (representatives from Ministries)

Independent EU experts (from Component 5) shall assist the MoRDLG in assessment process of the application and provide its independent opinion as assessors of project applications

Decision on approving the projects

Yes

No

In close co-operation with MoRDLG

Informative seminars

Ex-ante approval of project applications

Preparation of project applications

Following the EDIS accreditation the implementation arrangements will be changed and ex-ante controls waived.
PROJECT SELECTION PROCESS within the Components 1 and 3

Regional Development Agencies
Central Finance and Contracting Unit
Ministry of Regional Development and Local Governments in close-coordination with the Ministry of Welfare, Ministry of Economy, Ministry of Science and Education and Ministry of Culture

Preparation of project applications
Ex-ante approval of project applications
Project applications
Submission of the project proposals
Evaluation of the project applications by the Phare 2003 ESC Evaluation Committees (representatives from Ministries)
Independent EU experts (from Component 5) shall assist the MoRDLG in assessment process of the application and provide its independent opinion as assessors of project applications
MoRDLG launch open call for proposals

Ex-ante approval
Endorsement
Guidelines approved by ECD & SC
Decision on approving the projects

No
Yes

Final Beneficiary (Applicant)
Implementation of the projects

Following the EDIS accreditation the implementation will be changed and ex-ante controls waived.