1. Basic information

1.1 CRIS Number: 2005/017-488.01.04
1.2 Title: Building knowledge in the area of budget revenue analysis
1.3 Sector: Taxation
1.4 Location: Ministry of Finance, Warsaw, Poland

2. Objectives

2.1 Overall Objectives:
Strengthen the Ministry of Finance in the area of analysis of state budget revenues, mainly tax revenues.
Improve quality of public finance information in order to fully guarantee better liquidity management and overall stability of public finances.

2.2 Project Purpose:
Develop a common analytic platform for data on tax and customs revenues.
Develop and strengthen cooperation and exchange of information and experience between multiple centres of budget revenue analysis, especially between the areas of tax and customs revenues.

2.3 Justification:
The Monitoring Report from 5th Nov. 2003 states the following priorities for the Polish administration:
10. Taxation – “Poland needs to further strengthen is tax administration, … and should continue its efforts to set up the information technology systems allowing for the exchange of computerized data”
12. Statistics – “improve quality and timeliness of data in some areas, such as public finance statistics, data on revenues, …”
29. Financial and budgetary provisions – “Member States must ensure the creation of appropriate administrative capacity to adequately coordinate and ensure the correct calculation, collection, payment and control of own resources and reporting to the EU …”

3. Description

3.1 Background and justification:
The project is an element of the overall strategy of the Ministry of Finance, aimed at introducing a common information platform for budget revenue analysis and macroeconomic analysis. It is also in line with the priorities set in the Monitoring Report of 5th Nov. 2003, described above.
The Ministry of Finance provides services to the Minister of Finance in respect of the following government administration sectors: the budget, public finances and financial institutions. The scope of activities within the indicated fields encompasses, among others, working out of the state budget and the control over execution of the state revenues and expenditures.
The scope of tasks of the Financial Policy and Statistics Department is established, among others, in the Regulation of Minister of Finance of 10 October, 2002 on provision of an organisational statute to the Ministry of Finance, and in the Internal Regulation by the Head of the Financial Policy and Statistics Department on organisational statute of the Financial Policy and Statistics Department, of 18 October, 2001.
The Financial Policy, Analysis and Statistics Department is responsible within the Ministry of Finance, among others, for: preparation of analyses in respect of: execution of the state budget revenues, impact of amendments of the tax system, and monthly and daily forecasts of state revenues for the management of the state budget liquidity; analysing and forecasting of the basic macroeconomic values; and categories of public finance sector in respect of revenues, the state budget deficit and the public sector finance deficit.
The system developed under this project is aimed at supporting the statutory activities of the Financial Policy, Analysis and Statistics Department, mainly:

- preparation of budget forecasts to the “State budget act”,
- preparation of part of the “Report on the realization of the budget”, which is the main document presenting execution of the budget revenues planned in the state budget act to the Council of Ministers and the Parliament,
- analyzing the tax system and determining the impact of the proposed changes in the tax system on the worth of tax revenues of the state budget,
- research on the factors that trigger changes in the amount budget revenues and determining whether these are permanent or one-off factors.

The project will also be a step towards unifying the analytic platforms for two main sources of budget revenues: tax and customs. This is an important factor, as the tax and customs administration once used to be under two separate institutions and the merge of the two administrations is still in progress.

The project draws from the knowledge and experience gained by the Beneficiary while developing the SINDBAD system, which was the key element of the PL0101.12 project – see 3.2 Linked activities for more details. The SINDBAD system integrates tax and customs data originally collected in separate warehouses/databases, each of them dedicated to a single revenue title (PIT, CIT, VAT, SAD, etc.) and reporting systems (providing information on realization of revenues declared by the taxpayers). Thus, it provides a single interface, allowing for cross-analysis on multiple areas of budget revenues.

One cannot underestimate the importance of this functionality, bearing in mind that the different sources of budget revenues interrelate and a structural change in one tax does have an impact on other revenue sources as well.

The experience proves the utmost importance of sufficient data description (metadata) and its high impact on understanding the data, and thus on the quality of data analysis. It is especially crucial for the comparison between two main sources of budget revenues: taxes and customs duties, which are collected in separate operating systems and on separate software platforms, which results in high discrepancy between data description models in those two areas.

Therefore, achieving one of the main objectives – common analytic platform for data on tax and customs revenues – would have a strong positive effect on the quality of data analysis in the area of budget revenues, thus contributing to fulfilling the priorities stated in the Monitoring Report from 5th. Nov. 2003 – “continue efforts to set up the information technology systems allowing for the exchange of computerized data” and “improve quality and timeliness of data in some areas, such as public finance statistics, data on revenues, …”.

3.2 Linked activities:

The project is a follow up from the PL0101.12 project: “Tax information system and fiscal consolidation”, which was aimed at providing integrated data and high-class analytic tools.

The project is being finished with a success and it will meet all the main objectives. One of the main products of the project is the SINDBAD system – an analytic system / data warehouse, allowing for integrated access to information on state budget revenues from various data sources, and equipping the analyst with high-class analytic tools allowing to utilize the data in the most efficient manner. The project also results in development of knowledge and experience among both the project teams and users of the system.

The SINDBAD system is a first step towards the integration of numerous, separate data sources existing without the tax and customs administration. It has, on top of its main results described above, increased awareness on the importance of a unified, integrated platform of access to information and about the ultimate importance of accurate description of data (metadata).

The new project is aimed at continuing those efforts, mainly in the area of a unified data model, access to data, as well as building the knowledge base among the employees of tax and customs administration responsible for analyses of state budget revenues.

3.3 Results:

A common analytic platform for tax and customs data developed.
A group of analysts and administrators well prepared to effectively and creatively use and maintain the system.
Utilization of high-class analytic tools provided by the system enhanced.
Forum for exchange of information between analysts of the MoF established:
– information about best use cases of the existing tools and information resources,
– uniform platform of cooperation in the area of problem solving.
Integration and publishing of use cases, reports, models (including simulation models) created on data from the SINDBAD system.

3.4 Activities:
The schedule of contracts reflects the time framework within which the project is realized as well as the procedures regarding implementation of Transition Facility projects.
The project will consist of two main components: a TA contract aimed at providing support to the Project Team in preparation for and supervision of the second contract and a TA contract, dedicated to development of the SINDBAD system and conducting a broad training programme for analysts of the MoF.

Contract 1: TA – support to project team
The first contract will be aimed at providing technical and organizational support to the project team, including: assistance in preparation to the main contract (Contract 2), assistance in supervision of the main contract (preparation of Project Quality Plan, participation in the analysis stage, evaluation and initial acceptance of contract deliverables).
The experience gained during implementation of the previous Phare project proves the utmost importance of a well-managed technical support contract and its direct link to the overall success of the project. Experience shows that such an advisory contract should be launched shortly before the main contract (to let the consultants finalize the kick-off stage and get acquainted with the essentials of the project before the commencement of the main contract) and it should not terminate before acceptance of all key deliverables of the main contract. This assures broad and efficient participation of the consultants from the earliest stages of the main project.
One should note that the consultants’ role would not involve the operational management of the project. This, as well as control over execution of Contract 2, would be performed by the Project Team of the Beneficiary. The consultants, however, would support the Project Team in the technical evaluation of the deliverables provided under Contract 2, as well as in some organizational elements, such as preparation of Project Quality Plan. This kind of support could not be undervalued, taking into account that the core competences of the Project Team are in the area of analysis and statistics, not IT.
On the other hand, the Project Team would control and evaluate both the consultants from Contract 1 (consultants will be obliged to report to the beneficiary on every stage of the realisation of the project) and execution of the remaining contracts.
Assuming start of project activities in III quarter 2006 and end of project activities in IV quarter 2007/I quarter 2008, we expect that the experts should be available during some 15-18 months. However, one should note that for this type of contract permanent availability of experts is not necessary. Experience gained from the previous project shows that it is most efficient to schedule availability of experts’ team during peaks of project activity (i.e. analysis, acceptance of project deliverables, quality audits, etc.), instead of bearing additional cost of their availability in periods when their knowledge and experience is not fully utilized.

Contract 2: TA – development of an analytic IT system + training
The main contract of the project will consist of two main components: assistance in development of the analytic IT system (SINDBAD system) and a broad training programme.
The first component – development of the analytic IT system – will be focused on developing the data model for state budget revenues and making a step towards automating the process of metadata creation. The scope of tasks will also include: upgrading the system into the new platform as well as adjustment to actual source systems and solutions in the area of IT in the MoF. The process will require close cooperation with the source systems.
The second component – training – will be meant as a broad training programme, aimed at strengthening the knowledge base and developing a group of analysts well prepared to take advantage of the opportunities developed by the project. The training programme would be addressed towards a group of at least 50 key analysts, employees of tax and customs administration responsible for analyses of state budget revenues. The scope of the trainings would be focused on methods used data analysis and forecasting (statistics, data mining, etc.). The training programme should be oriented towards practical usage of the methods, preferably demonstrated with the use of data provided by the SINDBAD system. The immediate effect of the training programme should be demonstrated in a more effective and efficient usage of the SINDBAD system.

Contract 3: extension of the MF IT infrastructure necessary for the project
The last contract would supplement the existing IT infrastructure of the Ministry of Finance, in order to enable proper functioning of the system, and thus allow for fulfilling the overall objective of the project. The contract would be aimed at developing the hardware infrastructure of the system, increasing its efficiency and security.

The contract would encompass investment expenditures necessary for the system: hardware (server and/or disc matrix) and/or software tools, supported by activities such as: expertise and analysis in the area of hardware and software infrastructure, security, audits, trainings, conferences, etc.

3.5 Lessons learned:
While implementing the project described in this project fiche, the Beneficiary would draw from the experience gained during implementation of its previous project – PL0101.12. The main lessons gained from the previous project, and to be kept in mind while realizing the current project, would include the importance of early preparation of the documentation needed to organize the tendering/contracting process and being informed about the current tendering procedures. The latter is important as the tendering moves from PRAG/GGAPP to Polish law on public orders while the first is crucial in respect to meeting project objectives and realizing contracts within tight deadlines.

In addition to that, the Beneficiary would draw from the conclusions from the Interim Evaluation Report No. IE/PL/PAD/05001; 24th March 2005. The evaluation report stressed, among others, crucial importance of highly committed staff and its positive impact on project efficiency. This conclusion is fully in line with the Beneficiary’s observations and will be followed by the project management during the implementation of this project.

Moreover, the project team will put more emphasis on the preparatory stage of the project – which is an attitude observed in some Phare projects realized by the Beneficiary. During the preparatory stage, the project team will organize a study focussed on needs assessment for the project. More details on needs assessment can be found in Annex 4 of the project fiche.

Last but not least, there are two more observations relating to project scope and management that the project team made while both leading its previous (PL0101.12) project and actively participating in other analytic projects realized by the Ministry of Finance.

One of them relates to time framework of an analytic project – the project team observed, that in order to increase positive results of such a project, more time should be devoted to the implementation and training stage, in order to get the users of the analytic system developed under the project more acquainted and eager to use the system in their daily work. One should note, that making users interested in the system is especially important in case of analytic systems like SINDBAD, where (unlike in case of operating systems) users are not forced by any procedures to utilise the system and thus need to be convinced that the system will make their analytic work more comfortable. This observation will be taken into account at the time when the time framework for contract 2 will be created.

The other one concerns the scope of the project – while comparing its previous project (PL0101.12) with other analytic projects realized within the Ministry of Finance, the project team understood that the results of the project can be further improved when the consultant developing the analytic IT system does also audit quality of data collected by the system and prepare sample analytic models using data collected by the system. Audit of data quality leads to better understanding of data by both
the consultant and the Beneficiary, and thus contribute to success of the project. Whereas sample models can be explored both during the training stage (to better illustrate possible usage of the system to its users) and in the early stage of system usage (to help the users develop their own analysis and models, by means of giving them an example of what can be developed with use of data and tools provided by the system). The project team believes in high importance of both elements (data quality audit and sample models) and will incorporate them in the design of the main contract.

4. Institutional Framework
The a.m. activities will improve the functioning of the Ministry of Finance to become an institution with strong administrative capacity comparable with international standards, and able to respond to various requirements of the EU. They will contribute towards developing a common, unified analytic platform, thus helping to realize the priorities set in the Monitoring Report of 5th Nov. 2003, as described in 2.3.

The institution responsible for the project is the Ministry of Finance, Department of Financial Policy, Analysis and Statistics, who is also the beneficiary of the project. The range of persons who will benefit from successful implementation of the project is very broad – including analysts from other analytic units within the Ministry of Finance, as well as tax and customs chambers.

5. Detailed Budget

<table>
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<tr>
<th>[EUR ’000s]</th>
<th>Transition Facility</th>
<th>Support</th>
<th>Total TF(=I+IB)</th>
<th>National Funds</th>
<th>Public Other</th>
<th>TOTAL</th>
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<td>Institution Building</td>
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<td></td>
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<td>Contract 3</td>
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<td>Total</td>
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<td>1 500</td>
<td>1 500</td>
<td>800</td>
<td></td>
<td>2 300</td>
</tr>
</tbody>
</table>

The co-financing funds for the project will be available.
Contract 2 is jointly co-financed. Contract 3 consists of parallel co-financing.

In the case of Joint Co-financing, where the final overall cost is lower than foreseen in the project fiche, the National Public and Transition Facility Co-financing are reduced proportionally so as to maintain the agreed rate of co-financing. In the case of Parallel Co-financing, where the final cost is lower than foreseen in the project fiche, it must be shown that the overall objectives of the project have been fully achieved.

6. Implementation Arrangements
6.1 Implementing Agency
PAO: Mr. Tadeusz Kozek, Under-secretary of State at the Office of the Committee for European Integration, Al. Ujazdowskie 9, 00-918 Warszawa, Poland, phone: 48224555241, fax:48224555243
CFCU: Foundation „Cooperation Fund”, Central Financing and Contracting Unit, 4a Górnośląska str., 00-444 Warsaw, phone: 48226220031, 6228464, fax: 48226229701, e-mail: cofund@cofund.org.pl
SPO: Jacek Krzyślak, Ministry of Finance, Department of Financial Policy, Analysis and Statistics, 12 Świętokrzyska St., 00-916 Warszawa, phone: +48 22 694 5232, fax. +48 22 694 3630, e-mail: jacek.krzyslak@mofnet.gov.pl
Project Leader: Iwona Kolowacik, Ministry of Finance, Department of Financial Policy, Analysis and Statistics, 12 Świętokrzyska St., 00-916 Warszawa, phone: +48 22 694 5317, fax. +48 22 694 3630, e-mail: iwona.kolowacik@mofnet.gov.pl

6.2 Twinning
N/A
6.3 Non-standard aspects
N/A

6.4 Contracts
Three contracts are envisaged:
- Contract 1 – 300 000 euro gross value (300 000 euro TF)
- Contract 2 – 1 300 000 euro gross value (1 200 000 euro TF + 100 000 euro Polish co-financing) – joint co-financing
- Contract 3 – 700 000 euro gross value (700 000 euro Polish co-financing) – parallel co-financing

7. Implementation Schedule
7.1 Start of tendering/call for proposals
IV quarter 2005

7.2 Start of project activity
III quarter 2006

7.3 Project Completion
IV quarter 2007 / I quarter 2008

8. Sustainability
The beneficiary has a project team able to maintain the administrative function of the project. The project team has proved its high quality of work under the previous Phare project (which was implemented within very short time framework). The strengthening of the team would, however, help to increase its productivity and distribute the workload more effectively. The beneficiary foresees the costs involved in future maintenance of the SINDBAD system. The forecasts are included in the plan of expenditures for the coming years.

9. Conditionality and sequencing
Implementation of the project depends on:
- functioning of the SINDBAD system – resulting in experience in usage of the system and need for development,
- existence of a strong analysts team (users),
- functioning of the actual source system or otherwise assured availability of their functionalities for the SINDBAD system,
- good co-operation between the consultants and the beneficiary

Sequence of the proposed activities:
- needs assessment prepared by the Project Team, resulting in elaboration of tender documentation for the advisory contract (Contract 1) and the system development + training contract (Contract 2),
- simultaneous contracting for the advisory contract (Contract 1) and the system development + training contract (Contract 2),
- launching the advisory contract (Contract 1) shortly before the main contract (Contract 2) – in order to allow the advisors prepare well for their mission,
- realization of the system development task,
- subsequent preparation of technical specification for Contract 3,
- completion of Contract 3 (hardware delivery) in time to allow for timely finalization of Contract 2 (upgrading the system into the new hardware platform, delivered under Contract 3),
- subsequent realization of the training task – drawing from experiences gained during the system development stage.

Main stages of project implementation:
- needs assessment IV’05
- preparation for ToR for the advisory contract (Contract 1) and the main contract (Contract 2) IV-V’05
- start of tendering II’06
- selection of consultants for both contracts III’06
- kick-off of the advisory contract IV’06
- kick-off of the main contract IV’06
- preparation of technical specification for Contract 3 I’07
- completion of Contract 3 IV’07
- completion of the main contract I-II’08
- completion of the advisory contract I-II’08
Annex 1: Logframe matrix

<table>
<thead>
<tr>
<th>LOGFRAME PLANNING MATRIX FOR THE PROJECT</th>
<th>Programme name and number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
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<tr>
<td>“Building knowledge in the area of budget revenue analysis”</td>
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<tr>
<td>Contracting period expires</td>
<td>Disbursement period expires</td>
</tr>
<tr>
<td>IIIQ2007</td>
<td>IIIQ2008</td>
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<td>Total budget 2 300</td>
<td>Transition Facility Budget 1 500</td>
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</table>

<table>
<thead>
<tr>
<th>Overall objective</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strengthen the Ministry of Finance in the area of analysis of state budget revenues, mainly tax revenues. 2. Improve quality of public finance information in order to fully guarantee better liquidity management and overall stability of public finances.</td>
<td>Ensuring required institutional level of Polish administration, meeting EU requirements on tax and budget analysis.</td>
<td>Preparation of project of the State Budget. Analysis of realization of the State Budget.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Purpose (Immediate Objectives)</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Develop a common analytic platform for data on tax and customs revenues. 2. Develop and strengthen cooperation and exchange of information and experience between multiple centres of budget revenue analysis, especially between the areas of tax and customs revenues.</td>
<td>1a. Modifications and new functionalities implemented into the SINDBAD system. 1b. Development of the business metadata information module, leading to easier interpretation and analysis of data from the area of budget revenues. 2. Sharing of analytic works and models between various centres of budget revenue analysis.</td>
<td>1. Documentation of business metadata model 2. The web site (forum for exchange of information) and its documentation.</td>
<td>Cooperation of all organizations involved in project implementation. Award of relevant funds for project implementation.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Results</th>
<th>Objectively Verifiable Indicators</th>
<th>Sources of Verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a. A common analytic platform for tax and customs data developed. 1b. A group of analysts and administrators well prepared to effectively and creatively use and maintain the system. 1c. Utilization of high-class analytic tools provided by the system enhanced. 2a. Forum for exchange of information between analysts of the MoF established: – information about best use cases of the existing tools and information resources, – uniform platform of cooperation in the area of problem solving. 2b. Integration and publishing of use cases, reports, models (including simulation models) created on data from the SINDBAD system.</td>
<td>1. Existing and utilised global metadata model, covering both the tax and customs area by the end of the project. 1b. A group of at least 50 key analysts who completed the trainings. 1c. Correct analyses and reports (including cross-analyses) performed on tax and customs data (supported by usage of the global metadata model) by the end of the project. 2a. Stable functioning of the forum for exchange of information between the analysts. 2b. Experiences gathered in SINDBAD use cases and other budgetary analysis – transformed into well prepared information for analysts and users of the SINDBAD system. Information for analysts and users (use cases, reports, models, including simulation models) published on the SINDBAD web site.</td>
<td>1. Post-implementation documentation of the SINDBAD system 2. Publication of use cases, reports, models, including simulation models (list of use cases and models, with a unified description of each item) on the SINDBAD web site.</td>
<td>Provision of required funds. Successful implementation of all activities under the PL0101.12 project.</td>
</tr>
<tr>
<td>Activities</td>
<td>Objectively Verifiable Indicators</td>
<td>Sources of Verification</td>
<td>Assumptions</td>
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<tr>
<td>1a. Continue efforts towards a common data model for various areas of tax and customs revenues; Develop a structuralized description of data (metadata).</td>
<td>The data model realized and implemented. All new elements integrated into the SINDBAD system. Trainings completed. Hardware delivered and installed.</td>
<td>Documentation confirming realization of tasks contracted under the project. Good assessment of trainings by participants.</td>
<td>Availability of funds necessary for national cofinancing. Availability of other resources needed for organization and supervision over the project, as well as contracting the funds from co-financing – availability of the project team, dedicated to the project.</td>
</tr>
<tr>
<td>1b-c. Conduct a broad training programme, aimed at strengthening the knowledge base and developing a group of analysts well prepared to take advantage of the opportunities developed by the project.</td>
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<tr>
<td>2a. Develop and implement the forum for exchange of information</td>
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<tr>
<td>2b. Introduce standard analysis models to the system.</td>
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<tr>
<td>Purchase hardware necessary for development of the system.</td>
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**Preconditions**

The actual source systems for the SINDBAD system must exist, or their functionalities must be otherwise available for the SINDBAD system. A strong analysts team. Functioning of the SINDBAD system– experience in usage of the system.
## Annex 2-3: Implementation, contracting and disbursement schedule

<table>
<thead>
<tr>
<th>Date of Drafting</th>
<th>Planning Period</th>
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<th>II’06</th>
<th>III’06</th>
<th>IV’06</th>
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</table>
Annex 4: Needs Assessment

During the preparatory stage, the project team will organize a study focussed on needs assessment for the project. The aim of the study would be to formulate detailed requirements for the contracts to be realized under the project. The results of the study – i.e. the needs assessment – will be used as base to prepare ToRs for Contract 1 and 2. It will not focus on specifying the technical specification for contract 3, as this would be one of the products of Contract 2 (the consultants, during the analysis stage, should also specify detailed requirements for the hardware on which the system to be built under contract 2 will be installed).

The formula of needs assessment has been used within some Phare projects realized by the Beneficiary and the project team believes that it would be very helpful as a forum of exchange of information and experience between multiple stakeholders of the projects.

One should note that under the main contract (contract 2), the contractor will not develop a completely new system but they will implement modifications and new functionalities to the existing SINDBAD system, which was developed under the PL0101.12 project. Therefore, the needs assessment will to a large extent draw from observations and conclusions of the project team, that arise from their experience relating to development, implementation as well as maintenance of the SINDBAD system.

The needs assessment study – organized in a form of a series of meetings – would furthermore be advantageous in a way that it would allow the project team to separate itself from other tasks and use brainstorming or other techniques of team work in order to come up with a shared view on a set of detailed requirements for the project as a whole and the contracts to be realized within the project. This would also build knowledge amongst the members of the project team and would thus contribute to realizing the goals of the project.