Project No: LE 99.03.03

Title : Capacity building for CFCU

1. Location

Ministry of Finance, Smilsu Street 1, LV-1919
Valentina Andrejeva, State Secretary, Programme Authorising Officer

2. Objectives

General Objective

Enhancement of the efficiency and effectiveness of the implementation of the EU assistance through strengthening of procurement systems and supporting establishment of sound financial management and internal control systems

Specific Objective

- Strengthening the management and implementation capacity of the Ministry of Finance, i.e. inter-institutional collaboration
- Strengthening the capacity of the Ministry of Finance in execution of projects under decentralised implementation system
- Support for establishment of sound financial management and internal control systems for implementation of the EU funds
- Establishment of the basis for effective procurement practices to ensure its coherence with EU requirements

National Programme for European Integration:

Priority Theme: Improving the Administrative Capacity

Accession Partnership:

Reinforcement of Institutional and Administrative Capacity: further structural reform of public administration

3. Description

The project will provide the support to the CFCU as an implementing agency for institutional building and other programmes, if appropriate. This is fully in line with the Memorandum of Understanding on the establishment of the CFCU signed between the European Commission and the Government of Latvia in October 1997 setting the scheme for phasing out operational costs during the 1st five years of the CFCU operations.

The project will provide specific support to the Ministry of Finance for its implementation capacity in accumulation of know-how and experience . This among others concerns:

(i) further development of the financial management system compatible with the EU regulations carried out by a single adequately staffed unit, located within the Government body and supervised by the senior government officials

(ii) further development of a legal framework and enforcement mechanisms to insure that procedures put in place are adequately implemented

(iii) continued improvements of the CFCU efficiency and effectiveness to secure timely and adequate implementation of an increasing number of projects as well as advisory activities

It is envisaged to continue support to the CFCU activities:

(i) through a Financing Agreement and

(ii) by a provision of a technical assistance in terms of advisory support and specific short-term expertise

Expected results and outputs

(i) enhanced capacity and skills with Ministry of Finance staff for the implementation of Phare decentralised implementation system

(ii) enhanced capacity of institutions consider in handling EU funds, developed institutional framework and enforcement mechanisms resulting in effective and timely management of EU funds, verification of strict compliance with Phare management and endorsement procedures and demonstration of effective internal control, accounting and financial reporting system. Continued assistance to other institutions dealing with implementation of the Decentralised Implementation System.

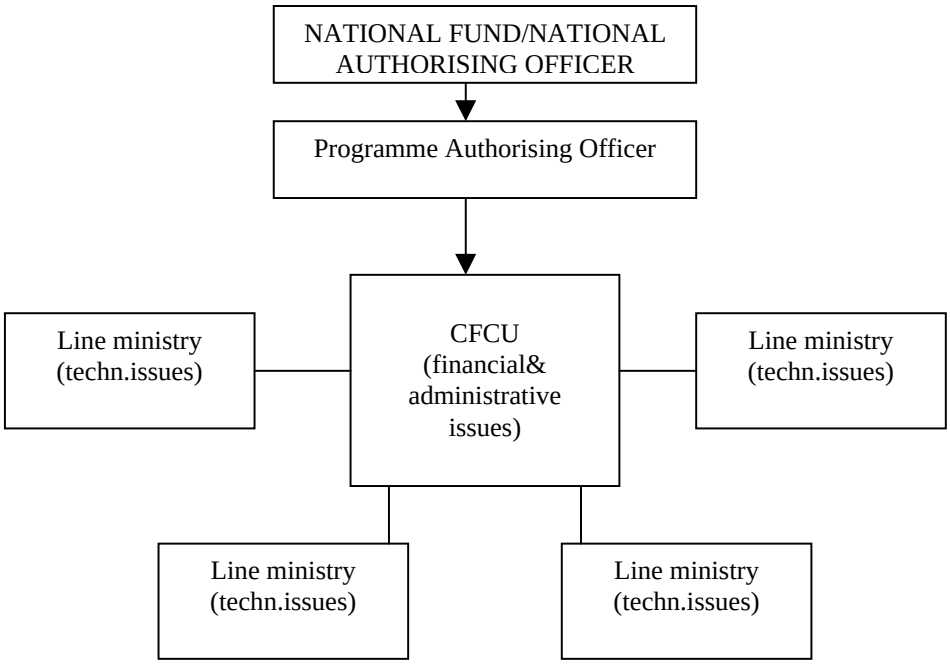
4. Institutional Framework

The Ministry of Finance is responsible for co-ordination of implementation and management of EU funds in Latvia.

- The Central Finance and Contracting Unit is an institution under supervision of the Ministry of Finance. It was established to deal with financial and administrative aspects of the decentralised Phare programmes in Latvia. It operations started on February 16, 1998. In accordance with the Memorandum of Understanding on establishment of the CFCU, the Commission would provide start-up operational costs as well as technical assistance to strengthen the CFCU operations during first years. To date the CFCU benefits from the technical assistance and is becoming closer to institutional sustainability.

  It is understood that the CFCU as the first Phare decentralised implementing institution in Latvia (1996-1998) would contemn to play significamnt role by managing approx. 80 % of Phare projects. Therefore it could continue to transfer its experience and know-how to other implementing agencies.

  The CFCU has close interrelation with respective line ministries, the State Treasury. The CFCU is responsible for decentralised implementation of Phare programes, in particular for its institutional building component.



5. Budget: (1999+2000）in EUR

	Investment		**Institution building**		**Total Phare (=I + IB)**	**Recipient**	**TOTAL**
Institutional Support			**200 000**		**200 000**	**50 000**	**250 000**
TOTAL			**200 000**		**200 000**	**50 000**	**250 000**

6. Implementation Arrangements Financing Agreement for support of the CFCU in accordance with the Memorandum of Understanding (September, 1997)

7. Implementation Schedule

Start of project activity:

- 4th quarter 1999

Completion:

- 1st quarter 2001

has to be understood as a small contingency element as part of the twinning package

8. Equal Opportunity

The main criteria in the tender evaluation process for the staff evaluation will be professional qualification and experience in Phare procurement and financial management procedures but not sex or age. Equal opportunities will be given to men and women.

The Latvian public administration is an equal opportunity employer. Therefore already previous staff recruitment and selection procedures were carried out on the basis of professional qualification and level of competence of candidates. It has resulted in 4 / 2 (women / men) ratio applicable to existing CFCU staff. Further recruitment and selection procedures, if required, will be conducted on the basis of the same criteria

9. Conditionality and Sequencing

(i) continued political commitment to develop and increase capacity to implement programmes under decentralised implementation system
(ii) provision of adequate human resources for implementation of the projects
(iii) continued financial support to the Central Finance and Contracting Unit by the Government and Phare

ANNEX 1			*Programme number:* *LE 99XX.04*	*Date of drafting:* *January 1999*
LOGFRAME PLANNING MATRIX FOR CAPA*CITY BUILDING FOR CFCU*			*Contracting period expires:* *31 July 2001*	*Disbursement period expires:* *31 July 2002*
Project Number LE 9903.03			*Total Budget:* *(0.250 MEUR)*	*Phare contribution:* *(0.200 MEUR)*
Wider Objective	**Indicators of Achievement***	**How, When and By Whom Indicators Will Be Measured**	**Assumptions and Risks**	
Enhancement of the efficiency and effectiveness of the implementation of the EU assistance	Well implemented EU technical assistance	• Ministry of Finance, Line Ministries • the Commission	Commitment to support implementation of projects and programmes	
Immediate Objectives	**Indicators of Achievement***	**How, When and By Whom Indicators Will Be Measured**	**Assumptions and Risks**	
Strengthening the management and implementation capacity of the ministry, i.e. inter-institutional collaboration	Effective and timely management of EU funds	• Ministry of Finance, Line Ministries • the Commission	Commitment to support implementation of projects and programmes	
Outputs	**Indicators of Achievement***	**How, When and By Whom Indicators Will Be Measured**	**Assumptions and Risks**	
• Enhanced capacity and skills with ministry of Finance • Enhanced skills of line ministries staff	• Staff able to designed and implemented projects • Structure and procedures in place for management of programmes	• Ministry of Finance, Line Ministries • the Commission • Recipients of implemented projects	Commitment to support implementation of projects and programmes	
Inputs	**Indicators of Achievement***	**How, When and By Whom Indicators Will Be Measured**	**Assumptions and Risks**	
• TA & Training • Equipment and Management Support	• TA & Training completed • Equipment in place	• Ministries • the Commission • Recipients of implemented projects	Commitment to support implementation of projects and programmes	

Annex 3

IMPLEMENTATION SCHEDULE										Date of drafting	
LE 9903.03										January 1999	
Title	CAPACITY BUILDING FOR CFCU										
	Implementation Schedule (Quarters)										Cost Estimate
	PLANNED										
	1999				2000				2001		
	I	II	III	IV	I	II	III	IV	I		
Institutional building			*D*	*C+I*	*I*	*I*	*I*	*I*	*I*		*0.2 MEUR*

Legend: D: design of sub-projects, C: tendering and contracting, I: contract implementation and payment

Annex 4a

COMMITMENT (CONTRACT) SCHEDULE LE 99.03.03										Date of drafting January 1999	
Title	CAPACITY BUILDING FOR CFCU										
	Commitment Schedule (Quarters)										Cost Estimate
	PLANNED										
	1999				2000				2001		
	I	II	III	IV	I	II	III	IV	I		
Financing Agreement				*200.000*							*200.000*
											200.000

Annex 4b

DISBURSEMENT (PAYMENT) SCHEDULE									Date of drafting	
LE 99.03.03									January 1999	
Title	CAPACITY BUILDING FOR CFCU									
	Disbursement Schedule (Quarters)								Cost Estimate	
	PLANNED									
	1999				2000					
	I	II	III	IV	I	II	III	IV		
Financing Agreement					*100.000 (1st instalment)*		*200.000 (2nd instalment)*		*200.000*	
									200.000	

Annex 5

Relation of project with previous Phare activities and with on-going projects financed from other sources (national, bilateral or multilateral funding).
LE 99.03.03

Budget line	Title of project	Description	Implementation Status
EU Phare			
LE-9705.01	97- 0872 Financing Agreement as contribution to running costs to support activities of the CFCU and for the provision of services to the co-ordination and programming of technical assistance to the FAPCD	Support start-up and operational costs of the CFCU. Budget 750.00 EUR (CFCU share : 450.000 EUR) Duration: 24 months	On-going
LE-9705.01	97-5491.00 (SFR 96/02) Technical Assistance to the Central Finance and Contracting Unit, Ministry of Finance, Latvia	TA in set-up of the CFCU, launch of the CFCU operations, training, advise Input: 15 m/m long term and 66 m/d short term expertise Budget: 298.858 EUR Duration: 18 months	On-going