

Project No: LE9806.01

Title: Internal Market Capacity Building & Enforcement

1. Location

Ministry of Finance, Smilðu Street 1, LV-1919 Rīga
Mrs Valentīna Andrejeva, State Secretary
and,
Ministry of Economy, Brīvības Street 55, LV-1050 Rīga
Mrs Lilija Stelpe, Director
and
Central Statistical Bureau, Lâèplçða Street 1, LV 1301 Rīga
Mrs K. Zeila, Director

2. Objectives

General Objective

To create the necessary measures for adapting the Latvian economy to the internal market in the fields of macro economic policies, state aid, procurement, tax and customs administration and standards.

Specific Objectives

- ◆ Strengthening of the economic forecasting and planning capacity of the Ministry of Finance.
- ◆ Insure the reform of protection of competition, particular in the field of State Aid by training of State Aid Surveillance Commission and dissemination of information.
- ◆ Enhancement of the information systems and administrative procedures for government procurement.
- ◆ Increase the capacity of the State Revenue Service in planning and implementing administrative systems.
- ◆ Strengthening of the national standardisation body with regard to information systems and implementation of Community directives in conformity assessment and standardisation.
- ◆ To upgrade the data management system of the Central Statistical Bureau to conform with Eurostat requirements and internationally accepted standards and methods of production of statistical data. This upgrading will support the strengthening of the budgetary process and macro economic forecasting.

National Programme for European Integration:

Priority Theme: Developing the Economy to cope with Competitive Pressures.

- ◆ Sub-priority 1, Measure 1.1 Development of a medium term Economic Strategy.
- ◆ Sub-priority 6, Measure 6.1 Develop national standards and metrology centre.

Priority Theme: Approximation of Legislation with those of the Acquis.

- ◆ Sub-priority 2, Measure 2.5 Improve the efficiency of the State Aid Committee.

- ◆ Sub-priority 2, Measure 2.10 Improve state procurement regulations.

Priority Theme: Improving the Administrative Capacity.

- ◆ Sub-priority 2, Measure 2.1 Strengthening the Tax Administration.
- ◆ Sub-priority 2, Measure 2.4 Develop national statistical management system

Accession Partnership:

Short-term (1998) and Medium-term

Economic reform: establishment of medium-term economic policy priorities and joint assessment within the framework of the Europe Agreement.

Reinforcement of institutional and administrative capacity: further structural reform of public administration ... in particular in customs and tax administration.

Internal Market: ...public procurement,.....state aids, statistics. Upgrading of standardisation and conformity assessment structures.

3. Description

Sub-component 1 – Macro Economic Policies

The project will assist with the reformulation of the strategy for economic policy and preparation of a medium-term economic strategy. This will include training of staff in forecasting and planning.

Sub-component 2 – State Aid Control

The project will provide training and study tours to the State Aid Surveillance Commission in the following topics: tax related state aids, control of state aid, national procedures for recovery of illegal aids, creation of a state aid inventory, Community state aid measures for promotion of innovation, special economic zones and free ports. The project will also provide organisational and institutional development support to the State Aid Surveillance Commission.

Sub-component 3 – Government Procurement

The project will provide assistance to the development of IT system for statistics (requirement of EC directives), and establishment of link to international databases. Furthermore the project will provide assistance to the drafting of secondary legislation and forms to be utilised by the procuring government and municipal entities. Strengthening of procurement audit system and complaints procedures.

Sub-component 4 – Tax & Customs Administration

The project will provide assistance to the IT Department of the State Revenue Service (Ministry of Finance) with the preparation of the detailed technical specification of an IT system. The project forms part of the preparation for an overall investment programme

for the tax & customs administration, which is also supported by the World Bank.

Sub-component 5 – Standards IT System

Assistance with the establishment of a national standardisation body including creation of an information system and a database with Community standards. Assistance with the adoption of the New approach directives including analysis of the current situation in the area of conformity assessment and standardisation. Provision of updated information to the European Commission on progress in development of conformity assessment and standardisation.

Sub-component 6 – Statistical Data Management System

To design a data management system which meets the future requirements of CSB and optimises the utilisation of the existing IT systems. This will include the implementation of data input software/hardware which harmonises data input procedures. The inputs for the project will be a complete analysis including the design documentation for the overall data management system and technical assistance. Hardware and software for the creation of the data management system. Training in the operation of the data management system. (A central data repository for accumulated statistical data and associated meta data and data dissemination software/hardware system including security control to comply with data protection requirements will follow when funding has been secured from budget and other sources).

Expected results and outputs

- ◆ Reformulated and specified medium-term economic strategy to be submitted to the European Commission and enhanced skills of staff in macro economic forecasting and strategic planning.
- ◆ Enhanced capacity of the State Aid Surveillance Commission in the implementation and enforcement of Community state control principles.
- ◆ Implemented information system for government procurement statistics and linkages to international databases.
- ◆ Prepared IT project for the State Revenue Service for the administration (internal audit and accounting) of tax & customs.
- ◆ Implemented legislative acts in accordance with the Acquis. Adopted Community standards according to the New Approach Directives and developed information systems and databases.
- ◆ Improved integrated statistical data processing in line with the forecast changes in European legislation standards and the development of “the information society”. The design and implementation of the data management system.

4. Institutional Framework

The Ministry of Finance is responsible for Macro Economic Policies, State Aid Control, and Government & Municipal Procurement. The Department for Economics Analysis and Fiscal Policy, the State and Municipal Procurement Monitoring Department and the State Surveillance Committee are responsible for the implementation of the project components in their respective areas.

The State Revenue Service is an institution under the supervision of the Ministry of Finance and responsible for tax and customs.

The Ministry of Economy is responsible for Standards and the Department of Quality Management and Structure development and the Latvian National Standardisation and Metrology Centre are responsible for the implementation of the project component relating to this area.

The Central Statistical Bureau is an independent institution under the supervision of the Ministry of Economy. The newly established IT Department of the CSB will be the main recipient and will implement for the project component relating to statistics.

5. Budget

	Investment	Institution building	Total Phare (=I+IB)	Recipient* (state budget)	IFI*	TOTAL*
1. Macro Economic Policy	N/A	150.000	150.000	25.000	N/A	175.000
2. State Aid Control	N/A	100.000	100.000	23.300	N/A	123.300
3. Government Procurement	N/A	100.000	100.000	2.000	N/A	102.000
4. Tax & Customs Administration	N/A	150.000	150.000	100.000	N/A	250.000
5. Standards	N/A	300.000	300.000	20.000	N/A	320.000
6. Statistical Database management system	500.000	N/A	500.000	94.000	N/A	594.000
TOTAL	500.000	800.000	1.300.000	264.300	N/A	1.564.300

* In cases of co-financing only

6. Implementation Arrangements

Technical Implementation:

This will be the responsibility of the Ministry of Finance for Component 1-4, Ministry of Economy Component 5, and the Central Statistical Bureau for Component 6.

Contractual and Financial Implementation:

This will be the responsibility of the CFCU, PAO – Valentīna Andrejeva, State Secretary Ministry of Finance

7. Implementation Schedule

The project is in the planning stage. The expected time frame and implementation schedule after the confirmation, specification and assignment of financing of the project is planned to be the following:

- start of tendering activities in August 1998,
- start of the project activities in January 1999,
- completion of the project implementation in January 2000

8. Equal Opportunity

The Latvian public administration is an equal opportunity employer.

9. Conditionality and Sequencing

- ◆ Adequate staffing in the recipient institutions has to be in place for implementation and monitoring of project components.
- ◆ The project components must be closely co-ordinated with other programmes and projects funded by budget, or bilateral sources.
- ◆ The first Latvian medium-term strategy has been produced.
- ◆ The State Aid Surveillance Commission and secretariats have recently been established. The project should therefore easily be implemented.
- ◆ National Council of Standardisation has been established and national standardisation programme has been drafted. Several New Approach directives have been accepted in the national legislation (Electromagnetic compatibility, Low voltage, and construction products).
- ◆ A precondition for a successful implementation of the project component for statistics will be that the funding will be available as planned as the technical platform is in place. The newly established IT department has almost all staff in place and is ready to implement the project.

Annex 1

				Date of drafting: April 1998
LOGFRAME PLANNING MATRIX FOR CAPACITY BUILDING FOR INTERNAL MARKET			Contracting period expires: 31.10.2000	Disbursement period expires: 31.10.2001
<i>Project Number LE9806.01</i>			Total Budget:(1,564 MECU)	Phare contribution: (1,3 MECU)
Wider Objective	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
♦ To create measure for adapting the economy to the internal market in macro economic polices, state aid, procurement, tax & customs administration, standards and statistics.	<ul style="list-style-type: none"> Improved performance of the Latvian Economy 	<ul style="list-style-type: none"> Accession Partnership, NPAA Ministry of Finance, Ministry of Economy and Central Statistical Bureau 	<ul style="list-style-type: none"> Government commitment to policies continued. 	
Immediate Objectives	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
<ul style="list-style-type: none"> Strengthen economic forecasting and planning Protection of competition in State Aid Up grade Information systems for government procurement Tax & customs administrative systems Improve IT systems for standardisation of Standards Create data management system for statistics 	<ul style="list-style-type: none"> The new economic strategy New legislation in place Information available on government procurement Projects design for tax & customs administration Information available on standards General access tot statistical information 	<ul style="list-style-type: none"> Ministry of Finance, Ministry of Economy and Central Statistical Bureau 	<ul style="list-style-type: none"> Government commitment to policies continued. 	
Outputs	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
<ul style="list-style-type: none"> Medium term economic strategy Support to State Aid Surveillance Commission Info systems for government procurement & Standards IT project design Statistical Data management system 	<ul style="list-style-type: none"> Production of a revised medium term economic strategy. Information systems up and running Statistics produced 	<ul style="list-style-type: none"> Ministry of Finance, Ministry of Economy and Central Statistical Bureau 	<ul style="list-style-type: none"> Government commitment to policies continued. 	
Inputs	Indicators of Achievement*	How, When and By Whom Indicators Will Be Measured	Assumptions and Risks	
<ul style="list-style-type: none"> TA, Twinning & Training Equipment Legal advise 	<ul style="list-style-type: none"> Staff trained TA in place 	<ul style="list-style-type: none"> Ministry of Finance, Ministry of Economy and Central Statistical Bureau 	<ul style="list-style-type: none"> Adequate staff in place to implement project and activities. 	

* Must be **quantified** and **measurable**

ANNEX 2 - Detailed Cost Breakdown - LE 9806.01

Component	1999			2000			Total
	Budget	Phare	Other	Budget	Phare	Other	
<i>Institution Building</i>							
1. Macro Economic Policy	25.000	150.000					175.000
2. State Aid Control	23.300	100.000					123.300
3. Government Procurement	2.000	100.000					102.000
4. Tax & Customs Administration	100.000	150.000					250.000
5. IT System for Standards	20.000	300.000					320.000
<i>Investment</i>							
6. Statistical Database	94.000	500.000					594.000
Total	264.300	1.300.000					1.564.300

Annex 3

IMPLEMENTATION SCHEDULE OF THE PROGRAMME - LE 9806.01					Date of Drafting	24.04.98
					Planning Period	31.10.98 – 31.10.00
<i>Programme Title</i>	Internal Market Capacity Building and Enforcement					
Projects	Implementation Schedule (Semesters)				Budget Allocation	
Sub-Projects					Cost Estimate	
	P L A N N E D					
	I Oct 98-Mar 99	II Apr 99-Sep 99	III Oct 99-Mar 00	IV Apr 00-Sep 00		
1. Macro Economic Policies	D+C+I	I	I			150.000
2. State Aid Control	D+C+I	I	I			100.000
3. Government Procurement	D+C+I	I	I			100.000
4. Tax & Customs Administration	D+C+I	I	I			150.000
5. IT System for Standards	D+C+I	I	I			300.000
6. Statistical Data Management system	D+C+I					500.000
Total Programme						ECU 1.300.000
Legend						
D	=	Design of sub-project				
C	=	Tendering and contracting				
I	=	Contract implementation and payment				

Annex 4

COMMITMENT (CONTRACT) SCHEDULE - LE 9806.01					Date of Drafting	24.04.98
					Planning Period	31.10.98 – 31.10.00
<i>Programme Title</i>	Internal Market Capacity Building and Enforcement					
Projects	Expected Contractual Commitments (Semesters)					Budget Allocation
<i>Sub-Projects</i>						<i>Cost Estimate</i>
	P L A N N E D					
	I Oct 98-Mar 99	II Apr 99-Sep 99	III Oct 99-Mar 00	IV Apr 00-Sep 00		
1. Macro Economic Policies	150.000	150.000	150.000	150.000	150.000	
2. State Aid Control	100.000	100.000	100.000	100.000	100.000	
3. Government Procurement	100.000	100.000	100.000	100.000	100.000	
4. Tax & Customs Administration	150.000	150.000	150.000	150.000	150.000	
5. IT System for Standards	300.000	300.000	300.000	300.000	300.000	
6. Statistical Data Management System	500.000	500.000	500.000	500.000	500.000	
Total Programme	1.300.000	1.300.000	1.300.000	1.300.000	ECU <u>1.300.000</u>	

Annex 4

DISBURSEMENT (PAYMENT) SCHEDULE					Date of Drafting	24.04.98
					Planning Period	31.10.98-31.10.00
<i>Programme Title</i>	Internal Market Capacity Building and Enforcement					
Projects	Disbursement (Payment) Schedule (Semesters)				Budget Allocation	
Sub-Projects					Cost Estimate	
	P L A N N E D					
	I Oct 98-Mar 99	II Apr 99-Sep 99	III Oct 99-Mar 00	IV Apr 00-Sep 00		
1. Macro Economic Policies	60.000	120.000	150.000	150.000		150.000
2. State Aid Control	40.000	80.000	100.000	100.000		100.000
3. Government Procurement	40.000	80.000	100.000	100.000		100.000
4. Tax & Customs Administration	60.000	120.000	150.000	150.000		150.000
5. IT System for Standards		300.000	300.000	300.000		300.000
6. Statistical Data Managemetn System	500.000	500.000	500.000	500.000		500.000
Total Programme	700.000	1.200.000	1.300.000	1.300.000		<u>ECU</u> <u>1.300.000</u>

ANNEX 5

LE 9806.01

Related Projects

- ◆ Support has been given to related projects in the areas of State Aid, Government Procurement, Tax & Customs Administration, Standards and Statistics under previous Phare programmes.
- ◆ In particular Tax & Customs Administration has received support under an on going programmes targeted a administration, legislation and training. Statistics has also received support through several Phare programmes in particular for equipment upgrading and TA. Phare fund have been allocated to the area from 1993-1996.
- ◆ Other bilateral donors have in particular provided support to Tax & Customs (e.g. Denmark).