

## STANDARD SUMMARY PROJECT FICHE

### 1. Basic Information

- 1.1 **Désirée Number: LE00.12.02**
- 1.2 **Title: Economic and Social Cohesion measures in the Latgale Region**
- 1.3 **Sector: Economic and Social Cohesion/Regional Development**
- 1.4 **Location: Latgale region, Latvia**

### 2. Objectives

#### 2.1 Wider Objective:

Support to the economic and social development of Latgale region in order to decrease the disparity between Latgale region and the country average including renewal and diversification of the economic structure and development of human resources.

#### 2.2 Immediate Objectives:

Government and regional authorities working transparently with private sector, education and training organisations to promote increased economic activity and competitiveness of enterprises, higher levels of direct investment and increased employment.

#### 2.3 Accession Partnership and NPAA priority

##### Accession Partnership

##### *Medium term*

Continue promotion of market-driven restructuring in the enterprise sector and improve conditions for the creation and development of private enterprises, with particular attention to SMEs.

Develop national and regional policy for economic and social cohesion in preparing for the implementation of a Regional development programme and Community initiatives and to enable regional authorities to access Community funds.

##### NPAA

To ensure the economic development and ability to cope with the competitive pressure in the EU internal market by creating a favourable business environment for the establishment and development of SMEs (EL-006).

To ensure the development of competitive, flexible and adaptable national work force able to cope with pressure and market forces within EU, consistent with actual local (rural and urban) conditions (EL-004).

Promotion of social dialogue among private employers, state institutions and trade unions and of concrete partnerships between them in delivering projects (LE-039).

#### 2.4 Contribution to the National Development Plan

This Project is targeted to the following priorities identified in the Preliminary National Development Plan:

#### Facilitation of the development of SMEs

- facilitation of the development of small and medium sized enterprises;
- quality promotion;
- support to innovation and progressive technologies;
- training programmes and advice to SMEs.

#### Economic infrastructure

- improvement of environmental protection and infrastructure;
- availability of energy resources and cost reduction;
- transport infrastructure and traffic quality improvement;
- improvement of quality of communication and information technologies.

#### Regional development

- development of regional administrative capacity;
- development of local and regional infrastructure;
- development of urban and rural environment
- potential development of research regions.

#### Export and foreign direct investment promotion

- development of training in marketing of the entrepreneurs;
- development of industrial sights for potential investors.

#### Recreation tourism development

- development of recreation tourism education and research;
- development of services, including professional and management skills;
- recreation tourism marketing;
- development of recreation tourism products;
- development of recreation tourism infrastructure.

#### Modernisation of vocational education and training in regions

- creation of a consistent and balanced integral system of education offer and education providers, embracing the initial vocational education and training in both areas: in the vocational training of young people, and in the qualification upgrading of people already in the labour market;
- identification of regional labour market demand and supply, and introduction of relevant changes in the school network arrangement, profiling of schools and sooner introduction of the required training programs.

#### Increase of supply of business related education in regions.

- strengthening of management and business orientated entrepreneurial activities in all economic sectors, including development of better qualified people than the present VET system can provide;
- development of small and medium size business in regional level, by increasing the offer of business education and training in regions, including distance learning, ICT and internet.

#### Development of higher professional education and training sector.

- development of ability to apply modern approaches in the development of small and medium size businesses in the most essential branches, or to work with the latest technologies in big enterprises, small and medium size business in the regional level, by increasing the offer of business education and training in regions.

### 3. Description

#### 3.1 Background and justification:

Table 1: Basic data

Indicators	Latgale %	Latgale	Latvia %	Latvia
Surface km <sup>2</sup>	22,5%	14 550	100%	64 589
Population, 1998	16%	389 800	100%	2 412 500
Population /km <sup>2</sup>		26,7		38,1
Unemployment rate 1999	16,8%		9,2%	
SME involved in industrial production in 1998	3%		6,5%	
Foreign Direct Investments per capita in 1998, LVL		120		270

The Latgale planning region comprises the following districts and city municipalities: Daugavpils city, Rezekne city, Balvi district, Daugavpils district, Ludza district, Preiļi district, Rezekne district, Kraslava district, Jekabpils district.

Economic development problems have faced the Latgale region since beginning of the 1990's. Although activity increased in 1996 and 1997 the Russian crises has resulted in a significant drop in economic activity. Latgale region suffers from decline in the traditional sectors such as the food industry, chemical and machine building.

Latgale region is characterised by an under-representation of the service sector and a lack of urban entrepreneurial middle class with commercial and service tradition as well as a lack of innovation and lack of knowledge of modern production techniques. As a result Latgale region has high level of unemployment (registered unemployment rate in Latgale in average was 16,8 %, the highest 28,2%, but in Latvia average 9,2% in 1999; registered unemployment amounts to 34.000 with 14.000 long-term unemployment), low economic activity rates, net outward emigration and low productivity.

Fewer new enterprises are created in Latgale region in comparison with other regions of Latvia (Enterprises registered prior to January 1, 1999 per 1000 inhabitants in Latgale-21,4 in Latvia 41,8. Number of enterprises registered in Latgale per 1000 inhabitants is only 51% of Latvia). Although SMEs generally face similar problems in Latvia the Latgale region is particularly affected by the problems such as: lack of skills, lack of financing possibilities, lack of education facilities.

As an additional impediment to the development of enterprise and business in the Latgale region is the local infrastructure. Although target region has good transit road – East/West corridor – the transport infrastructure inside the region is characterised by relatively good network but very poor road quality. The same characteristics are valid for telecommunication, energy and environment were only large cities of target region have been supported by upgrading of infrastructure.

The labour market in the region is characterised by a lack of balance between the offer and the demand for jobs. There is inevitably a time gap between changes in the labour market and the capacity of the higher and secondary education and VET schools to respond effectively to them. This is also exacerbated by the difficulty in forecasting beyond the short-term with a high degree of accuracy future labour market change and emerging skill needs. It is important at the regional and local levels to have up-to-date and robust labour market - information that can provide a strategic steer for education and training planning. This is a useful tool for re-orienting provision and

developing curricula in line with the changing economic and employment trends and new skill requirements of employers.

Latgale region is still experiencing the restructuring impact of the transition to a market economy. This has hampered technology development and perpetuated relatively low productivity. Despite quite high levels of enterprise development in parts of the region, the need to foster an innovation and entrepreneurial culture remains a high priority. The key problems identified in the region's HRD sector are:

- low capacity of regional non-university sector in technological sciences;
- limited labour market training and education offered locally;
- education and study programmes do not meet the actual labour market demands;
- low capacity of education and training institutions in provision of core skills: communication, IT, foreign languages, entrepreneurship;
- poor practical training possibilities.

The project contributes to the implementation of the Integrated Development Strategy of the Latgale Region, which is targeted to following overall priorities:

- Economic and industrial competitiveness;
- Technological development, research and innovation;
- Attraction of investments;
- Quality and productivity improvement;
- Employment promotion;
- Development of recreation tourism.

### 3.2 Linked activities:

Ongoing projects:

EU Phare project "Pilot Regional Development Plan for Latgale Region" LE 97.02.01.05/0001.

EU Phare LE 9702 "Financing Agreement" (support to the export strategy)

EU Phare LE 9702 "Cost sharing Grant Scheme" (providing with co-financing Latvian companies with export potential to meet the cost of implementation their export sales strategy)

EU Phare LE 9702 "SME Guarantee Fund" (support to the SME sector, to promote activities in the field of industrialisation, quality, innovation)

EU Phare programme "Vocational Education and Training 2000", sub-project: development of national qualifications and college level study programmes in information technology sector. LE-9703.01.01

EU Phare Special Preparatory programme, Urban Pilot Project

EU Phare Special Preparatory programme for ESF preparation – European Training Foundation, local contact organisation – Agency for Vocational Education Development Programmes

Germany TRANSFORM programme "Consultations for privatised SME's" (advisory support)

EU Phare LE 9702 "Link between Banking sector and SME's" (assessment in the development of SME related activity of the Guarantee and regional development fund and support in the strengthening of the management and operational capacity of the participating banks)

Planned projects:

EU Phare LE 9812 "Industrial cluster restructuring" (aim of this project is to enhance the economic performance of Latvian Industry)

EU Phare LE 9812 "Advice, Monitoring & Control" (adviser to Ministry of Economy in the monitoring and control of the above mentioned project)

Other related activities:

Within a PHARE project, a network of consulting companies – business support centres - was developed. This network has enough capacity to cover needs for consulting in the region. Now Ministry of Economy prepared grant scheme for support for training and consulting.

Agency for Vocational Education Development Programmes and MoES had prepared the Report on Human resources development and labour market demand in Latgale region –

Latvia is participating in the EU 5-th Framework Programme (1999-2002).

This project is being implemented in parallel with the “Development of institutional and administrative capacity for regional development in Latvia” which is an important institution building (IB) project. The activities of that IB project do not need to follow or be inspired by the practical implementation scheme provisionally designed for the activities which will be implemented in “Economic and Social Cohesion measures in the Latgale Region” and “Economic and Social Cohesion measures in the Zemgale Region” (s. Annex 5).

### 3.3 Results/Outputs:

- Improved employability, developed entrepreneurship, encouraged adaptability of businesses and strengthened equal opportunities in Latgale;
- Infrastructure projects directly benefiting productive sector activity implemented and the local business environment improved;
- Capacity of regional authorities developed to deal with regional planning, project identification and programming;
- New links between regional business enterprises as well as vocational training institutions located inside and outside the region established
- New products introduced and marketed by assisted enterprises;
- Due to the successfully completing training courses within the project, increase in export sales and turnover of assisted enterprises;
- New training curricula corresponding to market needs developed.

### 3.4 Activities:

Project component 1	Regional Partnership
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Due to the lack of preparation of the Latvian target regions in dealing with economic and social cohesion issues, the establishment of a *Regional Partnership* component ("compagnonnage") is envisaged. The *Regional Partnership* will be a highly selected consultancy "coaching" exercise to support the target regions in dealing with the preparation of ESC activities and project identification and preparation.

This partnership would be with a regional development institution from a Member State that has a track record of success in a disadvantaged area. This partner organization (regional development agency or similar semi-public institution) would be selected by way of a restricted tender.

The selected institution should be an economic development body of a EU city (with more than 100 000 inhabitants) and/or region (with more than 1 million inhabitants) possessing experience and explicit credentials in the following domains:

- (1) Urban and regional planning;
- (2) Investment project preparation (housing, real estate, infrastructure, business services, etc.);
- (3) Financial engineering of projects;
- (4) Recruitment and Training plans.

The selected experts should be knowledgeable in regional and urban development dynamics, public services economy (transport, water, energy, telecommunications, etc.), vocational education and social sciences, public finance and local governance.

During the initial phase of ESC activities, the *Regional Partnership* would support regional authorities:

- (1) In further elaboration of scheme/vision for the development of the region in a medium-term perspective;
- (2) To identify concrete priorities to be addressed which respond to the given areas for funding (business advice, business-related infrastructure, human resources).
- (3) To develop their skills in dealing with regional planning, project identification and programming;
- (4) By assisting LRDA in project identification and preparation of promotion in the relevant areas for funding.

With the assistance of the *Regional Partnership*, the region should increase its capacity to:

- Develop its overall skills in dealing with regional development, as well as project identification and preparation;
- Identify which activities are promising for growth as well as which are the potential economic sectors, which could be targeted to promote investment and future growth;
- Carry out a critical analysis and medium-term planning of needs for human resources and further development of social institutions (e.g. vocational education policy within the region, link the research institutions, decentralization of social services, etc.);
- Identify the constraints that the existing infrastructures create in the regions for a sound development of SMEs and business in general as well as the need for new infrastructure (including their efficient management).

The tendering and contracting of the partner organisation(s) (regional development agency or similar semi-public institution) shall be carried out following the EC *Phare* DIS rules and procedures. Possibilities of launching the tender on the basis of a short-list of institutions of said profile may be explored.

370 000 EUR have been allocated to the *Regional Partnership* component.

Project component 2	Business support facility
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Within this project component there will be **advice and consultancy support**, which aims at providing assistance to businesses, business organisations and support facilities in Latgale. Assistance will be provided to existing companies and start-ups, according to the priorities set up in the Regional Development Plan of Latgale Region and National Development Plan, the recommendations provided within the project component 1 and following the project selection, assessment and approval procedures set by the Special Guidelines for operation of the Business Support Facility (referred to as “the Special Guidelines “ in this section).

The SMEs in the Latgale region have a weak tradition of product development and product innovation. Only few enterprises are engaged in subcontract work. The majority of industrial activities of Latgale region are located in Daugavpils and Rezekne cities and only partly in district centres and some in other centres as Livani. The industrial heritage is low standard of products and outdated management, not competitive on EU markets.

The existing SMEs in Latgale region have mainly operated on local markets. They have not been exposed to competition to any appreciable extent. Companies have to adapt to be able to compete on the EU market. In Latgale region information and knowledge about development possibilities are very scarce. Support will be provided to train entrepreneurs for development of new products and for establishing international contacts.

Entrepreneurs in the target region need advisory support at affordable costs. An important part of the support is expected to include the development of a business plan for application for a loan. The aim is to assist enterprises to shift to products with a higher value added and make them more competitive on domestic and export markets. The Business support facility should also bring impact in terms of the creation of sustainable employment.

The target group will be both existing companies and start-ups. **Eligible companies** must be registered and have their headquarters and/or production facilities/operations in the target region. Non-eligible activities are primary agriculture, extraction, energy, retail trade, financial services, entertainment and casinos. The support provided through the present scheme may not overlap with support from other Phare programmes which apply throughout the country.

Enterprises which are likely to contribute towards a dynamic development should be considered with particular attention. Such enterprises may i.a. concern start-ups, innovative actions and alternative sectors (non-traditional in the region).

Companies will apply to the Business Support Facility (BSF) for advisory support and consultancy such as:

- Business advice, including management, marketing, accounting, product development and quality management ;
- Business plan development and feasibility studies for companies who wish to apply for a loan or attract direct investment;
- Assessment of needs in technology, innovation etc. for SMEs;
- Studies to identify and examine business opportunities of companies outside the region, and about possibilities for exporting (sectoral promotion and fairs); subcontracting and networks for subcontractors, and joint ventures in particular;

The beneficiary enterprises shall contribute 25% to the cost of the action (i.e. 25% of the service provider's invoice).

The above mentioned list can be reviewed and re-oriented, if appropriate, following the recommendations provided by the *Regional Partnership* component.

Criteria for the selection of projects will be established in the Special Guidelines.

The BSF will be implemented within the component 2 and managed by the service provider – the selected EU / *Phare* consultancy company / consortium.

Possibilities to use one service provider for implementation of this component for the target regions of Latgale and Zemgale may be explored.

The BSF will provide the funding for 2 types of activities:

- (1) service type of activities (business advice, studies, etc.)
- (2) non-service type of activities ( participation fees in fairs, etc.).

Criteria for selecting and ToR for the service providers will be elaborated by the ESC MD together with LRDA and line ministries and approved by the Steering Committee for ESC projects.

The task (1) will be carried out directly by the pool of the EU and local experts proposed by the EU / *Phare* consultancy company / consortium selected following a restricted service tender.

The tendering and contracting of the EU / *Phare* consultancy company / consortium shall be carried out following the EC *Phare* DIS rules and procedures.

The facility (2) will be part of the same contract with the selected EU / *Phare* consultancy company / consortium and thus managed by the contractor as a *Special BSF Facility*.

The selected EU / *Phare* consultancy company / consortium will be responsible for the implementation of projects approved in accordance with the Special Guidelines

The tendering and contracting of the selected EU / *Phare* consultancy company / consortium will be carried out by the PAO/CFCU.

2 095 000 EUR has been allocated for the BSF (service and non-service type of activities).

Project component 3	Business related infrastructure
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Within the project component 3 support can be provided for business related infrastructure projects proposed by the local and regional authorities located in the Latgale region. The said infrastructure investment projects should contribute to improve the business infrastructure environment and thus provide an incentive for further direct investment. Projects should contribute to improve the overall economic development of Latgale. Assistance will be provided according to the priorities set up in the Regional Development Plan of Latgale Region and National Development Plan (NDP), the recommendations provided within the project component 1 and following the project selection, assessment and approval procedures set by the Special Guidelines for operation of the Business Related Infrastructure Facility (hereinafter called “the Special Guidelines”).

The heritage of business support infrastructure in Latgale region differs both in cities and in other areas of the region. The biggest infrastructure of the development poles of Latgale region (mainly Rzekne and Daugavpils) was developed during Soviet time for use of large industries. This infrastructure is not appropriate for economic development needs of the region. Former industrial areas need to be restructured and renewed for development of competitive SMEs. At present stage the local authorities and businesses lack the sufficient financial resources for developing infrastructure, which will be attractive for investors and which could facilitate the local business initiatives.

**The eligibility criteria** for projects financed under this component are:

- project activities should correspond to the development priorities defined in the Regional Development Plan and National Development Plan;
- projects should lead to the improvement of the environment for business development and general economic climate in the region;
- projects should facilitate direct investment in the region;
- preference will be given to projects which correspond to the regional priorities in the field of productive investments and human resource development (supported by other components of this project).
- project should be ready to be contracted within six months of approval and in any event before the expiry of the contracting period;
- technical specifications and feasibility studies have to confirm that projects will be implemented efficiently;
- the project has to ensure its sustainability once the external financing ends;
- the proposed infrastructure should be available on equal basis to all public and private users in respective area.

The assistance shall not:

- overlap with the activities planned to be financed or are already financed from other Community Funds;
- cover the current expenditures of institutions and organisations;



- replace the activities to be financed from national or public budget;
- directly support the individual private enterprises.

The beneficiaries of the projects will be:

- local and regional authorities
- State institutions located in the Latgale region.

The eligible projects could be proposed in the areas of preparation and upgrading of industrial sites for investors (local and foreign) such as:

- small water supply support facilities;
- small sewage support facilities;
- support facilities for environmental improvement;
- energy supply support facilities;
- access roads and other transportation improvement;
- support construction works for infrastructure.

The above mentioned list can be reviewed and re-oriented, if appropriate, following the recommendations provided by the *Regional Partnership*.

The **Selection criteria** will be established by the Special Guidelines.

Contractually the component 3 will be implemented by a number of works contracts to be tendered out as soon as the projects are selected and approved following the Special Guidelines.

A long list of projects will be submitted by the Regional Project Selection Committee to the Steering Committee for ESC projects for approval.

The PAO/CFCU shall procure supplies and works contracts following the EC *Phare* DIS Rules and Procedures.

2 095 000 EUR have been allocated for the Business Related Infrastructure component.

Project Component 4	Human resource development
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This project component will be provided within close link and support to the 2<sup>nd</sup> and 3<sup>rd</sup> components.

The assessment of training needs, involving main partners (Employment services, NGOs, ministries, etc) should be done to prove the usefulness of the training to be obtained. The assistance within the component should be within the line with the HRD activities planned within National Development Plan, National Employment Plan and recommendations provided by the *Regional Partnership*.

The following type of assistance will be provided:

**(1) Training services for the workforce of enterprises operating in Latgale.**

The objective is to meet market demand and to assist enterprises in a direct and expedient manner. The facility will provide training in technical skills required in the key productive sectors, preferably linked to the measures under BSF (Component2).

Non-eligible activities are primary agriculture, extraction, energy, retail trade, financial services, entertainment and casinos. The assistance may not overlap with support from other Phare programmes.

Assistance can be provided from both national and EU expertise. A dialogue with the training Institutions must be encouraged.

The enterprises benefiting from the above activities should contribute 25% to the cost.

## **2) Support to the vocational education and training institutions in the region.**

This HRD component part is aimed at developing training opportunities for training, re-skilling, initial and further vocational training. The facility will provide support to training institutions that will change curricula in order to meet market demand. To this end a dialogue with the business community and their representatives is essential.

The following actions can be considered:

- Improving the quality and scope of the Business education and training provision in the region.
- Improvement of provision and extending the capacity for delivery of technology related qualifications in the technical training institutions. Development of new training programmes in initial vocational training.

The above mentioned lists of activities can be reviewed and re-oriented, if appropriate, following the recommendations provided by the *Regional Partnership*.

## **(3) Training for unemployed**

The objective is to train or re-skill unemployed to meet the demands of the labour market. The Latgale Employment Service in co-operation with the LRDA shall prepare a programme indicating the type and volume of training required. The facilities offered under (1) and (2) of the present component will be used to design and implement the actions.

**Criteria for the selection** of projects will be established in the Special Guidelines for operating the Human Resource Facility (hereinafter called the “the Special Guidelines”).

The HRD will be implemented within the component 4 and managed by the service provider – the selected EU / *Phare* consultancy company / consortium.

Opportunities to use one service provider for implementation of this component both in Latgale and Zemgale may be explored.

**The HRD will provide the funding for 2 types of activities:**

- **service type of activities** (development of training programmes & *curricula*, on-site training, re-training, re-qualification , etc.)
- **co-funding of supplies and non-service type of activities** (up-grading of facilities in training institutions, etc.)

Selection criteria and ToR for the service providers will be elaborated by the ESC MD together with LRDA and line ministries and approved by the Steering Committee for ESC projects.

The task (1) will be carried out directly by the pool of the EU and local experts proposed by the selected EU / *Phare* consultancy company / consortium.

The facility (2) will be part of the contract with the selected EU / *Phare* consultancy company / consortium and thus managed by the contractor as a *Special HRD Facility*.

The tendering and contracting of the EU / *Phare* consultancy company / consortium shall be carried out following the EC *Phare* DIS rules and procedures<sup>1</sup>.

The tendering and contracting of the selected EU / *Phare* consultancy company / consortium will be carried out by the PAO/CFCU.

The HRD facility will have regular call for proposals for parts (1) and (2) above. The maximum size of the assistance per project will be set by the Special Guidelines.

1 220 000 EUR have been allocated for the Human Resource Development facility (service and non-service type of activities).

Project Component 5	Technical Assistance
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(1) Technical assistance (TA) to the ESC MD, LRDA and other institutions involved in management and implementation of the scheme will be provided within the component 5.

TA will be provided for activities like:

- 1) Consultancy support (project selection/ management/reporting)
- 2) Publicity, information and start-up training;
- 3) Audits and contingency;
- 4) Development of an adequate implementation system for infrastructure projects, including, site supervision and inspection.

Contractually the technical assistance above may be implemented under a Financing Agreement. The Financing Agreement shall cover the procurement of local expertise following the EC *Phare* DIS Rules and Procedures, publicity and information campaigns as well as procurement of services of an audit company for *ad hoc* and regular audit of the projects implemented.

The ToR for TA should be drafted by ESC MD and approved by SPO by the time of signature of the Financing Memorandum.

The budget for part (1) of the technical assistance shall not exceed 230 000 EUR.

(2) In order to ensure viability and transparency of the ESC scheme as well as to fulfill obligations of the Financing Memorandum concerning the requirements for monitoring / assessment, the involvement of an independent expertise shall be used for:

- an independent evaluation of project proposals
- an assessment of performance of the ESC scheme.

Contractually the above-mentioned independent expertise will be implemented under the Order for the Supply of Services and provided by the service provider – framework contractor.

The selection criteria and ToR for service providers will be drafted by ESC MD and approved by SPO.

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<sup>1</sup> Opportunities of direct partnership with a pre-qualified training institution from a Member State in view of its specific mandate may be explored

The contracting of the framework contractor shall be carried out following the EC *Phare* DIS rules and procedures.

The framework contractor will be contracted by the PAO/CFCU.

A total amount of 200 000 EUR is allocated to part (2) of this activity.

#### **4. Institutional Framework**

##### **Steering Committee for ESC projects (“Steering Committee”)**

- Representing relevant ministries (NAC, MoF, MoE, MoW, MEPRD, MoES, MoT, ULSG) and representatives of target regions and the EC Delegation
- Chaired by National Aid Co-ordinator - Minister of Special Assignment for Co-operation with International Financial Agencies (MSACIFA)
- Main tasks:
  - overall co-ordination and monitoring of ESC activities ;
  - ensures that activities comply with EU procedures;
  - approval of Special Guidelines (criteria and procedures for selection of projects):
  - approval of ToR for contracts;
  - ensures that the actions supported by the project are in line with priorities set in the National Development plan, economic and social development and HRD strategies, National Employment plan, etc.;
  - approves 3-monthly work programme and project list for funding;
  - approves 3-monthly reports;
  - takes strategic decisions on performance of the ESC scheme.
- ESC MD will perform the secretariat functions for the Steering Committee.

##### **Senior Programme Officer (SPO) and ESC Management Division (MD)**

The SPO of the project will be the Head of Secretariat of MSACIFA. ESC MD is a special structure created within Administration of MSACIFA/NAC. The ESC MD is subordinated to the SPO.

Tasks of the SPO:

- Responsible for technical implementation;
- To supervise ESC MD and contractors, approve reports of the contractors;
- Informs CFCU about the approved project list;
- Responsible for ensuring proper monitoring, ex-post evaluation and control;
- To submit the Special Guidelines approved by the Steering Committee to the EC Delegation for endorsement.

Tasks of ESC MD will be as follows:

- To serve as secretariat for SPO and the Steering Committee
- To prepare Special Guidelines for each of the facilities;
- To prepare Terms of Reference (ToR) for contracts;
- To arrange call for proposals;
- Assist and advise LRDA in elaboration of projects which comply with the guidelines;
- To co-ordinate activities with region;
- To prepare work programmes every 3 months and submit it to the Steering Committee for approval;
- To prepare report every 3 months and submits to the Steering Committee for approval;

- To organize independent expertise for evaluation of project proposals.

Running costs of the ESC MD will be covered from the budget of MSACIFA.

ESC MD may delegate part of the responsibilities for the project implementation to the Latgale Region Development Agency. The agreement between ESC MD and LRDA can be concluded for delegation of specific functions, subject to ex-ante approval by the EC Delegation.

### **Latgale Regional Project Selection Committee (RSC)**

- Participants will be nominated on a personal basis from the following:
  - representatives of self-governments of the region (10);
  - social partners;
  - central government institutions;
  - Latgale Region Development Agency (Secretariat);
  - ESC MD (Observer).
- Main tasks:
  - Decide on list of projects to be proposed for approval in Steering Committee; ensures co-ordination between activities concerning business development, business related infrastructure, human resource development;
  - ensures consultation with local and national partners;
  - supervises coherence of proposed assistance and projects with development priorities of the Latgale region;
  - supervises activities of LRDA.

### **Latgale Region Development Agency (LRDA)**

- **Latgale Region Development Agency (LRDA)** is the executive body for Latgale Development Council (LDC) and a regional partner for the national level institutions responsible for the development of Latgale region.
- Main tasks:
  - co-ordinates all activities regarding development of the region;
  - collects project proposals;
  - performs as secretariat for the RSC;
  - takes care of awareness raising regarding project contents, objectives and finance;
  - counselling and guidance for potential project promoters (together with relevant ministries);
  - prepares draft decisions for RSC;
  - informs project applicants about the decisions taken by the Steering Committee;
  - monitoring of activities in respect to priorities identified in the Regional Development Plan.
  - Dissemination of information on technology developments and similar actions.

The functions of the structures above may be revised in accordance with the Special Guidelines.

## 5. Detailed Budget

In Meuro

	Phare Support					
	Investment Support	Institution Building	Total Phare (=I+IB)	National Co-financing*	IFI	TOTAL
Contract 1	0	370 000	370 000	37 000		407 000
Contract 2	2 095 000	0	2 095 000	698 000		2 793 000
Contract 3	2 095 000	0	2 095 000	698 000		2 793 000
Contract 4	1 220 000	0	1 220 000	406 000		1 626 000
Contract 5	0	230 000	230 000	23 000		253 000
Contract 6	0	200 000	200 000	20 000		220 000
Total	5 410 000	800 000	6 210 000	1 882 000		8 092 000

Mechanism of National co-financing will be elaborated in the Special Guidelines.

## 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

CFCU: Mr Armands Eberhards  
Director, Ministry of Finance  
Smilsu 1, Riga LV-1919

#### Technical Implementation

SPO: Ms. Ieva Kalnina, Head of Secretariat of Minister for Special Assignment for Cooperation with International Financial Agencies  
Smilsu 1, Riga, LV 1919

The technical support to the SPO will be provided by the ESC Management Division, which will work under direct supervision of the SPO.

The project components will be implemented according to the following mechanism:

- Special Guidelines will be elaborated by ESC MD in close cooperation with LRDA, relevant ministries;
- The Special Guidelines will be endorsed by the Steering Committee for ESC projects;
- The SPO submits to the EC Delegation the Special Guidelines for approval;
- ToR for Financing agreement and Framework contract will be prepared by ESC MD and endorsed by SPO;
- Framework contractor selected and Financing agreement concluded;
- The ESC MD and LRDA (lead) in consultation with the relevant ministries and institutions will develop ToR for the Regional Partnership;
- Steering Committee for ESC projects approves ToR for the Regional Partnership;

- Restricted tender without pre- qualification of the Regional Partnership;
- The ESC MD in close cooperation with the LRDA, ministries work out ToR for Service contracts;
- Steering Committee for ESC projects approves ToR of Service contracts;
- Service Contracts will be tendered out in international tender.
- Reports on activities provided under Regional Partnership, Framework contractor, Financing agreement and Service contracts are regularly submitted to the SPO for approval.
- The Special Guidelines will be communicated to the LRDA by ESC MD. The LRDA will communicate them to the relevant authorities and institutions in the Latgale region through written material. Information meetings will be arranged throughout the region for businesses, business association, chambers of commerce etc. on the Business Support and Human Resource Facilities. The information session should be repeated at regular intervals before Calls for Proposals;
- The ESC MD in cooperation with LRDA will prepare Calls for Proposals. The first one to be organised within two months after approval of Special Guidelines for the ESC. Hereafter Calls for Proposals will be organised at regular intervals;
- Local authorities, businesses, business organisation etc will prepare project proposals;
- Project promoters submit project applications to the LRDA. LRDA registers all applications and gives the project code to each project for the future monitoring purposes;
- Guidance and counselling is given by the LRDA in cooperation with Regional Partnership to project promoters (and potential project promoters) both before and after the applications have been submitted to the LRDA;
- Taking into account the project selection criteria approved by Steering Committee for ESC projects, the LRDA prepares the list of project proposals and submits it to the RSC;
- RSC decides on list and ranking of projects to be submitted to ESC MD for further assessment and final submission to the Steering Committee for ESC projects;
- ESC MD and independent experts carry out evaluation giving their opinion and submit the list of projects to the Steering Committee for ESC projects;
- Steering Committee for ESC projects takes decision on projects to be financed;
- SPO informs CFCU and LRDA about decision taken by Steering Committee for ESC projects;
- Service contractors deliver services to project final beneficiary (for business support and human resource development components) and CFCU launches tenders for infrastructure projects;
- The CFCU reports (detailed content and timetable to be defined) to the SPO about the commitments and payments;
- SPO informs Steering Committee for ESC projects on implementation of projects.

## 6.2 Non-standard aspects

The project may include one Financing Agreement (comp.5).

## 6.3 Contracts

Contract 1	Service Contract (Regional Partnership)		Restricted International tender
Contract 2	Service Contract		International tender
Contract 3	Standard Supply Standard work*		Open tender
Contract 4	Service Contract		International tender
Contract 5	Financing Agreement		Non standard
Contract 6	Framework Contract		Framework contracting

\* a number of BSI contracts for implementation of projects selected in accordance with the Special Guidelines .

## 7. Implementation Schedule

- 7.1 Due to the urgency of preparatory work to be carried out within the framework of the Regional Partnership the relevant Service Contract (contract 1) should be signed immediately after the FM is signed: December 2000/January 2001. Therefore the opportunities of conditional launch of tender before the Financing memorandum is signed may be explored;
- 7.2 The contract 5 and 6 should be signed immediately after endorsement of the Special Guidelines by the EC Delegation;
- 7.3 The contracts 2 and 4 shall be signed within 10 months after the FM is signed and after the Special Guidelines have been approved by the EC Delegation;
- 7.4 The contract 3 shall be signed within 10 months after the FM is signed and after the Special Guidelines have been approved by the EC Delegation.

## 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.

## 9. Conditionalities and sequencing

- The SPO will have to have adequate financial resources and skilled staff from the outset to perform its functions under the ESC scheme and to have fully operational ESC MD established;
- The Special Guidelines shall be endorsed by Steering Committee for ESC projects and approved by the Delegation of the European Commission before starting any investment activity and, at the latest, six months after the signature of the FM;
- ESC three-monthly work programmes (including the list of selected projects) shall be subject to the ex ante approval by the Delegation of the European Commission;
- Selected projects above 50 000 EUR, but not exceeding 300.000EUR, shall be subject to the ex ante approval by the Delegation of the European Commission;
- Co-financing from state budget should be endorsed;
- Co-financing from local government should be committed;
- Steering Committee for ESC projects established by the order of the NAC.



**ANNEXES TO PROJECT FICHE**

1. Logical framework matrix in standard format
2. Time schedule for Economic and social Cohesion Measures in the Latgale Region
3. Cumulative contracting and disbursement schedule
4. List of relevant Laws and Regulations
5. Scheme of implementation arrangements
6. The Concept of the Regional Administrative Territorial Reform

## Annex 1. Logical framework matrix

			Programme name: and number:	
LOGFRAME PLANNING MATRIX FOR <b>Economic and Social Cohesion measures in the Latgale Region</b>				
Project Number LE00.12.02			Total Budget: <b>8.092Meur</b>	Phare : <b>6.210Meur</b>
<b>Wider Objective</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Support to the economic and social development of Latgale region in order to decrease the disparity between Latgale region and the country average including renewal and diversification of the economic structure and development of human resource</li> </ul>	<ul style="list-style-type: none"> <li>Improved GDP output of the Latgale region</li> <li>Increased number of inward and foreign investments</li> <li>Increased exports originated in the region</li> <li>Increasing values added of assisted enterprises</li> </ul>	<ul style="list-style-type: none"> <li>National and regional surveys/statistics (CSB)</li> <li>Export data (LDA)</li> <li>FDI indicators (LDA)</li> <li>International, national and regional reports</li> <li>Documents monitoring implementation of the NDP and RDP objectives and set priorities</li> </ul>	<ul style="list-style-type: none"> <li>National funding available both from National and local sources</li> <li>National support to the activities made in order to facilitate decrease the disparities between the Latgale region and country as a whole</li> <li>Clear Regional policy</li> </ul>	
<b>Immediate Objectives</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Government and regional authorities working transparently with private sector, education and training organisations to promote increased economic activity and competitiveness of enterprises, higher levels of direct investment and increased employment</li> </ul>	<ul style="list-style-type: none"> <li>3 types of support are operational in the region</li> <li>strengthened competitiveness of the SME's in Latgale region</li> <li>accessibility of the consultancy services is made available</li> <li>improved local business infrastructure in Latgale region</li> <li>Number of professional training courses provided to the employees and unemployed</li> <li>Restructured regional training units able to provide competitive and labour market oriented professional training</li> </ul>	<ul style="list-style-type: none"> <li>National and regional surveys/statistics (CSB)</li> <li>Export data (LDA)</li> <li>FDI indicators (LDA)</li> <li>International, national and regional reports</li> <li>Documents monitoring implementation of the NDP and RDP objectives and set priorities</li> </ul>	<ul style="list-style-type: none"> <li>Clear implementation mechanism established involving both central and regional level</li> <li>Detailed procedures of operations developed</li> <li>Clearly defined regional development priorities</li> <li>Clearly defined national SME' development policy in line with the regional priorities</li> <li>Continued increase of economic activities in the region to offer employment for the graduates and adults acquiring the new programmes and courses</li> <li>Sufficient interest of young people and adults (employed and unemployed)</li> </ul>	
<b>Outputs/Results</b>	<b>Indicators of Achievement*</b>	<b>How, When and By Whom Indicators Will Be Measured</b>	<b>Assumptions and Risks</b>	
<ul style="list-style-type: none"> <li>Improved employability, developed entrepreneurship, encouraged adaptability of businesses and strengthened equal opportunities in Latgale;</li> <li>Infrastructure projects directly benefiting productive sector activity implemented and the local business environment improved;</li> <li>Capacity of regional authorities developed to deal with regional planning, project identification and programming;</li> <li>New links between regional business enterprises as well as vocational training institutions located inside and outside the region established</li> <li>New products introduced and marketed by assisted enterprises;</li> <li>Due to the successfully completing training courses within the project, increase in export sales and turnover of assisted enterprises;;</li> <li>New training curricula corresponding to market needs developed.</li> </ul>	<p>At least 200 consultancy contacts cofinanced and companies supported for participation in training programmes (10.000 EUR minimum)</p> <p>minimum 7 business related infrastructure projects co-financed enterprises receiving the management/vocational-specific training support for the employees (max. size 300.000)</p> <p>minimum 120 activities completed to support training services for workforce, to support the VET institutions in the region and to provide training for unemployed (Minimum project size 10.000)</p> <p>civil servants/regional socio-economic partners/local experts having raised their skills and qualifications in three esc support areas and in the operationalisation of the regional development planning activities.</p>	<p>Continuously all involved institutions:</p> <ul style="list-style-type: none"> <li>Reports from the contracting parties</li> <li>Official publications</li> <li>Reports from MoE, LDA, MoES and State Employment service and CSB</li> <li>Reports from the local companies, training units, local governments, trade unions, chambers of commerce, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Adequate activity from SME's, local municipalities, trade unions, chambers of commerce, training institutions</li> <li>Co-financing available</li> <li>Adequate take up of activities</li> <li>Qualified offer for the services to be provided available</li> </ul>	

Inputs	Indicators of Achievement*		
<ul style="list-style-type: none"> <li>▪ Training programmes for companies</li> <li>▪ Investment attraction activities</li> <li>▪ Export promotion activities</li> <li>▪ Consultancy services for Companies</li> <li>▪ New training programmes designed especially to meet the requirements of the region</li> </ul>	370 000 EUR Regional Partnership Contract 2 095 000 EUR Business Support Facility; 2 095 000 EUR Business support Infrastructure; 1 220 000 EUR Human Resource Development Facility; 430 000 EUR Technical Assistance		

## Annex 2. Time schedule Economic and Social Cohesion measures in the Latgale Region\*

	2001												2002												2003											
	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Institutional arrangements finalised	X																																			
1) Contract Regional Partnership	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X												
2) Service Contract							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
3) Infrastructure Contracts										X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
4) Service Contract							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X				
5) Financing agreement							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X												
6) Framework Contract							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X									

\* - The indicated timetable reflects the latest deadlines for the start of all listed contracts within this project

## Annex 3. Cumulative contracting and disbursement schedule

**Economic and Social Cohesion measures in the Latgale Region (6.21Meur)**

CUMULATIVE CONTRACTING and DISBURSEMENT SCHEDULE (€ million)														
	Date													
	00.09.30	00.12.31	01.03.31	01.06.30	01.09.30	01.12.31	02.03.31	02.06.30	02.09.30	02.12.31	03.03.31	03.06.30	03.09.30	03.12.31
<i>Contract 1: Regional Partnership</i>														
Contracted			<b>0.370</b>											
Disbursed			0.110	0.160	0.210	0.260	0.310	0.310	0.360	0.360	0.370			
<i>Contract 2: Service Contract for BSF</i>														
Contracted					<b>2.095</b>									
Disbursed					0.250	1.000	1.150	1.300	1.450	1.600	1.750	1.900	2.095	
<i>Contract 3: Supply / works contracts for BSI</i>														
Contracted						<b>0.400</b>	<b>0.800</b>	<b>1.200</b>	<b>1.800</b>	<b>2.095</b>				
Disbursed							0.200	0.400	0.700	1.000	1.500	1.700	1.900	2.095
<i>Contract 4: Service Contract for HRD</i>														
Contracted					<b>1.220</b>									
Disbursed					0.300	0.600	0.660	0.720	0.780	0.840	0.900	0.960	1.220	
<i>Contract 5: Financing Agreement</i>														
Contracted					<b>0.230</b>									
Disbursed					0.115					0.230				
<i>Contract 6: Framework Contract</i>														
Contracted					<b>0.200</b>									
Disbursed							0.05	0.09	0.125	0.163	0.200			

#### Annex 4.

##### List of relevant Laws and Regulations

- 1) “Concept of Regional Development Policy of Latvia” (adopted by Cabinet of Ministers of Latvia, December 3, 1996)
- 2) “Law on Territorial Development Planning” (passed by Saeima in October 15, 1998)
- 3) “Concept on Establishment of Regional Development Agencies” (adopted by Regional development Council in October 18, 1999)
- 4) “Concept of National Spatial Plan” (adopted by Cabinet of Ministers of Latvia, January 27, 1998)
- 5) “Law on Self-Governments” (passed by Saeima in May, 1994)
- 6) “Law about control of support to entrepreneurship administered by state and self governments”
- 7) “Law on Education”
- 8) “Law on Vocational education and training”

##### Reference to relevant Government Strategic plans and studies

- 1) National Programme for Integration in EU
- 2) Middle term Economic Development Strategy
- 3) National Programme of SME's Development
- 4) Conception of State support for Entrepreneurship
- 5) Industry Policy
- 6) National Programme of Quality assurance
- 7) Programme for Development of Specially Sustainable Regions
- 8) National Development Plan for accumulation of Pre-structural Funds
- 9) Declaration of Cabinet of Ministers
- 10) Programme for Rural Development

## Steering Committee for ESC projects

Chair: MSACIFA (R. Zīle)

Participants: SPO, Ministries, Heads of Regional Development Councils (Latgale, Zemgale),  
EC Delegation

- Approval of Detailed guidelines (eligible activities, proj. selection criteria, procedures);
- Approval of 3-monthly work programs (projects) proposed by the regions;
- Review and approve of the reports (3-monthly report);
- Approval of ToR for contracts;

### Senior Programme Officer (SPO)

Head of Secretariat of MSACIFA  
(I. Kalniņa)

- Responsible for technical implementation;
- Supervise ESC MD and contractors;
- Carry out technical monitoring.

### ESC Management Division (ESC MD)

(Entity within the administration of the MSACIFA,  
subordinated to SPO)

- Serve as secretariat for SPO and Steering Committee for ESC projects;
- Prepare Special Guidelines and ToR for contracts;
- Arrange calls for proposals;
- Assist and advise RDA in elaboration of projects which comply with the guidelines;
- Coordinate activities with regions
- Assess work program (projects) prior to the evaluation by the independent experts
- After appraisal by independent experts submission to Steering Committee for ESC projects
- Advise Regional Project Selection Committee on guidelines for project approval at central level through their representation at the Regional Project Selection Committee

### Regional Project Selection Committee

Chair: Head of Regional Development Council

Participants: Head's of Districts, Representative of RDA,  
representative from ESC MD, representatives of Ministries,  
social partners

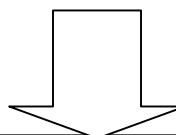
- Decide on list of projects to be proposed for approval in Steering Committee for ESC projects;
- Supervise the activities of LRDA;

### Latgale Regional Development Agency (LRDA)

- Carry out information campaign
- Support and promote project preparation;
- Assist and advise beneficiaries in elaboration of projects which are complying with the detailed guidelines adopted by the Steering Committee for ESC projects
- Collect projects;

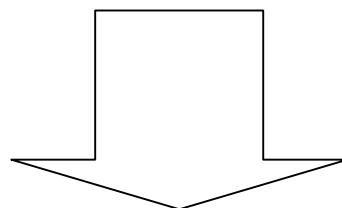
### Ministry of Finance/ PAO (CFCU)

- Financial appraisal of projects and expenditure authorization (MinFin)
- Carry out tendering and contracting (CFCU)



### Contractors

- Deliver services to beneficiaries for business support and human resource development components;
- Carry out subcontracting to provide specific services under these components;
- Carry out works in case of infrastructure component;



Beneficiary

Beneficiary

Beneficiary

Beneficiary

## **Annex 6. The Concept of the Regional Administrative Territorial Reform**

The participants of the discussion: J.Bunkšs, E. Krastiņš, J.Jurdžs, A.Gorbunovs, V.Makarovs, A.Jaunsleinis, R.Zīle, V.Balodis, A.Šķēle.

The decisions made:

1. 5 (five) planning regions to be defined in Latvia by 1 January, 2001 (Kurzeme, Latgale, Riga, Vidzeme, Zemgale).
2. The self-governments form a planning region in compliance with the legislation.
3. Regional development agencies ensure the implementation of the development planning and investment management regional development policy.
4. The Concept of the Regional Development Agencies to be submitted by the Ministry of Environmental Protection and Regional Development to the Cabinet of Ministers by 1 May, 2000.
5. The establishment of regional administrations to be implemented gradually by 2005.
6. The territorial system of institutions of the state administration to be organised according to the planning regions.
7. V.Balodis, the Minister of Environmental Protection and Regional Development, in co-operation with J.Bunkšs, the Minister of Special Assignment for State Administration and Municipal Reform, are to prepare the modification project of the Law on Spatial Development Planning and to submit it to the Cabinet of Ministers by 1 July, 2000.
8. The modification to be made to the decision (protocol No 43, 21) of the Cabinet of Ministers of 24 August, 1999, "The Concept of the Regional Administrative Territorial Reform", and point 2 to be excluded.

President of Ministers \_\_\_\_ A.Šķēle

Instead of the Director of the State Chancellery \_\_\_\_\_

The Director of the Juridical Department \_\_\_\_A.Kveska