

ANNEX: ICELAND NATIONAL PROGRAMME 2011

1 IDENTIFICATION

Beneficiary	Iceland
CRIS number	2011 – 022.996
Year	2011
EU contribution	12 000 000 EUR
Implementing Authority	European Commission
Final date for concluding the financing agreements	At the latest by 31 December 2012
Final dates for contracting	3 years after the date of conclusion of the Financing Agreement. These dates apply also to the national co-financing.
Final dates for execution	2 years following the end date for contracting. These dates apply also to the national co-financing.
Budget line(s) concerned	22.02.01: National Programmes (component Transition Assistance and Institution Building) for Candidate Countries
Programming Unit	DG ELARG - B.4 – Iceland Unit
Implementation Unit	DG ELARG – D.2 – Institution Building Unit DG ELARG – D.3 - Regional Programmes

2. THE PROGRAMME

2.a Priorities selected under this programme

The strategic priorities for Iceland under IPA were defined in a Multi-annual Indicative Planning Document (MIPD) for the period 2011 to 2013. This document identifies two main strategic objectives for Iceland:

1. To further enhance Iceland's ability to assume the obligations of membership by supporting institutional capacity building for *acquis* transposition and implementation.
2. To reinforce Iceland's institutional capacity while preparing for participation in and implementation of Structural Funds and other EU funds.

A key reference for the identification of the two main priorities of the MIPD 2011-2013 was the Commission's Opinion on Iceland's application for membership of the European Union of 24 February 2010. This Opinion provided a first overview of the state of the country's alignment with EU values, policies and laws. The identification of needs and gaps highlighted by the Opinion was further confirmed by the 2010 Progress Report of the European Commission for Iceland.

Both objectives are addressed in the scope of the National Programme 2011.

2.b Sectors selected under this programme and donor coordination

Iceland is a developed, high income country which has a competent and efficient but very small public administration. Considering that Iceland has already transposed an important part of the *acquis* in the context of the European Economic Area Agreement (EEA), and given the limitations of the available financial envelope, the National Programme 2011 concentrates on a limited number of projects within the strategic priorities of the MIPD 2011-2013.

The following considerations are underlying the prioritization of projects to be included in the annual programme:

- (a) Concentration on critical or important areas for the accession process where human resources or other constraints of the Icelandic public administration would have prevented Iceland from achieving timely progress in accession preparations through reliance on own resources only (Translation/Interpretation; Nature Protection; Food Safety; Statistics)
- (b) "Backloading" of support to structural funds preparation to the following rounds of programming in view of a need for further clarification of the institutional and strategic set up for structural funds. The National

Programme 2011 includes hence only one ERDF and ESF type pilot project each, based on maturity and national relevance (Adult Education; National Geopark).

- (c) Flexibility to support priority areas for the accession process where an inclusion of projects in the programming was not yet feasible because of lack of project maturity or for lack of necessary prior decisions on institutional structures, strategies or plans (Technical Assistance and Structural Funds Preparation Facility)
- (d) Ensuring close synergy with other EU financial assistance instruments, including TAIEX and the IPA Multi-Beneficiary Programmes.

Based on these considerations as well as priorities set in the MIPD 2011-2013, the current IPA National Programme 2011 will support 7 projects. These projects were selected based on their maturity and relevance to the accession process of Iceland. Balance between the two priority axes set in the MIPD was taken into consideration.

Overview of past and on-going assistance

Upon entry into force of the amended IPA Regulation, Iceland started benefiting from financial assistance through the Technical Assistance and Information Exchange instrument (TAIEX) and participating in existing multi-beneficiary programmes. Both instruments are complimentary to the National Programme.

The multi-beneficiary envelope 2010 provides €1 million for population census and agriculture statistics and €2 million for the purpose of translating 18.000 OJ pages of *acquis* into Icelandic. The latter is directly linked to the project "*Translation of the acquis and support to setting up the conference interpretation programme at the University of Iceland*" covered in the National Programme. The start of the latter is conditional on the finalisation of the project funded from the Multi-Beneficiary Programme.

The close co-ordination with TAIEX and Multi-Beneficiary Programmes is especially relevant for the project "*Technical Assistance and Structural Funds Preparation Facility*" that provides an unallocated facility to address institution and capacity building needs.

Lessons learned from past assistance

First lessons learned in the implementation of TAIEX assistance in Iceland confirm the specificity of needs in light of the high standard of public administration in Iceland, the very small size of the Icelandic administration and, linked to this, the limited absorption capacity for large scale technical assistance support. This specific setting underlines the need to ensure flexibility and synergy in the provision of IPA

assistance under the National IPA Programme, TAIEX short and medium term assistance, and the Multi-Beneficiary Programmes. The high standard of Icelandic public administration suggests that Icelandic institutions can be expected to shoulder a high level of responsibility (where appropriate via the implementation of grant agreements) in project implementation. Project ownership can be expected to be high. The experience with the implementation of TAIEX assistance suggests as well that knowledge of project cycle management is limited (Iceland has not been a recipient of project assistance prior to IPA) and training and support should be provided to both beneficiaries and coordinating institutions on project cycle management. Given the high degree of autonomy of Icelandic governmental organisations and lack of centralised co-operation, particular attention needs to be placed on ensuring adequate coordination mechanisms where needed for the implementation of projects involving a broader range of stakeholders.

Coordination process with the beneficiary country and other donors

The programming process for the National Programme 2011 was launched in autumn 2010. Following the submission of project identification sheets submitted in December 2010, a first programming mission to Reykjavik at the end of January 2011 resulted in the identification of eleven project proposals to be further developed. The first draft project fiches were submitted by Icelandic beneficiaries in March followed by a second programming mission to Reykjavik, and the submission of revised project fiches in early May. The complete programming package was submitted by the NIPAC to DG ELARG on June 3rd 2011.

On the Icelandic side, the programming process was coordinated by the National IPA Coordinator (NIPAC) in the Ministry of Foreign Affairs. Project proposals were drafted by the beneficiary institutions with support from the NIPAC Unit and TAIEX, and other experts providing training on aspects of projects cycle management and project preparation. The beneficiary institutions as well as members of the Icelandic negotiation teams for the chapters of the EU *acquis*, the Prime Minister's Office and the Icelandic Embassy in Brussels participated in both programming meetings and project development.

A consultation with Icelandic civic society as well as EU Member states and International Financial Institutions represented in Iceland was carried out at the end of June and received comments were integrated to the programme in the most appropriate manner.

In the time of preparation of the National Programme 2011 EU was the only donor providing assistance to Iceland in its preparation for the accession. Close co-ordination with the donors will be ensured in case the situation changes.

2.c Description

1 Priority Area: Building administrative capacity for acquis transposition and implementation

IPA assistance under this MIPD priority area is envisaged to specifically target identified institution-related gaps in all chapters of the *acquis* with a strong focus on chapters not or only partially covered by the EEA. These include fisheries, agriculture and rural development, environment, free movement of capital, financial services, customs union, taxation, statistics, food safety, veterinary and phytosanitary policy, regional policy and coordination of structural instruments, and financial control. Furthermore, the MIPD envisages support for the translation of the *acquis* into Icelandic which has not yet been ensured in the context of the EEA.

MIPD key results relevant to the National Programme 2011:

- Iceland's legal framework is aligned with the *acquis*, in the areas where IPA assistance has been provided;
- Comprehensive strategies and/or actions plans are set in order to ensure enforcement of the EU rules by accession in the sectors supported by IPA;
- The administrative capacity of the Iceland's ministries, agencies and regulators and institutions is reinforced and the country has relevant structures in place for the implementation of the *acquis* upon accession.

The component will cover projects in the fields of food safety, statistics and environment. Furthermore a cross-*acquis* project to support the translation of the *acquis* into Icelandic is envisaged. In total 4 projects will fall under this priority.

Project No 1 - "Institutional and laboratory capacity building to ensure food safety"
(Total budget: €1,909,200; EU contribution €1,900,000; Beneficiary: The Icelandic Food and Veterinary Authority, and the Icelandic Food and Biotech R&D)

Food Safety, Veterinary and Phytosanitary Policy are among the key priorities identified by the MIPD. The Commission's Opinion on the Membership application of Iceland and the Commission's 2010 Progress Report underline the need for serious efforts to be undertaken in the area of food safety, veterinary and phytosanitary policy, and highlight gaps in laboratory capacity in Iceland with regard to, among others, plant protection products, food contaminants and components, and Genetically Modified Organisms (GMOs).

The project aims at increasing the administrative and laboratory capacity of Iceland in application of *acquis* in the areas of food safety such as residues of plant protection products, chemical contamination, food borne toxins, food composition and genetically modified organisms.

The estimated result of the project relate to increasing laboratory infrastructure capacity of the National Reference Laboratory, MATIS, together with the capacity to carry out official testing procedures and controls; enhancing legislative, technical and administrative knowledge of Icelandic Food and Veterinary Authority and control staff of the Local Environmental and Public Health Offices; elaborating analytical and control documentation for official controls and analysis of residues, contaminants, food composition and genetically modified organisms; preparing MATIS for external accreditation of analytical procedures; and increasing awareness of food safety requirements and increased capacity of Iceland in this respect among key institutional and sectoral stakeholders.

The project will be implemented through 1 twinning contract (€642,800) and up to 4 supply contacts (€1,257,200). The tender for the equipment is expected to be launched in the 2nd quarter of 2012 and Twinning Project Fiche circulated in the 4th quarter of 2011.

Project No 2 - "Preparation for Implementing the Habitats and Birds Directives"
(Total budget: €4,436,100; EU contribution: €3,685,000; Beneficiary: Icelandic Institute of Natural History and National Land Survey of Iceland)

The MIPD mentions environment as one of the key priorities for assistance under IPA. Both the Commission Opinion and the 2010 Progress Report have highlighted the importance of bringing nature protection in Iceland in line with EU *acquis*. The progress reports states "compliance with the nature protection *acquis*, in particular as regards protection of whales, seals and wild birds, as well as conservation of natural habitats and of wild fauna and flora remains to be achieved." The Icelandic National Strategy on Sustainable Development prioritises nature protection and also highlights the importance for managing tourism in a sustainable way. Preparations for the implementation of the Habitat and Bird Directives appear as particular urgent as a list of protected sites needs to be available upon accession.

The project aims at strengthening the institutional capacity of Iceland to classify and identify species, birds, and natural habitats needing protection in line with EU standards and requirements of the habitats and birds directives. The project will thus contribute to ensuring biodiversity, and sustainable environmental management of natural habitats in Iceland.

The project will result in an up-to-date scientific database and classification of species and habitat types, the definition of areas requiring protection, and better information provided to policy makers and the public on the importance of biodiversity protection.

The project will be implemented through 2 supply contracts (€550,000) and 1 direct grant agreement (€2,835,000) with the Icelandic Institute of Natural History (IINH). The IINH is the only governmental research institute in Iceland mandated to produce

species, vegetation, habitat and geological maps for the public and to assess the conservation value of species, habitat types, ecosystems and geological systems.

The award is made in accordance with the Implementing Rules, Article 168.1.f. Award procedure to be launched in the 1st quarter 2012. The supply contracts are expected to be tendered in the 2nd quarter of 2012.

Project No 3 - "Strengthening National Accounts"

(Total budget: €1,070,000; EU contribution €25,000; Beneficiary: Statistics Iceland)

Statistics is mentioned as a key priority by the MIPD. Reliable national accounts data are of major importance for assessing the economic situation in Iceland and deciding economic and monetary policy both on a national and EU level. The national accounts play a prominent role in calculating the contributions of the Member States to the EU budget.

The project aims at achieving timely delivery of quality data and comparable statistics regarding the annual and quarterly national accounts of Iceland in line with the standards of the EU *acquis* and in the interest of sound economic policy-making.

The project will result in Supply-and-Use Tables and Input-Output Tables being created and quarterly national accounts produced according to production and income approaches. It will be ensured that national accounts annual and quarterly employment data will be produced according to ESA95 definitions, and that financial and sector accounts are compiled. Last but not least, the data collection capacity of Statistics Iceland will be enhanced, as demonstrated through a user handbook for new databases and production system and a data and quality report on survey results for new and improved data collection.

Responsibility for the contracting of the project will be cross sub-delegated from DG Enlargement to DG ESTAT. The project will be implemented through 1 direct grant agreement (€25,000) with the Statistics Iceland who, being a National Statistical Institute of Iceland is responsible for collecting, producing and disseminating official statistics. The award is made in accordance with the Implementing Rules, Article 168.1.c. Award procedure to be launched in the 2nd quarter 2012.

Project No 4 - "Translation of the acquis and support to setting up the conference interpretation programme at the University of Iceland"

(Total budget: €3,423,000; EU contribution €1,500,000; Beneficiaries: Translation Centre of the Ministry for Foreign Affairs and University of Iceland)

The MIPD makes specific reference to the need to provide assistance to Iceland in translating the parts of the *acquis* which do not fall under the EEA. The translation of the *acquis* as well as sufficient interpretation capacity, are particular challenges for a country with a very small population.

The project has a double aim. Firstly, to assist Iceland in its task to translate the *acquis* by the time of the accession into Icelandic. Secondly to support setting up the programme for conference interpreters in the University of Iceland and thereby contributing to the development of a pool of interpreters required in the context of EU membership. National Programme 2011 facilitates the availability of required facilities through procuring interpretation booths and related interpretation equipment.

The translation component will be implemented through 1 direct grant (€1,414,000) with the Translation Centre of the Ministry for Foreign Affairs, which is responsible for the official translation and has been carrying out the translations of the *acquis* falling under the EEA agreement. The award is made in accordance with the Implementing Rules, Article 168.1.c. Award procedure to be launched in the 3rd quarter 2012.

Interpretation component of the project will be implemented through 1 supply contract (€86,000) for which the procurement is launched in the 2nd quarter of 2012.

II Priority Area: Preparation for effective use of Structural Funds and other EU funds

One specific objective of EU assistance will be to support Iceland's preparations for participation in the EU's common policies and implementation of Structural Funds and other EU funds. Additional administrative capacity and structures will need to be built up in order to allow smooth management and implementation of projects financed by these funds. IPA could also support Iceland's socio-economic development by increasing absorption capacity of EU funds upon accession.

In this sense, pilot projects modelled on future Structural Funds projects, aimed at supporting competitiveness, employment, sustainable energy consumption, human resource development and other fields that would be eligible upon accession for cohesion policy funding, could profit from IPA assistance. IPA could also support the participation of the civil society and the municipal actors in regional and social development projects. In addition assistance to the Icelandic authorities in the identification and preparations of projects to be further financed under Structural and other Funds is envisaged.

The main results to be achieved within the scope of this priority axis are:

- Iceland to develop a co-ordinated approach towards economic, social, regional and rural policy;
- Iceland to implement selected pilot projects;

- Iceland to develop capacity allowing, by the time of accession, for implementation of the cohesion policy and management of other EU funds;
- Iceland to prepare mature project pipeline that is ready to be implemented upon accession.

This priority axis contains 2 pilot projects, one pilot project for ERDF and one for ESF type operations respectively. The pilot support will allow the Icelandic administration and municipalities to gain experience in project preparation and implementation of ERDF/ESF type projects. The two pilot projects to be financed under NP 2011 were selected on the basis of their maturity and their relevance to the Structural Funds. In addition, their link to priorities of the national strategy 'Iceland 2020', which has similar goals to 'Europe 2020', was taken into consideration.

Project No 5 - "Katla Geopark: Regional development for the Eyjafjallajökull area"
(Total budget: €747,000; EU contribution: €560,000; Beneficiary: University Centre of South Iceland)

The ERDF type pilot project is aiming at increasing employment via the promotion of geo-tourism to the Katla National Park, an area severely affected by the eruption of the Eyjafjallajökull Volcano in 2010. The project is based on a broad cooperation between local stakeholders including three municipalities and the University of South Iceland. The project has been identified as one of the regional priority projects during consultations in the context of the "Moving Iceland Forward 2020" Initiative. Experiences in increasing off-season geo-tourism and in registering a first ever Icelandic Geopark in a European network of geoparks are of interest for other regions of Iceland relying on tourism as a source of employment creation.

The project will result in strengthened human capacity in terms of local leadership and entrepreneurship in the region and improved infrastructure and facilities for geological sites in the park. The project will also ensure that educational and practical information will be available for the visitors of the Katla Geopark. Best practices of running a geopark will be identified and disseminated with view to the creation of an Icelandic Geopark network.

The project will be implemented through 1 direct grant agreement (EU 560.000€) with the University Centre of South Iceland in accordance to Implementing Rules, Article 168.1.f. Award procedure to be launched in the 2nd quarter of 2012.

University Centre of South Iceland is a private non-profit institution that was founded and is financed by thirteen South Iceland municipalities. UCI is managing the existing "Katla Geopark Project" which was established in November 2010 as a private non-profit institution with the aim of developing a geopark in the region.

Project No 6 - "Increasing employability of low qualified workers through the development of a skills recognition system in adult education"

(Total budget: €2,500,000; EU contribution: €1,875,000; Beneficiary: Education and Training Service Centre)

The ESF type pilot project, which will target all regions of Iceland, will focus on increasing the employability of low qualified workers through a skills recognition system in adult education. The Progress report and the MIPD point out in this regard that Iceland has a particularly high percentage of low qualified workers, a group severely affected by the Icelandic financial crisis. The project is a direct response to the declared objective of the Icelandic Government in its "Iceland 2020" policy statement to reduce the percentage of workers who do not have formal secondary education from 30% to 10% by 2020. The project is furthermore in line with the Europe 2020 Strategy for smart, sustainable and inclusive growth which calls for a better education, more social inclusion and measures to fight unemployment. By bringing together a broad group of social partners, education institutions, local authorities, and governmental organizations and agencies, the project management structures can be considered as a precursor for a future ESF type monitoring committee.

The purpose of the project is to increase the efficiency of the adult education system for low qualified workers, thus improving their employability. The project will ensure the long-term governance, analysis and quality assurance of the skills recognition system, develop skills recognition tools and means and make these available to low qualified workers as the final beneficiaries.

The project will be carried out through 1 direct grant agreement (€1,875,000) with the Education and Training Service Centre (ETSC) in accordance to Implementing Rules, Article 168.1.c. The ETSC, an institution which is financed through the state budget, is the only institution that has the responsibility to develop recognition of non-formal and informal learning in Iceland.

Award procedure to be launched in the 2nd quarter of 2012.

Supporting activities

Under the project "*Technical Assistance and Structural Funds Preparation Facility*" flexible facility has been created to address gaps of a limited scope, identified in the implementation of the *acquis* and/or deemed necessary in relation to the preparation for the implementation of the Structural Funds and other structural instruments, as well as support activities for the implementation of IPA assistance.

Twinning and Technical Assistance projects to address these gaps can be financed under this facility and mobilised in a rapid manner without having to undergo the full

programming cycle. This will further contribute to achieve the sector objectives of the MIPD and progress towards meeting the indicators linked to these objectives.

The support activities can fall under all chapters of the *acquis* with a strong focus on chapters not or only partially covered by the EEA. These include fisheries, agriculture and rural development, environment, free movement of capital, financial services, customs union, taxation, statistics, food safety, veterinary and phytosanitary policy, regional policy and coordination of structural instruments, and financial control. Through Twinning and technical assistance, the project could support DAC reporting of government's targets for official development assistance (ODA) as well as ICEIDA Baseline Paris Declaration Survey.

The key indicators in the MIPD, which are supported by this programme, are further developed in the logical frameworks of the project fiches and/or Terms of Reference, which are the basis for the implementation of the programmes. This project documentation contains detailed measurable indicators to allow measuring results and the impact achieved by the project. The progress in meeting these indicators will be followed through the monitoring system.

In relation to the supporting facilities the component envisages technical assistance to support National IPA Co-ordination of Iceland in his tasks related to programming, implementing and monitoring of IPA assistance as well as co-ordination activities in preparation for the implementation of Structural Funds and other structural instruments.

Project No 7 - "Technical Assistance and Structural Funds Preparation Facility"
(Total budget: €1,655,000; EU contribution €1,655,000; Beneficiary: Ministry for Foreign Affairs)

The project comprises of three components with a common overarching aim of providing flexible technical assistance both in relation to pre-accession assistance as well as preparation for the implementation of structural funds.

General Technical Assistance Facility is an unallocated facility supporting small scale technical assistance needs on preparations, implementation and monitoring of the projects programmed under the IPA National Programme. The facility provides also flexibility to support small scale institution building projects that cannot be covered through alternative instruments, such as TAIEX, Multi-Beneficiary Programme and programmed National Programme, and that comply with the priorities of the MIPD 2011-2013.

The activities that could be supported from this facility are, but not limited to: developing programme and project documentation e.g. project fiches for subsequent National IPA Programme, feasibility and other studies, supporting preparations of tendering documentation, research activities and related preliminary studies,

supporting preparations of strategic plans including investment strategies, specialised trainings and expert advise, small scale institution building projects etc.

Approximately 6 service contracts with various sizes (Total EU €300,000) could be supported from this unallocated facility.

The Structural Funds Preparation Facility aims at supporting Iceland's preparation for the future implementation of Structural Funds and other Structural Instruments like the Rural Development and Fisheries Funds. The European Commission's Opinion as well as the 2010 Progress Report emphasize the need to establish institutional structures in line with the choices of operational programmes and prepare staff for the implementation of these programmes. Iceland is at an early stage of these preparations with an appropriate needs analysis, identification of institutional setup, national strategic reference framework as well as operational programmes still to be drafted, and a good quality project pipeline to be prepared. The facility targets to address the abovementioned needs and facilitates also project preparations for the related interventions through the National Programme 2012/2013.

The activities that could be supported from this facility are, but not limited to: supporting development of programme documentation e.g. draft National Strategic Reference Framework and Operational Programmes for Structural Funds including preceding analysis, developing sub-regional development strategies and investment plans, research activities and related preliminary studies, preparation of the project pipeline for the Structural Funds, developing institutional capacity both at central as well as local level in preparation for the future implementation of the Structural and Cohesion Funds, specialised trainings and expertise etc.

Approximately 8 service contracts of various size (Total €600,000) could be supported from this unallocated facility.

The third component of the project aims to support Iceland's NIPAC in his duties related to the IPA National Programme, i.e programming, monitoring, and supporting prospective and final beneficiaries throughout the project cycle. As Iceland does not have experience with managing IPA funding continuous expert support is deemed to be the most appropriate means to assist Icelandic authorities in this exercise. The consultant is expected to support the NIPAC in all planning, contracting, implementing, monitoring and information activities related to implementation of IPA assistance in Iceland, including TAIEX and Multi-Beneficiary Programmes.

The component is implemented through 1 service contract (€755,000). The procurement procedure is expected to be launched in the 1st quarter of 2012.

2.d Horizontal issues

Equal opportunities and non-discrimination

Equal opportunities and non-discrimination will be ensured in the implementation of all projects in line with applicable Icelandic laws and regulations. Where relevant, in particular in the project "*Increasing employability of low qualified workers through the development of a skills recognition system in adult education*", statistics will be provided as to the gender composition of individuals benefitting from project activities. Aspects of equal opportunities will be monitored in design and implementation of the projects.

Respect for and protection minorities and vulnerable groups

All projects will be implemented in accordance with Icelandic laws and regulations. It will be ensured that participation in project activities is open to all citizens including minorities. The participation of immigrant workers in the activities of the ESF type pilot project "*Increasing employability of low qualified workers through the development of a skills recognition system in adult education*" will be monitored and relevant data will be provided.

Environment protection

All projects will be implemented in accordance with Icelandic laws and regulations regarding the environment. The project "*Preparation for implementing the Habitats and Birds Directives*" will contribute to ensuring biodiversity and sustainable management of natural habitats in Iceland. The project "*Katla Geopark: Regional development for the Eyjafjallajokull area*" will contribute to the promotion of sustainable tourism in Iceland. In the implementation of the project "*Institutional and laboratory capacity building to ensure food safety*" care will be taken to produce laboratory equipment that will reduce the amount of organic solvent used for the intended analytical procedures.

Good governance, with particular attention to fight against corruption

All projects will be implemented in accordance with Icelandic laws and regulations. The principles of good governance and fight against corruption are an integral part in all aspects of the National Programme.

2.e Risks and Assumptions

The implementation of the National IPA Programme for Iceland is subject to the prior signature of a Financing Agreement between the European Commission and Iceland defining the modalities of programme implementation.

The Icelandic Government and the beneficiaries will ensure that co-financing is available in a timely manner as identified in the description of the individual projects under this programme.

The Icelandic government and the institutions benefiting from assistance under the IPA Programme 2011 will ensure that the required beneficiary staff, working space, and other conditions are in place to ensure a smooth start of project implementation.

The NIPAC Office is expected to be in full operation together with two persons working full time on IPA by the start of programme implementation.

Prior to the start of the project the institutions concerned by the project "*Preparation for the implementation of the habitats and birds directives*" will set out roles and responsibilities related to the project in a Memorandum of Understanding. Furthermore, a Steering Committee under the chairmanship of the Ministry for the Environment will be established to guide project implementation.

Prior to the start of the project "*Institutional and laboratory capacity building to ensure food safety*" MATIS is expected to assign staff for the new functions of the laboratory.

The translation component of the project "*Translation of the acquis and support to setting up the conference interpretation*" is conditional on the finalisation of the related project financed from the IPA Multi-Beneficiary Programme. The interpretation component is conditional on the readiness of the facilities in the University of Iceland for the installation of the interpretation booths and the availability of technical support.

2.f Roadmap for the decentralisation of the management of EU funds.

In terms of implementation, due to the Iceland's level of economic and social development and its extended degree of alignment with EU legislation under the EEA Agreement, IPA financial support for Iceland will be exclusively implemented under IPA Component I "Transition Assistance and Institution Building", through centralised management by the European Commission. No decentralisation of the management of EU funds without *ex ante* controls by the Commission is foreseen for the pre-accession process of Iceland.

3. BUDGET (AMOUNTS IN EUR)

3.1. Indicative budget table

Centralised management	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution	
	Total expenditure	IPA contribution	EU %	National contribution*	%	Total expenditure	IPA EU contribution	EU %	National contribution*	%			
	EUR (a)=(b)+(c)	EUR (b)		EUR (c)	%	EUR (d)=(e)+(f)	EUR (e)	%	EUR (f)	%	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	%
Axis I	8,645,100	5,716,800	66.1%	2,928,300	33.9%	2,193,200	2,193,200	100.0%	0	0.0%	10,838,300	7,910,000	73.0%
<i>Project 1: Institutional and laboratory capacity building to ensure food safety</i>	652,000	642,800	98.6%	9,200	1.4%	1,257,200	1,257,200	100.0%	0	0.0%	1,909,200	1,900,000	99.5%
<i>Project 2: Preparation for Implementing the Habitats and Birds Directives</i>	3,586,100	2,835,000	79.1%	751,100	20.9%	850,000	850,000	100.0%	0	0.0%	4,436,100	3,685,000	83.1%
<i>Project 3: Strengthening National Accounts</i>	1,070,000	825,000	77.1%	245,000	22.9%	0	0	0.0%	0	0.0%	1,070,000	825,000	77.1%
<i>Project 4: Translation of the acquis and support to setting up the conference interpretation programme at the University of Iceland</i>	3,337,000	1,414,000	42.4%	1,923,000	57.6%	86,000	86,000	100.0%	0	0.0%	3,423,000	1,500,000	43.8%
Axis II	3,247,000	2,435,000	75.0%	812,000	25.0%	0	0	0.0%	0	0.0%	3,247,000	2,435,000	75.0%
<i>Project 5: Katla Geopark: Regional development for the Eyjafjallajökull area</i>	747,000	560,000	75.0%	187,000	25.0%	0	0	0.0%	0	0.0%	747,000	560,000	75.0%
<i>Project 6: Increasing employability of low qualified workers through the development of a skills recognition system in adult education</i>	2,500,000	1,875,000	75.0%	625,000	25.0%	0	0	0.0%	0	0.0%	2,500,000	1,875,000	75.0%
Support Activities	1,655,000	1,655,000	100.0%	0	0.0%	0	0	0.0%	0	0.0%	1,655,000	1,655,000	100.0%
<i>Project 7. Technical Assistance and Structural Funds Preparation Facility</i>	1,655,000	1,655,000	100.0%	0	0.0%	0	0	0.0%	0	0.0%	1,655,000	1,655,000	100.0%
TOTAL	13,547,100	9,806,800	72.4%	3,740,300	27.6%	2,193,200	2,193,200	100.0%	0	0.0%	15,740,300	12,000,000	76.2%

* contribution (public and private national and/or international contribution) provided by national counterparts. The co-financing will take a form of joint co-financing in all projects with the exception of Twinning and Twinning Light projects where parallel co-financing is envisaged in the Twinning project fiches.

(1) Expressed in % of the Total expenditure IB or INV (column (a) or (d)).

(2) Sector rows only. Expressed in % of the grand total of column (h). It indicates the relative weight of the sector with reference to the total IPA EU contribution of the entire FP.

3.b Principle of Co-Financing applying to the programme

The IPA EU contribution, which represents 76.2% of the total budget allocated to this programme, has been calculated in relation to the **eligible expenditure**, which in the case of centralised management is based on the **total expenditure**.

In the case of grants, final grant beneficiaries should contribute with a minimum of 10% of the eligible expenditure of the project, both for investment and institution building projects.

In centralised management, the minimum rates of national co-financing shall be calculated at the level of the priority axes.

4. IMPLEMENTATION

4.a Management modes and Implementation modalities

The programme will be implemented on a centralised basis by the European Commission in accordance with Article 53a of the Financial Regulation¹ and the corresponding provisions of the Implementing Rules².

The implementation of the project "*Strengthening National Accounts*" is delegated to DG ESTAT.

4.b General rules for procurement and grant award procedures

Procurement shall follow the provisions of Part Two, Title IV of the Financial Regulation and Part Two, Title III, Chapter 3 of its Implementing Rules as well as the rules and procedures for service, supply and works contracts financed from the general budget of the European Communities for the purposes of cooperation with third countries adopted by the Commission on 24 May 2007 (C (2007)2034).

Grant award procedures shall follow the provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models facilitating the application of the above rules provided for in the "*Practical Guide to contract procedures for EU external actions*" ("Practical Guide") as published on the Commission website at the date of the initiation of the procurement or grant award procedure. The essential selection and award criteria for the award of grants are laid down in the Practical Guide. The detailed selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants

¹ Regulation 1605/2002 (OJ L 248, 16.9.2002, p.1) as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p.1)

² Regulation 2342/2002 (OJ L 357, 31.12.2002, p. 1) as last amended by Regulation (EC, Euratom) No 478/2007 (OJ L 111, 28.4.2007, p. 13).

4.c Implementation Principles for Twinning Projects

Twinning projects shall be set up in the form of a grant agreement, whereby the selected Member State administrations agree to provide the requested public sector expertise against the reimbursement of the expenses thus incurred.

The contract may in particular provide for the long-term secondment of an official assigned to provide full-time advice to the administration of the beneficiary country as resident twinning advisor.

The twinning grant agreement shall be established in accordance with relevant provisions of Part One, Title VI of the Financial Regulation and Part One, Title VI of its Implementing Rules.

The Commission shall also use the procedural guidelines and standard templates and models provided in the twinning manual which is available on the Website of DG ELARG.

4.d Environmental Impact Assessment and Nature Conservation

All investments shall be carried out in compliance with the relevant EU environmental legislation.

5. MONITORING AND EVALUATION

5.a Monitoring

The Commission may undertake any actions it deems necessary to monitor the programmes concerned.

5.b Evaluation

Programmes shall be subject to ex ante evaluations, as well as interim and/or, ex post evaluations in accordance with Articles 57 and 82 of IPA Implementing Regulation, with the aim of improving the quality, effectiveness and consistency of the assistance from EU funds and the strategy and implementation of the programmes.

The results of evaluations shall be taken into account in the programming and implementation cycle.

The Commission may also carry out strategic evaluations.

6. AUDIT, FINANCIAL CONTROL AND ANTI-FRAUD MEASURES

The accounts and operations of all parties involved in the implementation of this programme, as well as all contracts and agreements implementing this programme, are subject to, on the one hand, the supervision and financial control by the Commission (including the European

Anti-Fraud Office), which may carry out checks at its discretion, either by itself or through an outside auditor and, on the other hand, audits by the European Court of Auditors. This includes measures such as ex-ante verification of tendering and contracting carried out by the EU Delegation in the Beneficiary.

In order to ensure the efficient protection of the financial interests of the European Union, the Commission (including the European Anti-Fraud Office) may conduct on-the-spot checks and inspections in accordance with the procedures foreseen in Council Regulation (EC, Euratom) 2185/96³.

The controls and audits described above are applicable to all contractors, subcontractors and grant beneficiaries who have received EU funds.

7. NON SUBSTANTIAL REALLOCATION OF FUNDS

The authorising officer by delegation (AOD), or the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him/her by the AOD, in accordance with the principles of sound financial management, may undertake non substantial reallocations of funds without an amending financing decision being necessary. In this context, cumulative reallocations not exceeding 20% of the total amount allocated for the programme, subject to a limit of EUR 4 million, shall not be considered substantial, provided that they do not affect the nature and objectives of the programme. The IPA Committee shall be informed of the above reallocation of funds.

8. LIMITED CHANGES

Limited changes in the implementation of this programme affecting essential elements listed under Article 90 of the Implementing Rules to the Financial Regulation, which are of an indicative nature⁴, may be undertaken by the authorising officer by delegation (AOD), or by the authorising officer by sub-delegation (AOSD), in line with the delegation of powers conferred upon him by the AOD, in accordance with the principles of sound financial management without an amending financing decision being necessary.

³ OJ L 292; 15.11.1996; p. 2

⁴ These essential elements of an indicative nature are, for grants, the indicative amount of the call for proposals and, for procurement, the indicative number and type of contracts envisaged and the indicative time frame for launching the procurement procedures.