

ANNEX

ICELAND NATIONAL PROGRAMME 2012

1 IDENTIFICATION

Beneficiary	Iceland
CRIS decision number	2012/023-648
Year	2012
EU contribution	11,997,400 EUR
Implementing Authority	European Commission
Final date for concluding the Financing Agreement	at the latest by 31 December 2013
Final date[s] for contracting	3 years following the date of conclusion of the Financing Agreement These dates apply also to the national co-financing.
Final date for execution	2 years following the end date for contracting. These dates apply also to the national co-financing.
Audit and evaluation	Individual contracts and agreements relating to audit and evaluation may be concluded later, as provided by article 166, 2 of the Regulation (EC, Euratom) No 2342/2002.
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/ EU Delegation	DG ELARG - B.4 – Iceland Unit

2 THE PROGRAMME

2.1 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 and 2011 Progress Reports of the European Commission for Iceland.

Both objectives are addressed in the scope of the National Programme 2012.

2.2 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 2012 concentrates on a limited number of projects under 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 could have prevented Iceland from achieving timely progress in accession preparations through reliance on own resources only (Translation; Environment) .

- (b) Providing assistance to structural funds preparation both for the institutional structures and for pilot projects, in view of the achieved clarification of the institutional and strategic set-up and the clearly defined priorities for support (preparations for Structural Funds).
- (c) Ensuring close synergy with other EU financial assistance instruments, including the Technical Assistance and Information Exchange instrument (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 2012 will support 3 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 actions

Upon entry into force of the amended IPA Regulation in July 2010, Iceland started benefiting from financial assistance through TAIEX and participating in existing multi-beneficiary programmes. Both instruments are complementary to the National Programme.

The multi-beneficiary envelope 2010 provides €2,000,000 for the purpose of translating 18.000 OJ pages of *acquis* into Icelandic. This project is directly linked to the project "*Translation of the acquis*" covered in this National Programme. The start of the latter is conditional on the finalisation of the first project funded from the Multi-Beneficiary Programme and then of the project regarding translation funded under the IPA National Programme 2011 (€1,400,000 for the translation of 20,600 OJ pages).

The close co-ordination with TAIEX is especially relevant for the projects "*Preparation for implementing the Water Framework and Floods Directives*" and "*Preparations for implementation of Structural Funds in Iceland*".

Linked to the environment project, TAIEX activities are planned for before, during and after the implementation of the project, to enhance the administrative and scientific capacity among the staff of the Icelandic Meteorological Office (IMO), the Environment Agency (EA) and other relevant stakeholders in Iceland.

Complementary to the "Preparations for implementation of Structural Funds in Iceland" project, a TAIEX Medium Term Assistance (MTA) has been devised, which contains activities for awareness building, strategy development and support for preparations of the Structural Funds implementation.

Allocations from the 2011 national budget have been made, to fund preliminary work in implementing the Water Framework (WFD) and Flood Directive (FD). The project

also benefits from already existing infrastructure maintained and run by the participating institutes and stakeholders.

Finally, the project is also linked to the Habitats/Birds directives project, funded under the IPA 2011 National Programme, which will procure Digital Terrain Model data and satellite image needed in both projects.

'Iceland 2020' is the overall strategy of the Icelandic government for the current decade. As 'Iceland 2020' links different sectoral policies and investment and economic development plans for the eight Icelandic regions, it is to be expected that the pilot projects supported by IPA will be complementary to nationally funded activities that are part of the overall investment and economic development strategy of the Icelandic government during the next few years.

Lessons learned from past assistance

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 IPA National Programme, TAIEX short and medium term assistance, and the Multi-Beneficiary Programmes. The Icelandic institutions have proven that, due to the high standard of the public administration, are able to shoulder a high level of responsibility in project implementation (for example via the implementation of grant agreements). Project ownership is high.

The experience with programming the 2011 National Programme suggested that knowledge of project cycle management is limited, thus training and support to both beneficiaries and coordinating institutions has been provided. 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 2012 was launched in July 2011. Project identification sheets were submitted in September 2011, followed by draft project fiches in October. The complete programming package was submitted by the NIPAC to DG ELARG on 30 November 2011.

On the Icelandic side, the programming process was coordinated by the National IPA Coordinator's (NIPAC) team in the Ministry of Foreign Affairs. Project proposals were drafted by the beneficiary institutions with support from the NIPAC team and

TAIEX 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 programming meetings and project development.

A consultation with Icelandic civic society as well as EU Member states represented in Iceland was carried out during the November 2011 programming mission. Received comments were integrated to the programme in the most appropriate manner.

In the time of preparation of the National Programme 2012, 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.

2.3 DESCRIPTION

Priority Area (Axis) I: Building administrative capacity for acquis transposition and implementation

IPA assistance under this MIPD priority area is envisaged to specifically target identified 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;
- 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.

Two projects will fall under this priority area: one project in the field of environment and a cross-*acquis* project to support the translation of the *acquis* into Icelandic.

Project No 1- "Preparation for implementing the Water Framework and Floods Directives in Iceland"

(Total budget: € 2,309,595; EU contribution €1,722,400; Beneficiaries: Ministry of Environment, the Icelandic Meteorological Office (IMO) and the Environmental Agency (EA))

The overall objective of the project is to achieve, maintain and conserve a good environmental status for Icelandic waters and to ensure that flood risks are identified and minimized.

The specific objective is to enhance the institutional capacity of the Environment Agency and the Icelandic Meteorological Office, in order to enable them to effectively implement the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) in Iceland. Therefore, the project directly addresses the first priority set out in the MIPD for Iceland, “...to further enhance Iceland's ability to assume the obligations of membership by supporting the institutional capacity building of the Icelandic central and local administration for acquis transposition and implementation.”

The project is comprised of three components:

1. Acquisition of infrastructure such as information systems, monitoring systems and modelling software as well as the development of digital terrain models of selected areas for flood analysis, in order to provide for the technical means for implementing the directives.
2. Development of indicators in order to assess the overall quality of waters.
3. Development of working processes in order to test the implementation of the directives and to prepare for their country-wide implementation. This is accomplished through implementation in a pilot basin.

The main expected results are:

- Infrastructure for the collection, production, integration and dissemination of data and information related to the WFD and the FD is installed and operating.
- Basic indicators and reference conditions relevant for the classification of Icelandic waters are defined and developed.
- Working processes are developed for the country-wide implementation of the WFD and FD.

The project will be implemented through two direct grant agreements, one supply contract and one service contract. The first direct grant agreement with the IMO (€69,100) will address the setting-up an integrated information technology (IT) system, the acquisition of modelling systems and the development of flood hazard and flood risk maps based on scenarios. The second direct grant award to the EA (€103,000) will cover the development of indicators and definition of reference conditions. The direct grants will be awarded to these two institutions since they are the only ones that have the technical competence, the specialisation and the administrative power. The supply contract will fund the acquisition of monitoring systems (€56,300) and the service contract (€394,000) will fund the acquisition of geo-referenced data.

The award is made in accordance with the Implementing Rules, Article 168.1(f). Award procedure to be launched in the 3rd quarter 2012. The supply and service contracts are expected to be tendered in the 1st quarter of 2013.

Project No 2 - "Translation of the acquis"

(Total budget: €3,381,305; EU contribution €1,000,000; Beneficiary: Translation Centre of the Ministry for Foreign Affairs (MFATC))

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* is a particular challenge for a country with a very small population.

The project aims at assisting Iceland in its task to translate the *acquis* by the time of the accession into Icelandic. Through this project, 22,000 OJ pages will be translated between the 4th quarter of 2013 and the 4th quarter of 2014. The project will be implemented through one direct grant award (€1,000,000) to the Translation Centre of the Ministry for Foreign Affairs. A direct grant will be awarded because the MFATC has the technical competence, the specialisation and the administrative power. More specifically, it is responsible for all official translations and has been carrying out the translations of the *acquis* falling under the EEA agreement. The processes and practices of the Translation Centre have been well established, including required stakeholder consultations and specialists' reviews. Hence, the MFATC is well prepared to proceed with the task for completing the translation of the *acquis* into Icelandic, although lacking resources in terms of funding and manpower. The award is made in accordance with the Implementing Rules, Article 168.1(f). Award procedure to be launched in the 4th quarter 2013.

Priority Area (Axis) II: Preparation for participation in and implementation of Structural Funds and other EU funds

The second strategic objective for EU assistance under the 2011-2013 MIPD for Iceland aims at supporting 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.

According to the MIPD, 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 EU funds;
- Iceland to prepare mature project pipeline that is ready to be implemented upon accession.

This priority area contains one project with two components, as described below.

Project No. 3- "Preparations for implementation of Structural Funds in Iceland"

Total budget: €1,870,000; EU contribution €9,275,000; Beneficiaries: the future Managing Authority, the selected beneficiaries of the open call for proposals)

The overall objective of this project is for Iceland to be ready to implement EU's cohesion policy and benefit from EU's Structural Funds by the time of accession.

In the short term, Iceland will benefit through the pilot projects supported through the open call for proposals. These will include benefits such as creation of new job opportunities, increase of opportunities for people with no formal qualification to access the labour market, leading to reduced unemployment and increased competitiveness.

In the medium term, the benefit lies in Iceland being able to actively participate in the Structural Funds from the start of accession, with positive impact on both economic and social development.

There are two specific objectives in the project: a) to prepare the management structure for implementing cohesion policy in Iceland upon accession and b) to prepare key stakeholders throughout Iceland that will be potential beneficiaries in the future of the Structural Funds for active participation by providing a learning process via an open call for proposals targeting these stakeholders.

There are two corresponding main results to be achieved: 1) All necessary preparations for Iceland to be able to implement EU's cohesion policy and manage participation in the Structural Funds are finished. 2) Selection of up to 20 quality projects, through the organisation of an open call for proposals that will serve as pilot projects for regional, municipal, rural and social stakeholders to facilitate better understanding of how EU's Structural Funds work and what type of projects could be supported. Furthermore, the pilot projects will result in increased cooperation between different actors and in a contribution to one or more of the economic and social priorities identified in the project fiche.

There will be one single direct grant contract (€1,000,000) to the identified Management Authority (MA) or an institute that will be designated for the purpose of coordinating all preparatory activities for implementing cohesion policy and the Structural Funds in Iceland. As pre-accession financial assistance to Iceland is managed centrally, the involvement of the future Managing Authority in the implementation of this direct grant will be a very important and useful exercise for the MA. The award is made in accordance with the Implementing Rules, Article 168.1.(f), as this future institution will be the only one with the necessary competencies and administrative power.

In addition, there will be up to 20 grants (total €8,275,000, minimum €200,000 and maximum €1,000,000 per project) for the pilot projects that will be selected on the basis of an open call for proposals. The call will have two strands. Strand I addresses economic development with emphasis on employment creation and contribution to competitiveness of the Icelandic economy. Strand II addresses social developments with emphasis on the problems of unemployment and risk of social exclusion. Its priorities are to improve employment prospects and social inclusion by supporting active participation in society of all groups. As all IPA support to Iceland is centralized, these grants will be awarded by the Commission. There will be three types of criteria (the same for both strands): for eligibility, selection and award. The selection criteria to be applied will be such as to make it possible to assess the applicant's ability to complete the proposed action, both financially and operationally. Financial capacity will be evaluated based on the applicant's stable and sufficient sources of funding to maintain the activity throughout the period during which the action is being carried out. Operational capacity will be assessed based on the applicant's professional competencies and qualifications required to complete the proposed action. The main award criteria will be: relevance, quality, sustainability, impact, transferability (to other regions) and cross-regions cooperation. The exact selection and award criteria will be laid down in the Calls for proposals – Guidelines for applicants.

The award procedure for the direct grant, as well as the publication of the Call for proposals, are expected to be launched during the 2nd semester of 2012.

2.4 CROSS-CUTTING 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.

Under the project "*Preparations for implementation of Structural Funds in Iceland*", some pilot projects are expected to focus on issues of gender equality and equal opportunities in certain sectors of the Icelandic society and economy corresponding, in particular, to the objectives of the European Social Fund.

- Environmental protection and climate change

All projects will be implemented in accordance with Icelandic laws and regulations regarding the environment. The project "*Preparation for implementing the Water Framework and Floods Directives in Iceland*" relates entirely to safeguarding and improving the environmental status of aquatic ecosystems in Iceland. It specifically aims at implementing one of the key EU environmental *acquis*, thus helping to improve the quality of water and coastal seas in and around Iceland. The project as a whole will therefore render a positive impact on the environment in Iceland.

- Respect for and protection of 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 pilot projects that will result from the "*Preparations for implementation of Structural Funds in Iceland*" project have the potential to affect directly, in a positive way through support activities, minorities and/or vulnerable groups. Some of the projects that will be awarded are expected to focus on disadvantaged groups and regions and individuals belonging to those groups will be affected.

- 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.

2.5 ASSUMPTIONS AND PRE-CONDITIONS

The implementation of the 2012 National 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 2012 will ensure that the required beneficiary staff, working space, and other conditions are in place to ensure a smooth start of project implementation.

Prior to the start of the project "*Preparation for implementing the Water Framework and Floods Directives*", a training programme will be carried out with support from TAIEX. The goal is to increase the administrative and scientific capacity of the staff of the Icelandic Meteorological Office (IMO), Environment Agency (EA) and of other relevant agencies in Iceland, in order to prepare all project partners for the implementation of the project and prepare them for the management of the systems and execution of tasks related to the implementation of the directives.

The project "*Translation of the acquis*" is conditional to the finalisation of the related projects financed from the IPA Multi-Beneficiary Programme and the National Programme 2011.

Prior to the start of the implementation of the project "*Preparations for implementation of Structural Funds in Iceland*", the Icelandic authorities will identify the future Managing Authority and arrive at the political decision on the overall managing structure for the Structural Funds in Iceland.

2.6 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

3.1 INDICATIVE BUDGET TABLE (CENTRALISED MANAGEMENT)

	Institution Building (IB)					Investment (INV)					Total (IB + INV)	Total IPA EU contribution	
	Total expenditure	IPA EU contribution		National contribution*		Total expenditure	IPA EU contribution		National contribution*				
	EUR (a)=(b)+(c)	EUR (b)	% (1)	EUR (c)	% (1)	EUR (d)=(e)+(f)	EUR (e)	% (1)	EUR (f)	% (1)	EUR (g)=(a)+(d)	EUR (h)=(b)+(e)	% (2)
Axis I	3,974,000	1,139,000	28.66%	2,835,000	71.34%	1,716,900	1,583,400	92.22%	133,500	8.43%	5,690,900	2,722,400	22.68%
<i>Project 1: Preparation for implementing the Water Framework and Floods Directives in IS</i>	592,695	139,000	23.45%	453,695	76.55%	1,716,900	1,583,400	92.22%	133,500	8.43%	2,309,595	1,722,400	14.35%
<i>Project 2: Translation of the acquis</i>	3,381,305	1,000,000	29.57%	2,381,305	70.43%	0	0	0	0	0	3,381,305	1,000,000	8.33%
Axis II	9,566,250	7,620,000	79.65%	1,946,250	20.35%	2,303,750	1,655,000	72%	648,750	28%	11,870,000	9,275,000	77.32%
<i>Project 3: Preparations for implementation of Structural Funds in Iceland</i>	9,566,250	7,620,000	79.65%	1,946,250	20.35%	2,303,750	1,655,000	72%	648,750	28%	11,870,000	9,275,000	77.32%
TOTAL	13,540,250	8,759,000	64.69%	4,781,250	35.41%	4,020,650	3,238,400	80.55%	782,250	19.45%	17,560,900	11,997,400	100%

Amounts net of VAT

* Contribution (public and private national and/or international contribution) provided by national counterparts

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

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

3.2 PRINCIPLE OF CO-FINANCING APPLYING TO THE PROGRAMME

The IPA EU contribution, which represents 69% 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.

The minimum rates of national co-financing are calculated at the level of the priority axes.

4 IMPLEMENTATION

4.1 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.

4.2 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.

The annual work programme for grants, which will be published on the Commission website, will cover the grants envisaged under this National Programme.

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).

4.3 ENVIRONMENTAL IMPACT ASSESSMENT AND NATURE CONSERVATION

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

5 MONITORING AND EVALUATION

5.1 MONITORING

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

5.2 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

³ OJ L 292; 15.11.1996; p. 2

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.

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.