



Chapter 1

INTRODUCTION

The EFTA Surveillance Authority monitors compliance with European Economic Area rules in Iceland, Liechtenstein and Norway, enabling them to participate in the European Internal Market

The European Economic Area

The European Economic Area (EEA) consists of the 27 Member States of the European Union (EU) and three European Free Trade Association (EFTA) States: Iceland, Liechtenstein and Norway. It was established by the EEA Agreement, which came into force in 1994, an international agreement which enables the three EFTA states to participate fully in the European Internal (or Single) Market.

The purpose of the EEA Agreement is to guarantee, in all 30 EEA States, the free movement of goods, people, services and capital – “the four freedoms”. As a result of the agreement, EU law on the four freedoms, state aid, and competition rules for undertakings, is incorporated into the domestic law of the participating EFTA States. All new relevant EU legislation is continuously incorporated in the EEA Agreement so that it applies throughout the EEA, ensuring a uniform application of laws relating to the Internal Market.

The Agreement ensures equal rights to participate in the Internal Market for citizens and economic operators in the EEA and equal conditions of competition. It also provides for co-operation across the EEA in important areas such as research and development, education, social policy, the environment, consumer protection, tourism and culture. By removing barriers to trade and by opening new opportunities for some 500 million Europeans, the Internal Market of the EEA creates jobs and growth and adds to the international competitiveness of the EEA States.



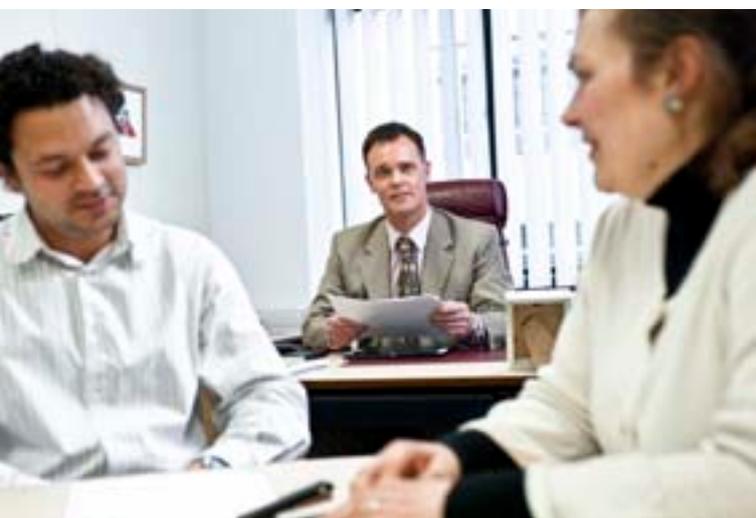
The success of the EEA Agreement depends upon uniform implementation and application of the common rules in each of the 30 EEA States. The Agreement provides for a system of supervision where EU Member States are supervised by the European Commission, while the participating EFTA States are supervised by the EFTA Surveillance Authority. The two institutions co-operate closely on policy as well as individual cases.

The role of the Authority

The EFTA Surveillance Authority ensures that the participating EFTA States (Iceland, Liechtenstein and Norway), respect their obligations under the EEA Agreement.

The Authority protects the rights of individuals and market participants who find their rights violated by rules or practices of the EFTA States or companies within those States. Such rules or practices may, for example, be discriminatory, impose unnecessary burdens on commercial activity, or constitute unlawful state aid. The Authority may initiate proceedings against the relevant EFTA State at the EFTA Court, seeking a change in the relevant rules or practices unless the State concerned decides to take appropriate action in response to the Authority's request.

The Authority also enforces restrictions on state aid, assessing its compatibility with the functioning of the Internal Market. The Authority has the power to order repayment of unlawful state aid.



The Authority also ensures that companies operating in the EFTA States abide by the rules relating to competition. The Authority can investigate possible infringements of EEA provisions, either on its own initiative, or on the basis of complaints. It can impose fines on individual undertakings and assess mergers between undertakings where certain thresholds are met.

In monitoring and enforcing the Agreement, the Authority has powers that correspond to those of the European Commission and there is close contact and co-operation between the Commission and the Authority. The two institutions oversee the application of the same laws in different parts of the EEA.

Organisation of the Authority

College

The Authority operates independently of the EFTA States and is based in Brussels. The Authority is led by a College which consists of three members, each appointed for a period of four years by the three participating EFTA States. Although College members are appointed by the Member States, they undertake their functions independently and free of political direction.

During 2011, the composition of the College was:

- Per Sanderud (Norway), President until 30 June 2011
- Oda Helen Sletnes (Norway), President from 1 July 2011
- Sverrir Haukur Gunnlaugsson (Iceland)
- Sabine Monauni-Tömördy (Liechtenstein)

The College is assisted by four departments: the Internal Market Directorate, the Competition and State Aid Directorate, the Legal and Executive Affairs Department and the Administration.

Budget and accounts

The activities and operating expenses of the Authority are financed by contributions from Iceland (9%), Liechtenstein (2%) and Norway (89%). The Authority's annual budget was almost EUR 12.2 million in 2011, at the same level as in 2010.

On 29 June 2011, the Authority submitted its Financial Statement for the preceding financial year (2010), and the accompanying Audit Report by the EFTA Board of Auditors (EBOA), to the EFTA States. The audit certificate stated that:

- the financial statements give a true and fair view of the financial position as at the end of the period and of the results of the operations for the period;
- the financial statements were prepared in accordance with the stated accounting principles;
- the accounting principles were applied on a basis consistent with that of the preceding financial year;
- transactions were in accordance with the Financial Regulations and Rules of the Authority.

On 1 December 2011, the Authority's Financial Statement for 2010 was approved by the EFTA States, and the Authority was discharged of its accounting responsibilities for that period.

The Authority's budgets for 2012 break down as follows:

Total budget proposal	Budget 2012
Financial income	-15,000
Contributions & Other income	-12,413,354
<i>Other income</i>	-32,500
<i>Contributions from the EEA/EFTA States</i>	-12,380,854
Total Income	-12,428,354
Salaries, Benefits, Allowances	9,509,354
<i>Salaries</i>	6,358,151
<i>Benefits, allowances & turnover costs</i>	3,151,203
Travel, Training, Representation	729,000
Office Accommodation	1,065,000
Supplies and Services	1,120,000
Financial costs	5,000
Total expenditure	12,428,354



Personnel

In 2011, the Authority consisted of 61 personnel, made up of College Members and staff employed on fixed-term contracts, in addition to temporary staff, national experts seconded from the EFTA States' public administrations, and trainees. In 2011, 12 nationalities were represented amongst the staff, but approximately half come from the EFTA States. 57% of staff members were men, 43% were women, which is the same ratio as the previous year. At management level (Director and Deputy Director), the ratio was 60% men and 40% women. In accordance with the Authority's staff regulations established by the EFTA States, staff are employed for a three year period, normally renewable only once.

Glossary of terms

EFTA – The European Free Trade Association, an intergovernmental organisation set up for the promotion of free trade and economic integration to the benefit of its four Member States: Iceland, Liechtenstein, Norway and Switzerland.

EEA – The European Economic Area, an area of economic cooperation that consists of the 27 EU Member States and three of the EFTA States: Iceland, Liechtenstein, Norway. (Switzerland is not part of the EEA). Inside the EEA, the rights and obligations established by the Internal Market of the European Union are expanded to include the participating EFTA States.

EEA Agreement – The Agreement which creates the European Economic Area.

EEA EFTA States – The three EFTA States that participate in the EEA: Iceland, Liechtenstein and Norway.

EFTA Surveillance Authority – The organisation which ensures that the three EEA EFTA States fulfil their legal obligations as stated in the EEA Agreement. Referred to as “the Authority” for the purposes of this report.

EFTA Court – The judicial body with jurisdiction with regard to the obligations of the EFTA States and the Authority pursuant to the EEA Agreement. The main functions of the Court consist of judgments in direct actions, in particular infringement cases brought by the Authority against the EFTA States, and advisory opinions in cases referred to it by the national courts of the EFTA States.

EEA Joint Committee – A committee of representatives of EU and EFTA States competent to incorporate legislation into the EEA Agreement.