NOTE
From: Permanent Representatives Committee (Part I)
To: Council
No. prev. doc.: 15886/13 RECH 516 COMPET 788 MI 983 IND 310 CODEC 2589
Subject: Proposal by the Commission to establish public-public partnerships with Member States under Article 185 TFEU for joint implementation of national research programmes
Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the participation of the Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research performing small and medium-sized enterprises
- General approach

1. INTRODUCTION

1. On 10 July 2013, the Commission submitted to the European Parliament and to the Council its proposal for a Decision of the European Parliament and of the Council on the participation of the Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research and development performing small and medium-sized enterprises.
2. The objectives of the Eurostars-2 Programme are to promote market-oriented transnational research activities in any fields of research and development performing small and medium-sized enterprises (SMEs), especially those without previous experience in transnational research, leading to the placing of new or improved products, processes and services on the market, as well as to contribute to the completion of the European Research Area (ERA) and to increase the accessibility, efficiency and efficacy of public funding for research and development performing SMEs in Europe. The Eurostars-2 Programme is the successor to the current Eurostars Programme under FP7.

3. The European Parliament's Committee on Industry, Research and Energy (ITRE) appointed Mr Miloslav RANSĐORF (GUE/NGL) as the Rapporteur on this proposal. ITRE Committee is expected to vote on its amendments to the Commission proposal on 9 January 2014.

4. The opinion of the European Economic and Social Committee is still pending.

II. WORK WITHIN THE COUNCIL

1. Following the work since September 2013 within the Research Working Party, resulting to some amendments to the initial proposal, the Permanent Representatives Committee on 22 November 2013 reached an agreement in principle on the Presidency compromise text included in annex to this note.

2. It should be noted that the Commission has entered a general reservation on the whole text, pending the opinion of the European Parliament. DK has a parliamentary scrutiny reservation on the whole text.

III. CONCLUSION

In the light of the above, the Council is invited to consider the compromise proposal presented by the Presidency (in Annex) with a view to reaching a General Approach at the Council (Competitiveness) meeting on 2-3 December 2013.
Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the participation of the Union in a Research and Development Programme jointly undertaken by several Member States aimed at supporting research and development performing small and medium-sized enterprises

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 185 and the second paragraph of Article 188 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Acting in accordance with the ordinary legislative procedure,

¹ OJ C, p. [EESC opinion]
Whereas:

(1) In its Communication Europe 2020 A Strategy for smart, sustainable and inclusive growth² the Commission underscores the need to develop favourable conditions for investment in knowledge and innovation so as to achieve smart, sustainable and inclusive growth in the Union. Both European Parliament and Council have endorsed this strategy.

(2) Horizon 2020 – The Framework Programme for Research and Innovation (2014-2020) established by Regulation (EU) No …/2013 of the European Parliament and of the Council of … 2013³ (hereinafter "Horizon 2020 Framework Programme") aims at achieving a greater impact on research and innovation by contributing to the strengthening of public-public partnerships, including through Union participation in programmes undertaken by several Member States in accordance with Article 185 of the Treaty.

(3) By Decision No 743/2008/EC of the European Parliament and of the Council of 9 July 2008 on the Community’s participation in a research and development programme undertaken by several Member States aimed at supporting research and development performing small and medium-sized enterprises⁴, the Community decided to make a financial contribution to Eurostars, a Joint Programme undertaken by all Member States and five participating countries in the framework of Eureka, an intergovernmental initiative established in 1985 with the objective of promoting cooperation in industrial research.

³ OJ … [H2020 FP]
(4) In April 2012, the Commission communicated to the European Parliament and the Council a report on the Interim evaluation of Eurostars Joint Programme⁵ carried out by a Group of Independent Experts two years after the beginning of the programme. The overall opinion of the experts was that the Eurostars programme meets its objectives, adds value to European research and development-performing small and medium-sized enterprises (hereinafter ‘SMEs’) and should be continued after 2013. A number of recommendations for improvement were made, mainly addressing the need of further integration of national programmes and improvements in the operational performance in order to reach shorter time to contract and more transparency in the procedures.

(5) The definition of SME provided for in Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises⁶ should apply.

(6) According to Council Decision 2013/…/EU of … 2013 establishing the Specific Programme implementing Horizon 2020 - The Framework Programme for Research and Innovation (2014-2020)⁷, support may be provided to an action building on the Eurostars Joint programme and reorienting it along the lines stated in its interim evaluation.

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⁵ COM(2011) 186 of 8 April 2011.
⁷ OJ … [H2020 SP]
(7) The Eurostars-2 Programme (hereinafter “Eurostars-2”), aligned with the Europe 2020 strategy, the related Flagship initiative ‘Innovation Union’ and ‘A Reinforced European Research Area Partnership for Excellence and Growth’ will aim at supporting research and development performing SMEs by co-financing their market oriented research projects in any field. As such, and in combination with the activities under the ‘Leading and Enabling Technology’ objective set out in the Horizon 2020 Framework Programme, it will contribute to the goals of the Industrial Leadership part of that programme to speed-up development of the technologies and innovations that will underpin tomorrow’s businesses and help innovative European SMEs to grow into world-leading companies. As part of the improvements from the previous Eurostars programme, Eurostars-2 should head towards shorter time to grant, stronger integration and lean, transparent and more efficient administration to the ultimate benefit of research and development performing SMEs.

(8) The Eureka Ministerial Conference on 22 June 2012 in Budapest endorsed a strategic vision for Eurostars-2 (hereafter “Budapest Document”). The ministers committed to support the continuation of the Eurostars Joint programme after its termination in 2013 for the period covered by the Horizon 2020 Framework Programme. This will consist of a reinforced partnership addressing the recommendations of the interim evaluation of the Eurostars Joint Programme. The Budapest Document sets out two main objectives for Eurostars-2. Firstly, a structural-oriented objective to deepen the synchronisation and alignment of the national research programmes in the field of funding, which is a central element towards the realisation of the European Research Area by the member countries. Secondly a content-related objective to support research and development performing SMEs engaging in transnational research and innovation projects. The Budapest Document invites the Union to participate in the programme.

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(9) The participating states intend to contribute to the implementation of Eurostars-2 during the period covered by Eurostars-2 (2014-2024).

(10) A ceiling should be established for the Union’s financial contribution to Eurostars-2 for the duration of the Horizon 2020 Framework Programme. Within that ceiling, the Union’s contribution should be at least one third but no more than half of the contribution of the participating states in order to ensure a critical mass necessary to satisfy the demand from projects deserving financial support, to achieve a high leverage effect and ensure stronger integration of national research programmes of the participating states.

(11) In line with the objectives of the Horizon 2020 Framework Programme, any Member State and any country associated to the Horizon 2020 Framework Programme should be entitled to participate in Eurostars-2.

(11a) Any Eureka Member or Associated country that is not associated to Horizon 2020 may become a Eurostars-2 partner country.

(12) The Union’s financial contribution should be subject to formal commitments from the participating states to contribute to the implementation of Eurostars-2 and to the fulfilment of those commitments. Financial support under Eurostars-2 should mainly take the form of grants to projects selected following calls for proposals launched under the Eurostars-2. In order to meet the objectives of Eurostars-2, the participating states shall ensure sufficient financial contribution to fund a reasonable number of proposals selected through each call.
(13) The joint implementation of Eurostars-2 requires an implementation structure. The participating states have agreed on designating the Eureka Secretariat (hereinafter “ESE”) as the implementation structure for Eurostars-2. ESE is a non-profit international association under Belgian law and, since 2008, is responsible for the implementation of Eurostars. ESE’s role goes beyond the implementation of Eurostars, being at the same time the secretariat of the Eureka initiative, with its own governance linked to the managing of Eureka projects outside of Eurostars. The Union, represented by the Commission, is a founding member of the Eureka initiative and full member of the Eureka Secretariat association.

(14) In order to achieve the objectives of Eurostars-2, ESE should be in charge of the organisation of the calls for proposals, the verification of the eligibility criteria, the peer-review evaluation and the selection and the monitoring of projects as well as the allocation of the Union contribution. The evaluation of proposals should be performed centrally by independent external experts under the responsibility of ESE following calls for proposals. The projects’ ranking list should be binding for the participating states as regards the allocation of funding from the Union's financial contribution and from contribution from participating states.

(15) Overall the programme should demonstrate a clear progress towards further alignment and synchronisation of the national research and innovation programmes as a truly Joint Programme featuring stronger scientific, management and financial synchronisation. Stronger scientific integration should be achieved through the common definition and implementation of activities and should ensure the excellence and the high impact of the projects selected. Management integration should ensure further improvement of operational excellence and accountability for the programme. Stronger financial integration should be based on overall and yearly adequate financial contribution by the Eurostars-2 Participating States and a high degree of national synchronisation. This should be achieved through a progressive harmonisation of national funding rules.

(17) In order to protect the Union's financial interests, the Commission should have the right to reduce, suspend or terminate the Union's financial contribution if Eurostars-2 is implemented inadequately, partially or late, or if the participating states do not contribute, or contribute partially or late, to the financing of Eurostars-2. Those rights should be provided for in the delegation agreement to be concluded between the Union and the ESE.

(18) Participation in indirect actions funded by Eurostars-2 is subject to Regulation (EU) No …/2013 of the European Parliament and of the Council of …2013 laying down the rules for the participation and dissemination in 'Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020). However, due to specific operating needs of Eurostars-2 it is necessary to provide for derogations from that Regulation in accordance with Article 1(3) of that Regulation [Rules for the participation and dissemination in Horizon 2020].

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10 OJ L 298, 26.10.2012, p.1
12 OJ … [H2020 RfP]
In order to facilitate the participation of SMEs which are more used to national channels and which would otherwise carry out research activities only within their national boundaries, the Eurostars-2 financial contribution should be provided in accordance with the well-known rules of their national programmes and implemented through a funding agreement directly administered by the national authorities, combining Union funding with the corresponding national funding. Derogation should therefore be made from Article [14(5), Articles 16(1), 19(1), (5) to (7), 22 to 28] of Regulation (EU) No … [Rules for the participation and dissemination in Horizon 2020].

Audits of recipients of Union funds provided under Eurostars-2 should be carried out in accordance with Regulation (EU) No …/2013 of the European Parliament and of the Council of … 2013 [the Horizon 2020 Framework Programme].

The Union's financial interests should be protected through proportionate measures throughout the expenditure cycle, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, administrative and financial penalties in accordance with Regulation (EU, Euratom) No 966/2012.

The Commission should conduct an interim evaluation assessing in particular the quality and efficiency of Eurostars-2 and progress towards the objectives set, as well as a final evaluation and prepare a report on those evaluations.

Upon request from the Commission, ESE and the participating states should submit any information the Commission needs to include in the reports on the evaluation of Eurostars-2.
(24) Since the objectives of this Decision, namely to support transnational research activities performed by research-intensive SMEs and to contribute to the integration, alignment and synchronisation of national research funding programmes cannot be sufficiently achieved by the Member States alone due to lack of transnational dimension and of complementarity and interoperability of national programmes and can therefore, by reason of scale and impact of the action, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Decision does not go beyond what is necessary in order to achieve those objectives,

(25) It is appropriate to ensure a smooth transition without interruption between the Eurostars-1 and the Eurostars-2 Programme, as well as to align the duration of the Eurostars-2 Programme with the Council Regulation laying down the multiannual financial framework for the years 2014-2020. Therefore, the Eurostars-2 Programme should apply as from 1 January 2014.

HAVE ADOPTED THIS DECISION:

13 OJ … [MFF]
Article 1

Subject matter

This Decision lays down rules on the participation of the Union in the second Research and Development Programme jointly undertaken by several Member States aimed at supporting research and development performing small and medium-sized enterprises (SME) (hereinafter "Eurostars-2") and the conditions for its participation.

Article 2

Definitions

For the purpose of this Decision the following definitions apply:

(1) "SME" mean micro-, small- and medium-sized enterprises, as defined in Commission Recommendation 2003/361/EC in the version of 6 May 2003;

(2) "research and development performing SME" is an SME which reinvests at least 10% of its turnover to research and development activities or dedicates at least 10% of its full-time equivalents to research and development activities or either has at least 5 full-time equivalents (for SME with no more than 100 full-time equivalents) or 10 full-time equivalents (for SME with over 100 full-time equivalents).
Article 3

Objectives

Eurostars-2 shall pursue the following objectives:

(1) promote research activities that comply with the following conditions:

(a) the activities are carried out by transnational collaboration of research- and
development performing SMEs among themselves or including other actors of
the innovation chain (e.g. universities, research organisations)

(b) results of activities are expected to be introduced into the market within two
years of the completion of an activity

(2) increase the accessibility, efficiency and efficacy of public funding for SMEs in
Europe by aligning, harmonising and synchronising the national funding mechanisms
of participating states

(3) promote and increase the participation of SMEs without previous experience in
transnational research.

Article 4

Participation in and partnership with Eurostars-2

1. The Union shall participate in Eurostars-2 jointly undertaken by Belgium, Bulgaria,
the Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France,
Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, the
Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland,
Sweden and the United Kingdom as well as Iceland, Israel, Norway, Switzerland and
Turkey (hereinafter “participating states”), in accordance with the conditions set out
in this Decision.
2. Any other Member State and any other country associated to the Horizon 2020 – The Framework Programme for Research and Innovation (2014-2020) established by Regulation (EU) No …/2013 … (hereinafter “Horizon 2020 Framework Programme”) may participate in Eurostars-2 provided it fulfils the condition set out in Article 6(1)(c) of this Decision. Those Member States and associated countries that fulfil that condition shall be regarded as participating states for the purposes of this Decision.

3. Any Eureka Member or Associated country that is not associated to Horizon 2020 may become a Eurostars-2 partner country provided it fulfils the condition set out in Article 6(1)(c). Those Eureka Members or Associated countries that fulfil that condition shall be regarded as partner countries for the purposes of this Decision. Those partner countries shall not be eligible for the Union's financial contribution under Eurostars-2.

Article 5

Union's financial contribution

1. The maximum Union's financial contribution, including EFTA appropriations, to Eurostars-2 shall be ₤EUR 287 million\(^{14}\). The contribution shall be paid from the appropriations in the general budget of the Union allocated to the relevant parts of the Specific Programme implementing the Horizon 2020 Framework Programme, established by Decision …/2013/EU in accordance with Article 58(1)(c)(vi), and Articles 60 and 61 of Regulation (EU, Euratom) No 966/2012.

\(^{14}\) The amount is indicative and will depend on the final agreed amount for DG Research and Innovation for the objective “Innovation in SMEs” under Part2-Industrial Leadership, which will be finally approved by the Budgetary Authority in the final version of the legislative and financial statement.
2. Without exceeding the maximum amount set out in paragraph 1, the Union's contribution shall be at least one third but no more than half of the contributions of the participating states referred to in Article 7 (1)(a). It shall cover operational costs, including the costs of the evaluation of proposals, and administrative costs.

3. A maximum of 4% of the Union’s financial contribution may be used to contribute to the administrative costs of Eurostars-2. Participating states shall cover the national administrative costs necessary for the implementation of Eurostars-2.

Article 6

Conditions for the Union's financial contribution

1. The Union's financial contribution shall be conditional upon the following:

   (a) the demonstration by the participating states that they have set up the Eurostars-2 in accordance with the objectives laid down in Article 3;

   (b) the designation by the participating states or organisations designated by the participating states, of the Eureka Secretariat AISBL (hereafter “ESE”), as the structure responsible for implementing Eurostars-2 and for receiving, allocating and monitoring the Union's financial contribution;

   (c) the commitment by each participating state to contribute to the financing of Eurostars-2;

   (d) the demonstration by ESE of its capacity to implement Eurostars-2, including receiving, allocating and monitoring the Union financial contribution, in the framework of indirect management of the Union budget in accordance with Articles 58, 60 and 61 of Regulation (EU, Euratom) No 966/2012;

   (e) the establishment of a governance model for the Eurostars-2 in accordance with Annex II.
2. During the implementation of Eurostars-2, the Union’s contribution shall also be conditional upon:

(a) the implementation by the ESE of Eurostars-2 objectives set out in Article 3 and activities set out in Annex I in accordance with the rules for the participation and dissemination referred to in Article 8;

(b) the maintenance of an appropriate and efficient governance model in accordance with Annex II;

(c) the compliance by ESE with the reporting requirements set out in Article 60 (5) of Regulation (EU, Euratom) No 966/2012;

(d) the effective payment by the participating states of the financial contribution to all participants to Eurostars-2 projects selected for funding following the calls for proposals launched under Eurostars-2, fulfilling the commitments referred to in point (c) of paragraph 1;

(e) allocation of the funding from the national budgets for Eurostars-2 projects and the Union's financial contribution in accordance with the ranking lists of the projects;

(f) the demonstration of a clear progress in the scientific, managerial and financial cooperation by the establishment of minimum operational performance targets and milestones for the implementation of Eurostars-2.
Article 7

Contribution from participating states

1. Contribution from the participating states shall consist of the following financial contributions:

   (a) the co-financing of the selected Eurostars-2 projects through relevant national forms of funding, mainly through grants; The Commission may use the established grant equivalent rules for the valuation of the contributions from the participating states in other forms than grants.

   (b) financial contribution to the administrative costs of Eurostars-2 not covered by the Union contribution as set out in Article 5 (3).

2. Each participating state shall designate a NFB to administer financial support to the national participants in Eurostars-2 in accordance with Article 8.

Article 8

Rules for participation and dissemination

1. For the purpose of Regulation (EU) No … [Rules for the participation and dissemination in Horizon 2020] the ESE shall be considered a funding body.

2. By way of derogation from Article [14(5)] of Regulation (EU) No … [Rules for the participation and dissemination in Horizon 2020], the NFBs, under the coordination of the ESE, shall verify the financial capacity of all applicants.

3. By way of derogation from Article [16(1)] of Regulation (EU) No … [Rules for the participation and dissemination in Horizon 2020], the grant agreements with the beneficiaries of the indirect action shall be signed by the NFBs concerned.
4. By way of derogation from Articles [19(1), (5) to (7) and 22 to 28] of Regulation (EU) No … [Rules for the participation and dissemination in Horizon 2020], the funding rules of the participating national programmes shall apply to the grants administered by the NFBs.

**Article 9**

*Implementation of Eurostars-2*

1. Eurostars-2 shall be implemented on the basis of annual work plans.

2. Eurostars-2 shall provide financial support mainly in the form of grants to participants following calls for proposals.

**Article 10**

*Agreements between the Union and ESE*

1. Subject to a positive ex-ante assessment of ESE in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012, the Commission, on behalf of the Union, shall conclude a delegation agreement and annual transfer of funds agreements with the ESE.

2. The delegation agreement referred to in paragraph 1 shall be concluded in accordance to Articles 58(3), 60 and 61 of Regulation (EU, Euratom) No 966/2012 and in Article 40 of Delegated Regulation (EU) No 1268/2012. It shall also set out the following:

   (a) the requirements for ESE regarding the performance indicators set out in Annex II to Decision (EU) No … [the Specific Programme implementing the Horizon 2020 Framework Programme];
(b) the requirements for ESE's contribution to the monitoring referred to in Annex III to Decision (EU) No … [the Specific Programme implementing the Horizon 2020 Framework Programme];

(c) the specific performance indicators related to the functioning of ESE;

(d) the requirements for ESE regarding the provision of information on administrative costs and of detailed figures concerning the implementation of Eurostars-2;

(e) the arrangements regarding provision of data necessary to ensure that the Commission is able to meet its dissemination and reporting obligations;

(f) the obligation for ESE to sign Bilateral Agreements with the NFBs before any transfer of Union’s financial contribution, laying down the minimum operational performance targets and milestones for the implementation of Eurostars-2.

Article 11

Termination, reduction or suspension of the Union’s financial contribution

1. If Eurostars-2 is not implemented or is implemented inadequately, partially or late, the Commission may terminate, proportionally reduce, or suspend the Union financial contribution in line with the actual implementation of Eurostars-2.

2. If the participating states do not contribute, contribute partially or late to the financing of Eurostars-2, the Commission may terminate, proportionally reduce, or suspend the Union financial contribution, taking into account the amount of funding allocated by the participating states to implement Eurostars-2.
Article 12

Ex-post audits

1. ESE shall ensure that ex-post audits of expenditure on indirect actions are carried out by the respective NFBs in accordance with Article [23] of Regulation (EU) No … [the Horizon 2020 Framework Programme].

2. The Commission may decide to carry out the audits referred to in paragraph 1 itself. The Commission shall only do so in duly justified cases and in consultation with the relevant participating states.

Article 13

Protection of the financial interests of the Union

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Decision are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and dissuasive administrative and financial penalties.

2. ESE shall grant Commission staff and other persons authorised by it, as well as the Court of Auditors, access to its sites and premises and to all the information, including information in electronic format, needed in order to conduct their audits.
3. The European Anti-fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Council Regulation (Euratom, EC) No 2185/96\(^{15}\) and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council\(^{16}\) with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with an agreement or decision or a contract funded under this Decision.

4. Contracts, grant agreements and grant decisions, resulting from the implementation of this Decision shall contain provisions expressly empowering the Commission, the Court of Auditors, OLAF and the ESE to conduct such audits and investigations, according to their respective competences.

5. In implementing Eurostars-2, the participating states shall take the legislative, regulatory, administrative or other measures necessary for protecting the Union’s financial interests, in particular to ensure full recovery of any amounts due to the Union in accordance with Regulation (EU, Euratom) No 966/2012 and Delegated Regulation (EU) No 1268/2012.

**Article 14**

**Communication of information**

1. At the request of the Commission, ESE shall send any information necessary for the preparation of the reports referred to in Article 15.


2. The participating states shall submit to the Commission, through ESE, any information requested by the European Parliament, the Council or the Court of Auditors concerning the financial management of Eurostars-2.

3. The Commission shall include the information referred to in paragraph 2 in the reports referred to in Article 15.

Article 15

Evaluation

1. By 31 December 2017 the Commission shall conduct an interim evaluation of Eurostars-2. The Commission shall prepare a report on that evaluation which includes conclusions and observations by the Commission. The Commission shall send that report to the European Parliament and to the Council by 30 June 2018.

2. At the end of the Union’s participation in the Eurostars-2 but no later than 31 December 2022, the Commission shall conduct a final evaluation of Eurostars-2. The Commission shall prepare a report on that evaluation which includes results of that evaluation. The Commission shall send that report to the European Parliament and the Council.

3. The evaluation shall be conducted in an open, transparent and independent manner and in close cooperation with the participating states.

Article 16

Entry into force

This Decision shall enter into force on the day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 January 2014.
Article 17

Addressees

This Decision is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President
IMPLEMENTATION

1. ESE shall organise continuously open calls for proposals with cut-off dates for the award of financial support to indirect actions.

2. Applicants shall submit project proposals to ESE as single entry point.

3. After the closure of a call for proposals, a central eligibility check shall be carried out by ESE on the basis of the eligibility criteria set out in the annual work plan. No different or further eligibility criteria may be added by the Participating States.

4. The NFBs, under the coordination of the ESE, shall verify the financial capacity of the participants according to common, clear and transparent rules.

5. Eligible proposals shall be evaluated centrally and ranked by a group of external independent experts in accordance with the criteria set out in Article [14(1)] of Regulation (EU) No … [Rules for the participation and dissemination in Horizon 2020], on the basis of transparent procedures.

6. The ESE shall provide an evaluation review procedure in accordance with Article [15] of Regulation (EU) No … [the Rules for Participation and dissemination in Horizon 2020].

7. The ranking list, approved as a whole by the Eurostars-2 high level group (HLG) referred to in Annex II, shall be binding for the allocation of funding from the national budgets for Eurostars-2 projects.
8. Once the ranking list is approved, each Participating State shall finance its national participants in those projects selected for funding through the designated National Funding Body, making all possible efforts to ensure that the top-50 ranked projects and at least 50 to 75% of the projects above thresholds are funded. The financial contribution to the participants shall be calculated according to the funding rules of the Eurostars-2 Participating State’s national programme. The Union’s financial contribution shall be transferred by ESE to the NFBs provided that the NFBs have paid their financial contribution to the projects.

9. All eligible participants in project selected centrally shall be funded. The granting of financial support by the NFBs to project participants selected centrally shall be subject to the principles of equal treatment, transparency and co-funding.

10. ESE shall be responsible for evaluating proposals, informing NFBs, coordinating the synchronisation process, monitoring projects through project reporting and audits carried out by NFBs, and reporting to the Commission ensuring a short time to grant. It shall also take appropriate measures to encourage recognition of the Union’s contribution to the Eurostars-2 programme, both to the programme itself and to individual projects. It shall promote appropriate visibility for such contribution through the use of the Horizon 2020 logo in all published material, including printed and electronic publications, related to Eurostars-2.
11. ESE shall conclude Eurostars-2 Bilateral Agreements with the NFBs of participating states. These Eurostars-2 Bilateral Agreements shall set out the responsibilities of the contracting parties in accordance with the Eurostars-2 rules, objectives and implementation modalities. The Eurostars-2 Bilateral Agreements shall include the rules governing the transfer of the Union’s contribution and the minimum operational targets and national progressive milestones for further integration and synchronisation of national programmes, including a shorter time-to-grant in accordance with the [Rules for Participation and][the Financial Regulation]. These targets and milestones shall be agreed by the Eurostars-2 HLG in consultation with the European Commission. The signature of the Eurostars-2 Bilateral Agreement and the compliance with the operational targets and milestones shall be a pre-condition for NFBs to receive the Union’s contribution.

11a. ESE may conclude Eurostars-2 Bilateral Agreements with the NFBs of partner countries. These Eurostars-2 Bilateral Agreements shall set out the responsibilities of the contracting parties in accordance with the Eurostars-2 rules, objectives and implementation modalities, specify the conditions under which partnership with Eurostars-2 shall take place, and include the minimum operational targets, including a short time-to-grant.

12. Networking activities and exchange of good practices shall also be organised amongst the participating states in order to favour stronger integration at scientific, managerial and financial level.

13. Other activities shall also include brokerage, programme promotion and networking activities with other stakeholders (investors, research and innovation providers, intermediaries) mainly to widen participation from beneficiaries in all Participating States and to involve SMEs with no prior experience in transnational research projects.
GOVERNANCE OF EUROSTARS-2

1. The ESE shall manage the Eurostars-2 Programme. The ESE is an international non-profit association established under Belgian law (Aisbl) in 1997 by the Eureka countries and by the European Union represented by the Commission.

The Head of ESE as the legal representative of ESE shall be in charge of implementing the Eurostars-2 programme by the following:

(a) the preparation of the annual budget for the calls, central organisation of joint calls for proposals and reception of the proposals as single entry point; the central organisation of the eligibility and evaluation of proposals, according to common eligibility and evaluation criteria, central organisation of the ranking and selection of proposals for funding, and project monitoring and follow-up; the receipt, allocation and monitoring of the Union contribution;

(b) collecting the necessary information from the NFBs for the transfer the Union contribution;

(c) promotion of the Eurostars-2 Programme;

(d) reporting to the Eurostars-2 HLG and the Commission on Eurostars-2 programme;

(e) informing the Eureka network about the Eurostars-2 activities;

(f) signing the delegation agreement with the Commission, the bilateral agreements with the NFBs and the contracts with the experts assessing the Eurostars-2 applications;

(g) adopting the Eurostars-2 annual work plan following the prior agreement of the Eurostars-2 HLG and of the Commission.
2. The Eurostars-2 HLG, composed of the national representatives in the Eureka High Level Group of the Eurostars-2 Participating States, shall supervise operations of ESE on Eurostars-2 by the following:

(a) supervising the implementation of the Eurostars-2 Programme;
(b) appointing the members of the Eurostars-2 Advisory Group (hereinafter "EAG");
(c) approving the annual work plan;
(d) approving the ranking list of Eurostars-2 projects to be funded and taking the award decision.

The Union, represented by the Commission, shall have the status of observer in the Eurostars-2 HLG. The Commission shall be invited to participate to the meetings, shall receive all meeting documents and may take part in the discussion.

Any partner country shall have the right to send representatives to Eurostars-2 HLG meetings as observers.

3. The EAG shall be composed of Eureka National Project Coordinators (persons in the national government or agency dealing with the operational level of the management of Eureka/Eurostars programme and in charge of the promotion of the Eurostars-2 Programme in the participating states) from the participating states. The Commission and partner countries shall have the right to send representatives in the EAG meetings as observers. The EAG meetings shall be chaired by the ESE.

The EAG shall advise the ESE as well as the Eurostars-2 HLG on the arrangements for the implementation of Eurostars-2.

4. The NFB shall be in charge of the administration of financial support to the national participants.