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Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the participation by the Community in a research and development programme  
aimed at supporting research and development performing SMEs undertaken by several  
Member States**

(presented by the Commission)

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

#### 1.1. Objectives

The objective of this proposal is the adoption of a decision by the European Parliament and the Council, on the basis of Article 169 of the EC Treaty, concerning the participation by the Community in the Eurostars joint research and development programme undertaken by several Member States (hereafter "Eurostars Joint Programme"). This initiative, put forward by EUREKA, will support research and development performing SMEs (hereafter "R&D performing SMEs") in executing market-oriented research in transnational projects. 22 Member States and five other EUREKA countries<sup>1</sup> have committed themselves in principle to contribute financially to the Eurostars Joint Programme with an amount of EUR 300 million over the six years duration of the programme. The Community will co-finance Eurostars with an amount of up to EUR 100 million.

In implementing Article 169, the participating Member States go beyond the mere coordination of research programmes, participating actively in a voluntary integration process covering scientific, management and financial aspects. Scientific integration includes common definition and implementation of the scientific and technological activities, and the central selection of project proposals on the basis of scientific excellence and expected economic impact. Management integration requires an effectively functioning dedicated implementation structure in charge of the centralised and efficient implementation of the Eurostars Joint Programme. Financial integration involves the establishment of a multi-annual financing plan to which the participating Member States, Iceland, Israel, Norway, Switzerland and Turkey effectively contribute.

#### 1.2. Grounds for the proposal

In November 2004 the Competitiveness Council<sup>2</sup> stressed the importance of SMEs for European growth and competitiveness and thus the need for Member States and the Commission to enhance the effectiveness and complementarity of national and European support programmes for SMEs. In particular, the Council encouraged the Commission to explore the possible development of a bottom-up scheme for research-performing SMEs. The Council also recalled the importance of coordination of national programmes for the development of the European Research Area (ERA), and invited the Member States and the Commission to co-operate closely in identifying a limited number of areas for further application of the Article 169. The Council invited the Commission to further develop cooperation and coordination with European

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<sup>1</sup> Iceland, Israel, Norway, Switzerland and Turkey.

<sup>2</sup> Competitiveness Council, 25-26 November 2004, 14687/04 (Presse 323)

schemes and the Union, notably with EUREKA.

In its "Resolution on science and technology"<sup>3</sup>, the European Parliament firmly states that a more efficient and coordinated use should be made of other funding mechanisms and support mechanisms to support R&D and innovation, such as EUREKA. The Parliament advocates enhanced cooperation between national research programmes and calls on the Commission to take initiatives pursuant to Article 169 of the EC Treaty.

The Seventh Framework Programme<sup>4</sup> (hereafter "FP7") provides for the possibility to launch such Article 169 initiatives in areas identified in close association with the Member States. The participation of the Community in joint research programmes is especially relevant to European cooperation on a large scale in 'variable geometry' between Member States sharing common needs and/or interests. Four areas have been identified in the Specific Programmes<sup>5</sup> including "research performing SMEs" ("Eurostars") in the "Capacities" Specific Programme<sup>6</sup>. Therefore, the "Capacities" Workprogramme also refers to the Eurostars initiative<sup>7</sup>.

### **1.3. General context**

#### *1.3.1 SMEs in the globalised economy and the Lisbon process*

Representing 99% of all enterprises in Europe, SMEs<sup>8</sup> are a key element for the success of the renewed Lisbon partnership for growth and jobs, as they are essential sources of innovation and job creation<sup>9</sup>. They face many difficult challenges: strong global competition in the context of the rising internationalisation of value chains, faster product cycles, changes in economic structures and in the international division of labour. Many SMEs struggle to re-position themselves in the market place. Yet for innovative SMEs, their small size and flexible organisation may prove to be a significant advantage in this changing economic environment, enabling them to adapt quickly and in so doing seize new market opportunities. R&D performing SMEs can make a very important contribution towards the conversion of science and new technology into innovative products, processes and services, thus contributing to the achievement of the Lisbon objectives.

#### *1.3.2 R&D performing SMEs in Europe*

R&D performing SMEs are defined as SMEs having their own research capabilities. These SMEs are knowledge-intensive, technology/innovation-based companies, playing a key role in the innovation process. Based on their own R&D capacity, they are able to develop products, processes or services that have a clear innovative or technological advantage. R&D constitutes a key element in their corporate strategy and

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<sup>3</sup> OJ C 320 E, 15.12.2005, p. 259.

<sup>4</sup> Decision No 1982/2006/EC, OJ L 412, 30.12.2006, p. 1.

<sup>5</sup> OJ L 400, 30.12.2006, p. 86.

<sup>6</sup> Decision No 974/2006/EC, OJ L 400, 30.12.2006, p. 299.

<sup>7</sup> Work Programme 2007, "Research for the benefit of SMEs", C(2006)563, 26.02.2007.

<sup>8</sup> SME definition according to the Commission Recommendation 2003/361/EC, OJ L124, 20.05.2003, p. 36.

<sup>9</sup> COM(2006) 349 final, 29.06.2006.

business plans. Europe has too few of these SMEs strong in R&D and with the potential to grow and become large European and global players of tomorrow<sup>10</sup>. It is striking that 82% of the large US firms established after 1980 were created from scratch. In the EU, only 37% of the large firms established after 1980 were created from scratch<sup>11</sup>. Europe not only counts less R&D performing SMEs, but it is also reported that small US firms devote more resources to R&D in their growth phase compared to European companies. Europe is lagging behind in stimulating growth in R&D performing SMEs. National policies in the field are fragmented, and specific instruments at Community level are lacking.

### *1.3.3 Coordination of national and European research programmes*

The "Impact assessment and ex ante evaluation" carried out as part of the preparation of the Seventh Community Framework Programme<sup>12</sup> identified the lack of coordination of national research policies as a major structural deficit of the European R&D system. This fragmentation of activities is a serious impediment to full realisation of the ERA. The differences in design and implementation of national programmes makes cross-border S&T cooperation more difficult and leads to an inefficient allocation of resources.

New initiatives are needed to move towards better coordination and synergy of the activities undertaken at Community and Member State level. This should have a positive overall effect on the impact of R&D carried out across Europe thanks to the increased scale and better overall allocation of the mobilised resources.

### *1.3.4 EUREKA and the Framework Programme*

EUREKA is an inter-governmental initiative established in 1985 and aimed at supporting market-oriented transnational R&D and innovation projects across all sectors. It is composed of 38 members, including the European Community.

The Communication from the Commission on the ERA in 2000 called for closer relations with initiatives such as EUREKA. At the EUREKA Ministerial Conference in Paris in June 2004, an important step was taken with regard to concrete cooperation between the Framework Programme and EUREKA. The ministers responsible for EUREKA and the Commissioner for Research invited the European Commission to explore the possibility of setting up concrete financing mechanisms reinforcing cooperation between EUREKA and the Framework Programme, including SMEs, on the basis of instruments such as Articles 171 or 169 of the Treaty. Thereafter, EUREKA developed the Eurostars Joint Programme, to be implemented via Article 169 and targeting R&D performing SMEs with high growth potential.

### *1.3.5. Previous activities and experience*

The key lesson from the first Article 169 initiative on clinical trials (EDCTP) is that such an initiative can only function effectively if there are three levels of integration

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<sup>10</sup> The 2005 EU Industrial R&D investment scoreboard, European Commission.

<sup>11</sup> Towards a European Research Area, Science, Technology and Innovation, Key Figures 2005, European Commission.

<sup>12</sup> Impact assessment and ex ante evaluation, Commission staff working paper, SEC(2005)430, Annex 1.

between the national programmes involved: scientific, management and financial integration. EDCTP has also shown that the latter is of particular importance and that from the outset, a clear, multi-annual commitment by the participating countries must be ensured in financial terms.

#### **1.4. Existing provisions in the area of the proposal**

Although SMEs have access to a number of programmes under the Framework Programme, there is currently no specific scheme addressing R&D performing SMEs.

SMEs can participate in FP7 in two ways. Firstly, SMEs are encouraged to participate in collaborative projects under the "Cooperation" programme. In addition, the action "Research for the benefit of SMEs" targets SMEs in need of outsourcing R&D.

EUREKA supports market-oriented transnational research projects without any thematic restriction. Once awarded the EUREKA label, project partners have to look to their own national programmes for funding as there is no central funding mechanism.

The Eurostars Joint Programme complements both the activities of the Framework Programme and EUREKA, by offering a bottom-up programme, which is specifically tailored towards R&D performing SMEs. The Eurostars Joint Programme places SMEs in the driving seat, favours small consortia, encourages market-oriented research, results in the synchronisation and harmonisation of national procedures, and finally, it offers a secured funding mechanism to the project participants.

#### **1.5. Consistency with the other policies and objectives of the Union**

SMEs are a key element for success in the renewed Lisbon partnership for growth and jobs<sup>13</sup>. Eurostars aims to stimulate the particularly important segment of R&D performing SMEs, and in doing so contributes to the Barcelona objective of 3% GDP invested in research. In the context of the development of the ERA<sup>14</sup> a more co-ordinated implementation of national and European research programmes and closer relations between European organisations for scientific and technological co-operation, like EUREKA, were proposed. The recent Green Paper on the ERA also refers to the role of intergovernmental networking structures such as EUREKA, which could further contribute to the coherence of activities within the ERA<sup>15</sup>. Eurostars will contribute to these objectives.

The programme is also expected to facilitate the development and wider use by SMEs of environmental technologies, eco-innovations, environment-friendly products and practices, thus allowing to protect the environment more efficiently. It also gives EU SMEs an advantage on green markets which is in line with EU policy initiatives<sup>16</sup>.

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<sup>13</sup> COM(2006)349 final, 29.6.2006.

<sup>14</sup> COM(2000) 6 final, 18.1.2000.

<sup>15</sup> COM(2007) 161 final, 4.4.2007.

<sup>16</sup> ETAP (Environmental Technologies Action Plan), ECAP (Environmental Compliance Assistance Programme for SMEs)

## 2. CONSULTATION OF INTERESTED PARTIES AND ASSESSMENT OF THE OPTIONS

### 2.1. Consultation of interested parties

#### Consultation methods, main sectors targeted and general profile of respondents

The FP7 stakeholder consultation was launched on the basis of the Communication "Science and Technology, the key to Europe's future - Guidelines for future European policy to support research" of June 2004. This consultation was aimed at engaging a broad range of stakeholders who are involved in research activities, research policies and the exploitation of research results.

The SME consultation on future EU research policies was organised in two stages. As a first step, the Irish EU presidency organised a conference entitled "Research, Innovation and European SMEs", which was followed by the conference "Investing in Research and Innovation", with a session on "SMEs, R&D and Innovation" under the Dutch presidency. In the second stage, two SME stakeholder workshops were organised in November 2004 and January 2005.

The FP7 Advisory Group on SMEs was informed and consulted about the content of the Eurostars Joint Programme.

The members of CREST (Scientific and Technical Research Committee) have been regularly informed and consulted on the development of the Article 169 initiatives and were also involved in the discussion on integration of the scientific, management and financial aspects.

In the frame of EUREKA, the Eurostars initiative was regularly discussed with the Member States.

#### Summary of responses and how they have been taken into account

The stakeholder consultation shows strong support for the measures supporting research in SMEs and for their benefit. Among the SMEs involved in research activities, a major distinction should be made between R&D performing SMEs and R&D outsourcing SMEs. Policy initiatives should take the needs of these different groups into account. Some stakeholders argued in favour of a dedicated bottom-up scheme targeting research-performing SMEs. The stakeholders pointed out that schemes focussing on outsourcing R&D were not suited for SMEs wishing to carry out their own research. Moreover, within the collaborative projects of the Framework Programme, some stakeholders were concerned about the minor role played by research performing SMEs. It was also recommended that a more coherent approach should be developed throughout the various national, regional and European funding programmes, through effective collaboration between national and European initiatives such as the Framework Programme and EUREKA. The four Article 169 initiatives put forward in the Specific Programmes of FP7, which include Eurostars, have been discussed in CREST and were found to be in the most advanced stage of development.

## 2.2. Policy options and how they compare

The Commission has not conducted a full impact assessment of this proposal. Nevertheless, an ex-ante assessment was carried out, wherein a number of policy options were considered and compared, for which a summary is given below.

### *Option 1: No joint programme, no FP7.*

In this hypothesis, R&D performing SMEs would only rely on the available national programmes. However, these programmes often lack the right incentives to develop international consortia which are needed to optimally benefit from opportunities offered at European and global level. Moreover, the absence of action at Community level would result in greater fragmentation of the research effort and less efficient use of public spending for research due to the unnecessary duplication of R&D-related work.

### *Option 2: No joint programme, only FP7*

FP7 offers several opportunities for SMEs to participate in R&D activities. The funding scheme "Research for the benefit of SME" supports the outsourcing of R&D by SMEs to RTD performers. SMEs can participate in collaborative projects under the "Cooperation" programme. However, R&D performing SMEs often operate in niche markets which cannot always be covered by the topics defined in the Work Programme. Moreover, the timing might not be appropriate, especially considering the dynamic, market-oriented approach of R&D in these companies. Finally, SMEs are not necessarily in the driving seat of these projects.

The ERA-NET scheme aims to coordinate national and regional research programmes. ERA-NET+ provides an incentive for several national programmes to organise a single joint call, bridging the gap between ERA-NET and Article 169. However, these two schemes do not envisage the creation of a joint programme with a lasting integrating effect upon the participating national programmes.

### *Option 3: Eurostars Joint Programme*

Using Article 169 of the Treaty is the most powerful method of achieving cooperation between national research programmes through the joint implementation of complete programmes or large parts of programmes. This facilitates the achievement of results unattainable with other means because of the scale and diversity of the resources mobilised and the structural effects of combining Community and Member States efforts.

The Eurostars Joint Programme provides significant leverage for Community funding: with a Community contribution of up to EUR 100 million, the participating Member States, Iceland, Israel, Norway, Switzerland and Turkey will contribute EUR 300 million, resulting in a programme with EUR 400 million of public funding. Assuming

project funding rates in the range of 50%-75%, Eurostars could mobilise between EUR 133 and 400 million<sup>17</sup> of additional private funding for the duration of the Programme.

The Eurostars Joint Programme has been tailor-made for R&D performing SMEs, offering a bottom-up approach which is of particular relevance as these firms often operate in niche markets and have to respond quickly to new market demands. It will give the opportunity to these SMEs to initiate and lead market-oriented R&D projects with the partner(s) that best complement their competences and capabilities. Finally, the Eurostars Joint Programme aims at offering fast decision-making procedures, synchronisation and harmonisation of national procedures, and a secured funding to the participants in selected projects.

### **2.3. Why use Article 169?**

Comparison of the different policy options has shown that the participation of the Community in a joint research programme based on Article 169 is the only option which will make it possible to tackle all the issues related to support to R&D performing SMEs:

- Support for R&D performing SMEs is at present heavily fragmented and lacks a coherent approach.
- There is a strong need to go beyond the coordination of national programmes by pooling national and Community resources and establishing a joint programme tailored to the needs of these SMEs.
- The participation of the Community in the Eurostars Joint Programme based on Article 169 is the concrete fulfilment of closer collaboration between EUREKA and the Framework Programme, which constitutes a milestone in the realisation of the European Research Area.
- Through the application of Article 169 a framework is created which pools a critical mass of resources and allows for the lasting integration of national programmes, including scientific, management and financial aspects.
- Using Article 169 confers a significant leverage on the Community funding, as EUR 100 million is expected to mobilise between EUR 433 and 700 million of national public funds and private funds altogether.

By implementing and financing joint activities under the Eurostars Joint Programme, a dynamic process will be created, leading to the integration of the participating national programmes, to the enhancement of the scientific and technical excellence, and to the improvement of the efficiency in the management, therefore contributing to the realisation of the objectives of the European Research Area.

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<sup>17</sup> With an average funding rate of 50%, EUR 400 million of public support calls for another EUR 400 million of private funding invested in the R&D projects as the own contribution from the project participants. Assuming a maximum funding rate of 75%, the sum of total project costs could be of EUR 400/0.75 million = EUR 533 million, meaning that the private contribution would be of EUR 133 million in that case.



### **3. LEGAL ELEMENTS OF THE PROPOSAL**

#### **3.1. Summary of the proposed action**

The Eurostars initiative aims to create a joint research and development programme by providing the necessary legal and organisational framework for large-scale European cooperation between Member States on applied research and innovation in the area of R&D performing SMEs. Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain and Sweden (hereinafter referred to as "the participating Member States") as well as Iceland, Israel, Norway, Switzerland and Turkey (hereinafter referred to as "the other participating countries") have agreed to coordinate and jointly implement activities aimed at contributing to the Eurostars Joint Programme. The overall value of their participation is estimated at a minimum of EUR 300 million over the six-year period covered by the programme.

In order to increase the impact and critical mass of the Eurostars Joint Programme and to add an incentive for greater integration among the participating national programmes, the Community should participate and make a financial contribution of up to EUR 100 million subject to efficient implementation and financial commitments by Member States in line with the criteria set out in the FP7 decision.

#### **3.2. Legal basis**

The proposal for the Eurostars Joint Programme is based on Article 169 of the EC Treaty, which provides for the participation of the Community in research programmes jointly undertaken by several Member States.

This proposal corresponds to the indirect centralised management, according to the provisions of Art. 54(2)(c) of the Financial Regulation. According to Article 56 of the Financial Regulation, the Commission shall first obtain evidence of the existence and proper operation of, inter alia, grant-award procedures, an internal control system, an adequate accounting system within the entity to which it entrusts implementation, and an independent external audit.

#### **3.3. Subsidiarity principle**

The subsidiarity principle applies insofar as the proposal does not fall under the exclusive competence of the Community.

The objectives of the proposal cannot be sufficiently achieved by the Member States as national programmes usually do not sufficiently address the globalising environment of R&D performing SMEs. National programmes often lack the possibility to fund cross-border collaborative SME projects in a sufficiently harmonised and synchronised way.

The added value of the Community action is significant as the Community intervention will enable the creation of a new legal framework where Community and national funding can be combined under a common strategy to stimulate transnational collaborative R&D projects initiated and led by R&D performing SMEs. The pooling of resources from national programmes and from the Community enables a critical mass to be achieved that can better address the challenges faced by R&D performing SMEs. This would otherwise not be feasible using the existing structures in the Framework Programme and within national programmes.

The leverage effect on national and private funding for R&D is significant, as a Community contribution of EUR 100 million could mobilize between EUR 433 and 700 million of national public and private funds for the benefit of R&D performing SMEs, which represents a multiplication factor between 4 and 7.

The proposal therefore complies with the subsidiarity principle.

### **3.4. Proportionality principle**

The proposal complies with the proportionality principle for the following reason(s).

The Eurostars Joint Programme is aimed at integrating research and development activities in the field of R&D performing SMEs throughout Europe. The centralised management of the programme will ensure consistency in the execution of the action. The role of the Community is limited to providing incentives for improved coordination and integration, and ensuring synergies with relevant complementary activities under the Framework Programme and the Competitiveness and Innovation Programme. Member States will be responsible for developing all operational aspects in order to participate in Eurostars.

The proposed organisational structure ensures that the administrative burden is kept to a minimum, by having the dedicated structure in charge of the overall planning, organisation of calls and evaluations, monitoring of projects and management of the Community contribution. The effective payment to participants in selected projects will be managed by the funding bodies designated by the participating Member States.

### **3.5. Choice of instruments**

The proposed instrument is a co-decision by the European Parliament and the Council, which is the means for implementing Article 169.

## **4. BUDGETARY IMPLICATION**

The budgetary implications of this proposal are already included in the legal basis of FP7<sup>18</sup> as well as in the "Capacities" Specific Programme of FP7. The agreement to be concluded between the Commission and the dedicated implementation structure shall ensure that the financial interests of the Community are protected.

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<sup>18</sup> Decision No 1982/2006/EC, OJ L 412, 30.12.2006, p. 1

## **5. ADDITIONAL INFORMATION**

### **5.1. Simplification**

The proposal provides for the simplification of administrative procedures for public authorities (EU or national) and for private parties.

The EU will deal directly with the dedicated implementation structure of Eurostars which will be in charge of allocating, monitoring and reporting on the use of the Community contribution.

Recipients of the Eurostars research funding will benefit from using the national funding rules which are more familiar to them.

### **5.2. Review/revision/sunset clause**

The proposal includes a review clause.

### **5.3. European Economic Area**

The proposed act concerns an EEA matter and should therefore extend to the European Economic Area.

Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the participation by the Community in a research and development programme aimed at supporting research and development performing SMEs undertaken by several Member States**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Articles 169 and 172, second paragraph, thereof,

Having regard to the proposal from the Commission<sup>19</sup>,

Having regard to the opinion of the European Economic and Social Committee<sup>20</sup>,

Acting in accordance with the procedure laid down in Article 251 of the Treaty<sup>21</sup>,

Whereas:

- (1) Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 - 2013) (hereinafter referred to as "the Seventh Framework Programme")<sup>22</sup> provides for Community participation in research and development programmes undertaken by several Member States, including participation in the structures created for the execution of those programmes, within the meaning of Article 169 of the Treaty.
- (2) The Seventh Framework Programme has defined a series of criteria for the identification of areas for such Article 169 initiatives: the relevance to Community objectives, the clear definition of the objective to be pursued and its relevance to the objectives of the Framework Programme, the presence of a pre-existing basis (existing or envisaged national research programmes), a European added value, a critical mass with regard to the size and the number of programmes involved and the similarity of

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<sup>19</sup> OJ C [...], [...], p. [...].

<sup>20</sup> OJ C [...], [...], p. [...].

<sup>21</sup> OJ C [...], [...], p. [...].

<sup>22</sup> OJ L 412, 30.12.2006, p. 1.

activities they cover, and the efficiency of Article 169 as the most appropriate means for achieving the objectives.

- (3) Council Decision No 974/2006/EC of 19 December 2006 concerning the Specific Programme “Capacities” implementing the Seventh Framework programme of the European Community for research, technological development and demonstration activities (2007 - 2013)<sup>23</sup> (hereinafter “Specific Programme Capacities”) identifies an Article 169 initiative in the field of Research Performing Small and Medium-Sized Enterprises (SMEs) as one of the fields suitable for Community participation in national research programmes jointly implemented on the basis of Article 169 of the Treaty.
- (4) In its conclusions of 24 September 2004, the Council recognised the important role of the Framework Programme in furthering the development of the European Research Area (ERA), and in this context stressed the importance of reinforcing the ties between the ERA and European intergovernmental organisations, such as EUREKA.
- (5) In its conclusions of 25-26 November 2004, the Council stressed the importance of SMEs for European growth and competitiveness and thus the need for Member States and the Commission to enhance the effectiveness and complementarity of national and European support programmes for SMEs. It encouraged the Commission to explore the possible development of a bottom-up scheme for research-performing SMEs. The Council recalled the importance of coordination of national programmes for the development of the ERA. The Council invited Member States and the Commission to co-operate closely in identifying a limited number of areas for further application of Article 169 of the Treaty. The Council invited the Commission to further develop cooperation and coordination between the Communities and the activities carried out in the framework of intergovernmental structures, notably with EUREKA, recalling the EUREKA Ministerial Conference of 18 June 2004.
- (6) The European Parliament, in its resolution on science and technology<sup>24</sup>, encourages the Member States to adopt fiscal and other incentives for promoting industrial innovation, including links with EUREKA, especially with reference to SMEs, and stresses that the ERA will be possible only if an increasing proportion of funding for research is allocated by the Union with a view to coordinating European, national, and regional research policies more closely as regards both their substance and their funding, and if this funding is additional to research policy in and between the Member States. The European Parliament believes that a more efficient and coordinated use should be made of other funding mechanisms and support mechanisms to support R&D and innovation, mentioning, among others, EUREKA. It asks for an enhanced cooperation between national research programmes and calls on the Commission to take initiatives pursuant to Article 169 of the EC Treaty.
- (7) In its Communication of 4 June 2003<sup>25</sup> the Commission underlined the importance of SMEs participation in direct measures to support research and innovation, which is crucial to boost the innovative capacity of large segments of the economy.

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<sup>23</sup> OJ L 400, 30.12.2006, p. 299

<sup>24</sup> P6\_TA(2005)0077, OJ C320E/259, 15.12.2005

<sup>25</sup> COM(2003) 226 final/2

- (8) At present, a number of research and development programmes or activities undertaken by Member States individually at national level to support research and development (R&D) activities in SMEs are not sufficiently coordinated at European level and do not allow a coherent approach at European level for an effective research and technological development programme.
- (9) Wishing to have a coherent approach at European level in the field of research and development ("R&D") performing SMEs and to act effectively, several Member States have taken the initiative within the frame of EUREKA for setting up a joint research and development programme entitled "Eurostars" (hereinafter referred to as the "Eurostars Joint Programme") for the benefit of R&D performing SMEs, in order to obtain a critical mass in terms of management and financial resources and the combination of additional expertise and resources available in various countries across Europe.
- (10) The Eurostars Joint Programme aims to support R&D performing SMEs by providing the necessary legal and organisational framework for large-scale European cooperation between Member States on applied research and innovation, in any technological or industrial field, for the benefit of these SMEs. Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain and Sweden (hereinafter "the participating Member States"), and Iceland, Israel, Norway, Switzerland and Turkey (hereinafter "the other participating countries") have agreed to coordinate and implement jointly activities aimed at contributing to the Eurostars Joint Programme. The overall value of their participation is estimated at a minimum of EUR 300 million for the proposed period of six years. The Community financial contribution should represent a share of maximum 25% of the total public contribution to the Eurostars Joint Programme, which is estimated at EUR 400 million.
- (11) In order to increase the impact of the Eurostars Joint Programme, the participating Member States and the other participating countries have agreed to such Community participation in the Eurostars Joint Programme. The Community should participate therein by making a financial contribution of up to EUR 100 million for the duration of the Eurostars Joint Programme. Given that the Eurostars Joint Programme meets the scientific objectives of the Seventh Framework Programme and that the field of the Eurostars Joint Programme falls within the "Research for the benefit of SMEs" part of the Specific Programme Capacities of the Seventh Framework Programme, the Community financial contribution should be taken from the budget appropriation allocated to that part.
- (12) Community financial support should be provided subject to the definition of a financing plan based on formal commitments from the competent national authorities to implement jointly the research and development programmes and activities undertaken at national level and to contribute to the financing of the execution of the Eurostars Joint Programme.
- (13) The joint implementation of the national research programmes requires the establishment or existence of a dedicated implementation structure, as provided for in the Specific Programme Capacities.

- (14) The participating Member States have agreed on such a dedicated implementation structure to implement the Eurostars Joint Programme.
- (15) The dedicated implementation structure should be the recipient of the financial contribution from the Community and should ensure the efficient execution of the Eurostars Joint Programme.
- (16) The Community contribution is subject to commitments of resources by the participating Member States and the other participating countries and the effective payment of their financial contributions.
- (17) The payment of the Community contribution is subject to the conclusion of a general agreement concluded between the Commission and the dedicated implementation structure, containing the detailed arrangements for the use of the Community contribution. This general agreement shall contain the necessary provisions to ensure that the financial interests of the Community are protected.
- (18) The interest generated by the Community financial contribution shall be considered as assigned revenue, in accordance with Article 18(2) of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities<sup>26</sup> (hereinafter "the Financial Regulation"). The maximum Community contribution indicated in this Decision may be increased accordingly by the Commission.
- (19) The Community should have the right to reduce its financial contribution in case the Eurostars Joint Programme is implemented inadequately, partially or late, or in case the participating Member States and the other participating countries do not contribute or contribute partially or late to the financing of the Eurostars Joint Programme, on the terms set out in an agreement to be concluded between the Community and the dedicated implementation structure.
- (20) In order to efficiently implement the Eurostars Joint Programme, the dedicated implementation structure should grant financial support to third parties participating in the Eurostars Joint Programme selected following calls for proposals.
- (21) In accordance with the Financial Regulation and Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation<sup>27</sup> (hereinafter "Implementing Rules"), the Community contribution shall be managed in the framework of the indirect centralised management according to the provisions of Articles 54 (2) (c) and 56 of the Financial Regulation, and Articles 35 and 41 of the Implementing Rules.
- (22) Any Member State should be able to join the Eurostars joint Programme.
- (23) In line with the objectives of the Seventh Framework Programme, the participation in the Eurostars Joint Programme of countries associated to the Seventh Framework

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<sup>26</sup> OJ L 248, 16.09.2002, p. 1. Regulation as amended by Regulation (EC, Euratom) No 1995/2006 (OJ L 390, 30.12.2006, p. 1).

<sup>27</sup> OJ L 357, 31.12.2002, p. 1; Regulation as last amended by Regulation (EC, Euratom) No XXXX/2007 (OJ L ...).

Programme or of other countries should be possible provided that such participation is foreseen by the relevant international agreement and provided that both the Commission and the participating Member States agree to it.

- (24) In accordance with the Seventh Framework Programme, the Community should have the right to agree on the conditions for its financial contribution to the Eurostars Joint Programme in relation to the participation therein of any country associated to the Seventh Framework Programme, or where essential for implementing the Eurostars Joint Programme, of other countries, in the course of its implementation, in accordance with the rules and conditions set out in this Decision.
- (25) Appropriate measures should be taken to prevent irregularities and fraud and the necessary steps should be taken to recover funds lost, wrongly paid or incorrectly used in accordance with Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests<sup>28</sup>, Regulation (EC, Euratom) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities<sup>29</sup> and Regulation (EC) No 1073/1999 of the European Parliament and of the Council concerning investigations conducted by the European Anti-Fraud Office (OLAF)<sup>30</sup>.
- (26) It is essential that the research activities carried out under the Eurostars Joint Programme comply with basic ethical principles, including those reflected in Article 6 of the Treaty on European Union and in the Charter of Fundamental Rights of the European Union, and follow the principles of gender mainstreaming and gender equality.
- (27) The Commission should conduct an interim evaluation, assessing the quality and efficiency of the implementation of the Eurostars Joint Programme and progress towards the objectives set, as well as a final evaluation.

HAVE ADOPTED THIS DECISION:

#### *Article 1*

1. In implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (hereinafter referred to as "the Seventh Framework Programme"), adopted by Decision No 1982/2006/EC, the Community shall make a financial contribution to the Eurostars research and development programme (hereinafter referred to as "the Eurostars Joint Programme") undertaken jointly by Austria, Belgium, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, the Netherlands, Poland, Portugal, Romania, Slovenia, Spain and Sweden (hereinafter referred to as "the participating Member States") as well as Iceland, Israel, Norway, Switzerland and Turkey (hereinafter referred to as "the other participating countries").

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<sup>28</sup> OJ L 312, 23.12.1995, p. 1.

<sup>29</sup> OJ L 292, 15.11.1996, p 2.

<sup>30</sup> OJ L 136, 31.05.1999, p. 1.



2. The Community shall pay a financial contribution amounting to the equivalent of maximum one third of the effective contributions of the participating Member States and the other participating countries, within a ceiling of EUR 100 million for the six years duration of the Eurostars Joint Programme, starting from the entry into force of this Decision. The Community financial contribution comes in addition to the minimum of EUR 300 million contributed by the participating Member States and the other participating countries. The Community financial contribution thus represents a share of maximum 25% of the total public contribution to the Eurostars Joint Programme, estimated at EUR 400 million.
3. The Community financial contribution shall be paid from the budget appropriation allocated to the "Research for the benefit of SMEs" part of the Specific Programme Capacities implementing the Seventh Framework Programme pursuant to Decision 2006/974/EC (hereafter "Specific Programme Capacities").

### *Article 2*

The Community financial contribution shall be conditional upon:

- (a) demonstration by the participating Member States and the other participating countries that the Eurostars Joint Programme as described in the Annex I to this Decision has been efficiently set up;
- (b) the formal establishment or designation by the participating Member States and the other participating countries or organisations designated by participating Member States and the other participating countries, of a structure with legal personality (for the purposes of this Decision referred to as "dedicated implementation structure"), which shall be responsible for the implementation of the Eurostars Joint Programme and for receiving, allocating and monitoring the Community financial contribution in accordance with Articles 54(2)(c) and 56 of the Financial Regulation;
- (c) establishment of the appropriate and efficient governance model for the Eurostars Joint Programme in conformity with the arrangements set out in Annex II to this Decision;
- (d) efficient carrying out of the activities under the Eurostars Joint Programme described in Annex I to this Decision by the dedicated implementation structure, which entails the launch of calls for proposals for the award of grants;
- (e) commitments by the participating Member States and the other participating countries to contribute to the financing of the Eurostars Joint Programme and the effective payment of the financial contribution, in particular the funding of participants in the projects selected following the calls for proposals launched under the Eurostars Joint Programme;

- (f) compliance with the State aid rules of the Community, and in particular the rules set out in the Community Framework for State Aid for Research, Development and Innovation<sup>31</sup>;
- (g) ensuring a high level of scientific excellence and observance of ethical principles in accordance with the general principles of the Seventh Framework Programme, and of gender mainstreaming and gender equality, and contributing to sustainable development, and,
- (h) formulation of provisions governing the intellectual property rights stemming from the activities carried out under the Eurostars Joint Programme and the implementation and coordination of the research and development programmes and activities undertaken at national level by the participating Member States and the other participating countries in such a way that they aim at promoting the creation of such knowledge and at supporting a wide use and dissemination of the knowledge created.

### *Article 3*

The granting of financial support by the dedicated implementation structure to third parties in the implementation of the Eurostars Joint Programme, and in particular financial support provided to participants in projects selected following calls for proposals for the award of grants, shall be subject to the principles of equal treatment and transparency. The financial support to third parties shall be granted on the basis of scientific excellence and, taking into account the specific nature of the SME target group, expected economic impact, and shall be in accordance with the principles and procedures set out in Annex I to this Decision.

### *Article 4*

The arrangements for the Community financial contribution and the rules relating to financial liability and intellectual property rights as well as the detailed rules for the provision of financial support by the dedicated implementation structure to third parties shall be established by means of a general agreement to be concluded between the Commission, on behalf of the Community, and the dedicated implementation structure, and annual financing agreements.

### *Article 5*

In accordance with Article 18(2) of Council Regulation (EC, Euratom) No. 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities, the interest generated by the Community financial contribution allocated to the Eurostars Joint Programme shall be considered as assigned revenue. The maximum Community contribution indicated in Article 1 may be increased accordingly by the Commission.

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<sup>31</sup> OJ C 323, 30.12.2006, p. 1.

#### *Article 6*

If the Eurostars Joint Programme is not implemented or is implemented inadequately, partially or late, or if the participating Member States and the other participating countries do not contribute, contribute partially or late to the financing of the Eurostars Joint Programme, the Community may reduce its financial contribution in line with the actual implementation of the Eurostars Joint Programme and the amount of public funding allocated by the participating Member States and the other participating countries for the implementation of the Eurostars Joint Programme, on the terms laid down in the agreement to be concluded between the Commission and the dedicated implementation structure.

#### *Article 7*

In implementing the Eurostars Joint Programme, the participating Member States and the other participating countries shall take the legislative, regulatory, administrative or other measures necessary for protecting the Communities' financial interests. In particular, the participating Member States and the other participating countries shall provide adequate guarantees as regards full recovery from the dedicated implementation structure of any amounts due to the Community.

#### *Article 8*

The Commission and the Court of Auditors may, through their officials or agents, carry out all the checks and inspections needed to ensure proper management of the Community funds and protect the financial interests of the Community against any fraud or irregularity. To this end, the participating Member States and the other participating countries and/or the dedicated implementation structure shall, in due course, make all relevant documents available to the Commission and the Court of Auditors.

#### *Article 9*

The Commission shall communicate all relevant information to the European Parliament, the Council and the Court of Auditors. The participating Member States and the other participating countries are invited to submit to the Commission, through the dedicated implementation structure, any additional information required by the European Parliament, the Council and the Court of Auditors concerning the financial management of the dedicated implementation structure.

#### *Article 10*

Any Member State may join the Eurostars Joint Programme on the basis of the rules set out in this Decision.

#### *Article 11*

Any third country may join the Eurostars Joint Programme on the basis of the rules set out in this Decision, provided that such participation is foreseen by the relevant international

agreement and provided that both the Commission and the participating Member States and the other participating countries agree to it.

#### *Article 12*

The conditions for the Community financial contribution in relation to the participation, in the Eurostars Joint Programme, of any country associated to the Seventh Framework Programme or, where essential for implementing the Eurostars Joint Programme, of any other country, may be agreed by the Community on the basis of the rules set out in this Decision and of any implementing rules and arrangements.

#### *Article 13*

1. The annual report on the Seventh Framework Programme presented to the European Parliament and the Council pursuant to Article 173 of the Treaty shall include a summary of the activities of the Eurostars Joint Programme based on the annual report to be provided by the dedicated implementation structure to the Commission.
2. An interim evaluation of the Eurostars Joint Programme shall be carried out by the Commission two years after the start of the Eurostars Joint Programme. This evaluation shall cover the quality and efficiency of the implementation, including scientific, management and financial integration, of the Eurostars Joint Programme and progress towards the objectives set, including recommendations on the most appropriate ways to further enhance integration. The Commission shall communicate the conclusions thereof, accompanied by its observations and, where appropriate, proposals for the adaptation of this Decision, to the European Parliament and the Council.
3. At the end of the Eurostars Joint Programme, the Commission shall conduct a final evaluation of the Programme. The results of the final evaluation shall be presented to the European Parliament and the Council.

#### *Article 14*

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

#### *Article 15*

This Decision is addressed to the Member States.

Done at Brussels, [...]

*For the European Parliament*  
*The President*  
[...]

*For the Council*  
*The President*  
[...]

## ANNEX I

### **Description of the objectives and activities of the Eurostars Joint Programme**

#### **I. Objectives**

The objective of this initiative put forward by the EUREKA Member Countries is to establish the Eurostars Joint Programme targeting research and development (R&D) performing SMEs. These SMEs are knowledge-intensive, technology/innovation-based companies, playing a key role in the innovation process. They are characterised by a strong customer or market orientation, aiming to achieve a strong international position by leading highly innovative, market-oriented projects. Based on their own R&D capacity, they are able to develop products, processes or services that have a clear innovative or technological advantage. Companies may vary in size and in scope of activities, being e.g. established businesses with a track record of performing application-oriented, cutting-edge R&D, or high-potential start-ups. R&D constitutes a key element in their corporate strategy and business plans. These companies should be SMEs within the meaning of the Commission Recommendation 2003/361/EC<sup>32</sup>.

The Eurostars Joint Programme aims to support those R&D performing SMEs by:

- (1) creating a sustainable European R&D support mechanism for R&D performing SMEs;
- (2) encouraging them to create new economic activities based on R&D results and bring new products, processes and services to the market faster than would otherwise be possible;
- (3) promoting technological and business development, and internationalisation of those companies.

The Eurostars Joint Programme shall complement existing national and European programmes aimed at supporting R&D performing SMEs in their innovation process.

It shall contribute to European competitiveness, innovation, employment, economic change, sustainable development and environmental protection, and help to achieve the Lisbon and Barcelona objectives. As an initiative of 27 EUREKA countries, it shall support, through its bottom-up approach, research, development and demonstration activities carried out by trans-national consortia driven by R&D performing SMEs and co-operating where appropriate with research organisations and/or large enterprises.

The Eurostars Joint Programme is aimed at aligning and synchronising the relevant national research and innovation programmes to establish a joint programme, featuring scientific, management and financial integration, marking an important contribution towards the realisation of the European Research Area. The scientific integration is achieved through the common definition and implementation of activities under the Eurostars Joint Programme. Management integration is achieved via the use of the EUREKA Secretariat as dedicated implementation structure. Its role is to manage the Eurostars Joint Programme and to monitoring its execution, as further detailed in Annex II. The financial integration implies that

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<sup>32</sup> OJ L 124, 20.5.2003, p. 36.

the participating States effectively contribute to the financing of the Eurostars joint programme, involving in particular the commitment to fund the participants in selected Eurostars projects from the national earmarked Eurostars budgets.

In the longer term, this initiative should strive for developing tighter forms of scientific, management and financial integration. The participating Member States, Iceland, Israel, Norway, Switzerland and Turkey (hereafter referred to as the "participating States") should further strengthen the integration and remove existing national legislative barriers for international cooperation.

## **II. Activities**

The main activity in the Eurostars Joint programme consists of R&D activities driven by one or more R&D performing SME(s) established in the participating States. The R&D activities can be carried out in the entire field of science and technology and are:

- (1) implemented via multi-partner trans-national projects involving at least two independent participants from different participating States addressing research, technological development, demonstration, training, and dissemination activities. Research organisations, universities or large companies may also participate in these projects;
- (2) executed for their core part by the R&D performing SME(s), which should contribute for at least 50% of the costs related to R&D within the project. Minor subcontracting may be accounted for, if necessary for the project.
- (3) targeted at market-oriented research and development, and should be of short to medium term duration and address challenging research and development work; the SME(s) should demonstrate the capability to exploit the project results within a realistic time frame;
- (4) led and coordinated by one of the participating R&D performing SMEs, the so-called "leading SME".

In addition, brokerage, programme promotion and networking activities shall be supported to a limited extent in order to promote the Eurostars Joint Programme and enhance its impact. These shall include the organisation of workshops and the establishment of contacts with other stakeholders such as investors and knowledge management providers.

## **III. Deliverables expected from the implementation of the Programme**

The Eurostars Joint Programme's main deliverable is a new joint European research and development programme for R&D performing SMEs, which is bottom-up, based on EUREKA and co-funded by the contributing national R&D programmes and the European Community.

An annual report shall be provided by the dedicated implementation structure, which shall give a detailed overview on the implementation of the joint programme (evaluation and selection process, statistics on the composition of the evaluator group, number of projects submitted and selected for funding, use of the Community funding, distribution of national funds, type of participants, country statistics, brokerage events and dissemination activities etc.) and the progress towards further integration. An ex-post evaluation of the impact shall be

conducted by the dedicated implementation structure at the end of the Eurostars Joint Programme.

#### **IV. Programme implementation**

The Eurostars Joint Programme shall be managed by a dedicated implementation structure. Proposals are submitted centrally to the dedicated structure by the applicants (single entry point), following a central and common yearly call for proposals, with several cut-off dates. Project proposals shall be evaluated and selected at central level on the basis of transparent and common eligibility and evaluation criteria following a two-step procedure. In the first step, proposals shall be assessed by at least two independent experts, which review both technical and market aspects of the proposal. These experts may act remotely. The ranking of proposals is performed in the second step, by an international evaluation panel, composed of independent experts. The ranking list, approved at central level, shall be binding for the allocation of funding from the Community contribution and from the national earmarked budgets to Eurostars projects. The dedicated implementation structure shall be responsible for the monitoring of projects and common operational procedures to manage the full project cycle shall be in place. Project participants in selected Eurostars projects shall be handled administratively by their respective national programmes.

#### **V. Funding Mechanism**

The Eurostars Joint Programme is co-funded by the participating States and the Community. Participating States define a multi-annual financing plan to participate in the Eurostars Joint Programme and contribute to the co-funding of its activities. The national contributions may come out of existing or from newly created national programmes, as long as they comply with the bottom-up character of Eurostars. Any participating State is free to increase its national earmarked funding to the Eurostars Joint Programme, at any time during the Programme.

##### *Funding at Programme level*

The Community contribution to the Eurostars Joint Programme, which shall be managed by the dedicated implementation structure, is calculated as a maximum of one third of the effective financial contributions from the participating States, with a ceiling of EUR 100 million. The Community contribution comes in addition to the EUR 300 million contributed by the participating States, thus representing a share of maximum 25% within the overall public funding available in the Eurostars Joint Programme.

Up to 4,5% of the Community financial contribution shall be used to cover the running costs of the dedicated implementation structure for the implementation of the Eurostars Joint Programme.

The Community financial contribution to selected Eurostars projects may be transferred by the dedicated implementation structure to the national funding bodies designated by the participating States, on the basis of an agreement to be concluded between the national funding bodies and the dedicated implementation structure. The dedicated implementation structure shall make sure that the national funding bodies effectively transfer the Community financial contribution to the participants in selected Eurostars projects.

### *Funding of Eurostars projects*

The allocation of funding from the national earmarked budgets and from the Community contribution to selected Eurostars projects shall follow the order of the ranking list. The financial contribution to the participants in these projects is calculated according to the funding rules of the participating national programmes.

In case of a loan, a standard calculation for gross grant equivalence shall apply, taking into account the interest subsidy intensity and the average failure rate of the underlying national programme.

### **VI. IPR arrangements**

The dedicated implementation structure shall adopt the intellectual property policy of the Eurostars Joint Programme. The objective of such an intellectual property policy of the Eurostars Joint Programme is to promote knowledge creation, together with the exploitation and dissemination of the project results in favour of the target group of R&D performing SMEs. In this context, the approach taken under the Rules for Participation<sup>33</sup> in the 7<sup>th</sup> Framework Programme should serve as a model.

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<sup>33</sup> OJ L 391, 30.12.2006, p. 1



## ANNEX II

### **Arrangements for the governance of the Eurostars Joint Programme**

The dedicated implementation structure of the Eurostars Joint Programme shall be the EUREKA Secretariat. Its role is to manage the Eurostars Joint Programme and to receive, allocate and monitor the Community financial contribution to the Eurostars Joint Programme.

The governance system of the Eurostars Joint Programme involves four main bodies:

- (1) The "Eureka High Level Group (HLG)" is composed of the persons appointed by the States members of EUREKA as High Level Representatives, including a representative from the European Commission. It is responsible for the admission of new States in the Eurostars Joint Programme.
- (2) The "Eurostars High Level Group" is composed of the EUREKA High Level Representatives of the States participating in the Eurostars joint programme. The European Commission retains the option to send a representative to its meetings as observer. It is competent to supervise the implementation of the Eurostars Joint Programme, and in particular for: the appointment of the members of the Eurostars Advisory Group, the approval of the operational procedures for running the Eurostars Joint Programme, the approval of the call planning and call budget, and the approval of the ranking list of Eurostars Projects to be funded.
- (3) The "Eurostars Advisory Group" is composed of EUREKA National Project Coordinators (NPC) from the States participating in Eurostars and is chaired by the Head of the EUREKA Secretariat. The Eurostars Advisory Group shall advise the Eurostars Secretariat in the execution of the Eurostars Joint Programme and shall provide advice on the arrangements for its implementation, such as funding procedures, the evaluation and selection process, synchronisation between the central and national procedures, and project monitoring. It shall advise on the planning for the cut-off dates of the yearly call for proposals. It shall also advise on progress in the execution of the joint programme, including progress towards further integration.
- (4) The EUREKA Secretariat (ESE) shall act as the dedicated implementation structure for Eurostars, for which the Head of ESE acts as a legal representative of the Eurostars Programme towards the EUREKA High Level Group, the Eurostars High Level Group, the European Commission, the EUREKA network and the outside world. The EUREKA Secretariat is in charge of the execution of the Eurostars joint programme, and is responsible in particular for:
  - establishment of the yearly call budget, central organisation of common calls for proposals and reception of the project proposals (single entry point);
  - central organisation of the eligibility and evaluation of project proposals, according to common eligibility and evaluation criteria, central organisation of the selection of project proposals for funding, and project monitoring and follow-up;
  - receipt, allocation and monitoring of the Community contribution;

- collecting the accounts on the distribution of funding by the funding bodies in the participating States to the participants in Eurostars projects;
- promotion of the Eurostars Joint Programme;
- reporting to the EUREKA HLG, the Eurostars HLG, the EUREKA Network and the European Commission on the Eurostars Joint Programme, including on progress towards further integration.

## LEGISLATIVE FINANCIAL STATEMENT

### 1. NAME OF THE PROPOSAL:

Participation by the Community in a research and development programme aimed at supporting research and development performing SMEs undertaken by several Member States and States associated to the Seventh Framework Programme, as mentioned in the Decision.

### 2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Research and Technological Development: Seventh Framework Programme.

Article 169 of the Treaty establishing the European Community.

### 3. BUDGET LINES

#### 3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B.A lines)) including headings:

08.13 01 01 "Capacities": "Research for the benefit of SMEs"<sup>34</sup>

08.13 01 02 "Capacities": "Research for the benefit of SMEs" "Eurostars Joint Programme".<sup>35</sup>

#### 3.2. Duration of the action and of the financial impact:

The Community contribution to the Eurostars Joint Programme is expected to be established through co-decision by Council and Parliament in December 2007 for an initial period up to 31 December 2013. Its financial impact on the EU budget will cease after 2013.

#### 3.3. Budgetary characteristics:

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
08.13 01 01	Non-comp	Diff <sup>36</sup>	YES	YES	YES	N° [1A]
08.13 01 02	Non-comp	Diff <sup>37</sup>	YES	YES	YES	N° [1A]

<sup>34</sup> 08.13 is the budget line for the operational costs of the actions under "Research for the benefit of SMEs"; the post 08 13 01 01 is to be created.

<sup>35</sup> The post 08 13 01 02 will be created to cover the costs related to the Eurostars Joint Programme.

<sup>36</sup> Differentiated appropriation

<sup>37</sup> Differentiated appropriation

## 4. SUMMARY OF RESOURCES

### 4.1. Financial Resources

All figures in this statement are indicative and presented in constant values.

#### 4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		Year 2007	2008	2009	2010	2011	2012 and later	Total
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#### Operational expenditure

Commitment Appropriations (CA)	8.1.	a	0	15,964	15,964	15,964	15,964	31,926	95,782
Payment Appropriations (PA)		b	0	7,982	12,771	15,964	15,964	43,101	95,782

#### Administrative expenditure within reference amount<sup>38</sup>

Technical & administrative assistance (NDA)	8.2.4.	c	0	0,703	0,703	0,703	0,703	1,406	4,218
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#### TOTAL REFERENCE AMOUNT

Commitment Appropriations		a+c	0	16,667	16,667	16,667	16,667	33,332	100
Payment Appropriations		b+c	0	8,685	13,474	16,667	16,667	44,507	100

#### Administrative expenditure not included in reference amount<sup>39</sup>

Human resources and associated expenditure (NDA)	8.2.5.	d	0,117	0,176	0,176	0,176	0,176	0,352	1,173
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6.	e	0,007	0,014	0,014	0,021	0,014	0,035	0,105

#### Total indicative financial cost of intervention

TOTAL CA including cost of Human Resources		a+c +d+ e	0,124	16,857	16,857	16,864	16,857	33,719	101,278
TOTAL PA including cost of Human Resources		b+c +d+ e	0,124	8,875	13,664	16,864	16,857	44,894	101,278

<sup>38</sup> These are the support expenditures for running costs of the dedicated implementation structure of the Eurostars Joint Programme. This amount will not be taken into account under the ceiling of administrative expenditures of the Seventh Framework Programme (6%).

<sup>39</sup> The reference amount is the Community contribution to the Eurostars Joint Programme.

## Co-financing details

### *(i) Programme level*

A Community contribution up to EUR 100 million shall be provided, subject to an investment of at least EUR 300 million by the participating Member States and the other participating countries for the period 2008-2013 through their national programmes. If the participating Member States and the other participating countries contribute less than EUR 300 million, the Community contribution will be less than EUR 100 million and will be calculated as one third of the effective financial contributions of the participating Member States and the other participating countries.

It is planned to pay the Community contribution via annual prefinancings, which should be on average EUR 16,667 million. The payment will become final upon approval of the costs by the Commission.

A share of the Community contribution will be used to cover the running costs of the dedicated implementation structure for the Eurostars Joint Programme, within a limit of 4,5 % of the Community contribution<sup>40</sup>. This shall cover programme management, communication, IT, travel and the evaluation of project proposals. Overheads (building, office supplies, part of the IT infrastructure, heating, etc) are covered by the budget of the Eureka Secretariat, which is financed by the EUREKA members. The expenses related to the administrative handling of the project participants at national level will be covered by the participating States<sup>41</sup>.

### *(ii) Project level*

The allocation of funding from the national earmarked budgets and from the Community contribution to selected Eurostars projects shall follow the order of the ranking list. The financial contribution to the participants in these projects is calculated according to the funding rules of the participating national programmes.

The Community financial contribution to selected Eurostars projects may be transferred by the dedicated implementation structure to the national funding bodies designated by the participating States, on the basis of an agreement to be concluded between the national funding bodies and the dedicated implementation structure. The dedicated implementation structure shall make sure that the national funding bodies effectively transfer the Community financial contribution to the participants in selected Eurostars projects.

Finally, the organisations participating in selected Eurostars projects shall co-finance these projects, in accordance with the agreement to be concluded between the dedicated implementation structure and the funding bodies of the participating States.

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<sup>40</sup> The 4,5% of the Community contribution that will be used for covering the running costs related to the implementation of the Eurostars Joint Programme are not included in the membership fee which is paid each year to EUREKA.

<sup>41</sup> In particular the individual grant agreements of the participants in selected Eurostars projects will be concluded with the national funding bodies.

EUR million (to 3 decimal places)

Co-financing body		Year 2007	2008	2009	2010	2011	2012 and later	Total
Participating Member States	f	0	50	50	50	50	100	300
Community contribution	a+c	0	16,667	16,667	16,667	16,667	33,332	100
Administrative expenditure	d+e	0,124	0,190	0,190	0,197	0,190	0,387	1,278
TOTAL CA including co-financing	a+c +d+ e+f	0,124	66,857	66,857	66,864	66,857	133,719	401,278

#### 4.1.2. Compatibility with Financial Programming

- Proposal is compatible with existing financial programming.
- Proposal will entail reprogramming of the relevant heading in the financial perspective.
- Proposal may require application of the provisions of the Interinstitutional Agreement<sup>42</sup> (i.e. flexibility instrument or revision of the financial perspective).

#### 4.1.3. Financial impact on Revenue

- Proposal has no financial implications on revenue
- Proposal has financial impact – the effect on revenue is as follows:

EUR million (to one decimal place)

Budget line	Revenue	Prior to action [Year n-1]	Situation following action							
			[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5] <sup>43</sup>		
	a) Revenue in absolute terms									
	b) Change in revenue	Δ								

<sup>42</sup> See points 19 and 24 of the Inter-institutional agreement.

<sup>43</sup> Additional columns should be added if necessary i.e. if the duration of the action exceeds 6 years

**4.2. Human Resources FTE (including officials, temporary and external staff) – see detail under point 8.2.1.**

<b>Annual requirements</b>	Year 2007	2008	2009	2010	2011	2012 and later
Total number of human resources						

**5. CHARACTERISTICS AND OBJECTIVES**

**5.1. Need to be met in the short or long term**

The Community contribution is needed for the establishment and operation of the Eurostars Joint Programme, in order to allow co-financing of the activities with the participating Member States and the other participating countries. The Community contribution will in particular be used to co-finance participants in selected Eurostars projects following open calls for proposals.

**5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy**

The Eurostars Joint Programme will combine Community, national and private sources of funding to support market-oriented research, executed in transnational projects initiated and led by R&D performing SMEs. As a result of their participation in the project, these firms should be able to develop new products, processes and services and significantly strengthen their competitive position in the European and global marketplace.

The added value of the Community's involvement is substantial because:

The Community intervention will enable the creation of a new legal framework where Community and national funding can be combined under a common strategy to stimulate international collaborative R&D and innovation projects for the benefit of R&D performing SMEs. This would otherwise not be feasible using the existing structures, and certainly not with the necessary critical mass.

The Eurostars Joint Programme will address the challenges faced by R&D performing SMEs with high growth potential in proposing a support scheme which offers short time to funding decision, flexibility in the composition of the partnership and synchronised and secured funding. This programme is really tailored to the R&D performing SMEs with high growth potential, which could become the large European firms of tomorrow.

Finally, the proposed scheme will create incentives for increased national and industrial investments in R&D and innovation in all the fields of science and technology, thus contributing to the Barcelona objective of 3% of European GDP for R&D.

### 5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

The main operational objective of this legislative proposal, namely the participation by the Community in a Joint R&D and Innovation Programme undertaken between several Member States in the field of R&D performing SMEs, has already been provided for in the Seventh Framework Programme for RTD and in its "Capacities" Specific Programme.

Policy objectives associated with this operational objective are:

Creating a sustainable European support mechanism for R&D performing SMEs with high growth potential willing to perform their own research, in collaboration with other partners. By supporting these firms, the Eurostars Joint Programme will contribute to strengthening the competitiveness of European SMEs, stimulating innovation, employment and economic change, and thereby help to achieve the Lisbon and Barcelona objectives.

Scientific, management and financial integration of the participating national programmes, or of significant parts of these national programmes.

Technological and economic objectives

- Encouraging R&D performing SMEs to create new economic activities based on R&D results, and bring new products, processes and services to the market faster than would otherwise be possible;
- Promoting technological and business development, and internationalisation of those companies.

The inputs by the Commission are the resources listed in Section 4.1.

The outputs are: (a) the establishment of the Eurostars Joint Programme and, (b) R&D and innovation projects selected and launched following open calls for proposals by the Eurostars Joint Programme.

The following expected results may be measured through the indicators outlined below (2008-2013). These indicators may be further detailed and complemented with additional indicators in the agreement to be concluded between the Commission and the dedicated implementation structure.

#### ***1. Leveraging investments and co-funding of the Eurostars Joint Programme by the participating States***

- National funding committed and effectively spent on Eurostars projects: the target is EUR 300 million spent by the participating national programmes.
- National funding contributed to the joint calls: the participating States have committed themselves to contribute annually at least EUR 50 million to the joint calls (except for the 1<sup>st</sup> year of operation of the Eurostars Joint Programme).



## ***2. Programme efficiency***

- The time required between the cut-off date and the date where information on the outcome of the evaluation is sent to the applicants: by the mid-term of the programme, this time should be no more than 4 months.

## ***3. Progress towards the integration of national programmes***

### ***3.1 Scientific integration***

- Effectively working central evaluation with independent experts, and central selection decision.
- Synchronisation of the national procedures. By the mid-term of the programme, the grant agreement with the individual participants shall be signed no later than 6 months after the cut-off date.

### ***3.2 Management integration***

- The dedicated implementation structure is in place and is effectively implementing the Eurostars Joint Programme.

### ***3.3 Financial integration***

- The projects selected at central level are effectively co-funded by the participating national programmes, according to the order in the ranking list.
- The Community contribution is allocated to the projects according to the order of the ranking list.

## **5.4. Method of Implementation (indicative)**

### ***Centralised Management***

- directly by the Commission
- indirectly by delegation to:
  - executive Agencies
  - bodies set up by the Communities as referred to in art. 185 of the Financial Regulation
  - national or international public-sector bodies/bodies governed by private law with a public service mission and guaranteed by the Member States and the other participating countries.

### ***Shared or decentralised management***

- with Member states
- with Third countries

***Joint management with international organisations (please specify)***

Relevant comments:

The financial contribution of the Community to the joint programme will be paid to the dedicated implementation structure, acting on behalf of the Member States and the other participating countries according to the provisions of Articles 54 and 56 of the Financial Regulation. The dedicated implementation structure will manage the Eurostars Joint Programme and receive, allocate and monitor the Community financial contribution. The structure identified by the participating Member States and the other participating countries is the EUREKA Secretariat. The governance structure is described in greater detail in Annex II of the Decision.

## **6. MONITORING AND EVALUATION**

### **6.1. Monitoring system**

Once established, the Eurostars Joint Programme will be monitored through annual reports which will be provided by the dedicated management structure. These will give a detailed overview on the implementation of the Joint Programme according to the indicators presented in Section 5.3.

### **6.2. Evaluation**

#### *6.2.1. Ex-ante evaluation*

The proposed initiative has been addressed as part of the ex-ante evaluation of the proposal for the Seventh Framework Programme.

#### *6.2.2. Measures taken following an intermediate/ex-post evaluation (lessons learned from similar experiences in the past)*

The proposed governance model has been established based on the experience gained from the first Article 169 initiative undertaken during the Sixth Framework programme, namely the EDCTP initiative.

#### *6.2.3. Terms and frequency of future evaluation*

A interim and final evaluation of the Eurostars Joint Programme will be carried out by the Commission and will cover the quality and efficiency of the implementation, including scientific, management and financial integration of the Eurostars Joint Programme and progress towards the objectives set out in Annex I. The Commission may be assisted by independent experts.

## 7. ANTI-FRAUD MEASURES

Article 7 of the Decision establishing the Eurostars Joint Programme states that in implementing the Eurostars Joint Programme, the participating Member States and the other participating countries shall take the legislative regulatory and administrative or other measures necessary for protecting the Communities' financial interests. In particular, the participating Member States and the other participating countries shall provide adequate guarantees as regards full recovery from the dedicated implementation structure of any amounts due to the Community.

Article 8 of the Decision establishing the Eurostars Joint Programme states that the Commission and the Court of Auditors may, through their officials or agents, carry out all the checks and inspections needed to ensure proper management of the Community funds and protect the financial interests of the Community against any fraud or irregularity. To this end, the participating Member States and the other participating countries and/or the dedicated implementation structure shall, in due course, make all relevant documents available to the Commission and the Court of Auditors.

Further anti-fraud measures will be implemented as part of the detailed agreement between the Commission and the dedicated implementation structure.

## 8. DETAILS OF RESOURCES

### 8.1. Objectives of the proposal in terms of their financial cost

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year 2007		Year 2008		Year 2009		Year 2010		Year 2011		Year 2012 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost
OPERATIONAL OBJECTIVE No.1 <sup>44</sup> Establishment and operation of the Eurostars Joint Programme																
<b>Action 1</b>																
- Output (*),(**)	R&D Projects		0	0	94	15,964	94	15,964	94	15,964	94	15,964	189	31,926	565	95,782
Sub-total Objective 1					94	15,964	94	15,964	94	15,964	94	15,964	189	31,926	565	95,782
<b>TOTAL COST</b>				0	94	15,964	94	15,964	94	15,964	94	15,964	189	31,926	565	95,782

(\*) A share of the Community contribution may be used to cover the administrative costs of the dedicated implementation structure, within a ceiling of 4,5% of the Community contribution.

(\*\*) An average cost of EUR 1,4 million is assumed for Eurostars projects; with an average funding rate of 50%. With a public funding of EUR 0,7 per project, and an overall programme budget of EUR 300 + 95,782 million, 565 projects can be funded.

<sup>44</sup> As described under Section 5.3

## 8.2. Administrative Expenditure

### 8.2.1. Number and type of human resources<sup>45</sup>

Types of post		Staff to be assigned to management of the action using existing and/or additional resources ( <b>number of posts/FTEs</b> )					
		Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012
Officials or temporary staff <sup>46</sup> (XX 01 01)	A*/AD						
	B*, C*/AST						
Staff financed <sup>47</sup> by art. XX 01 02							
Other staff <sup>48</sup> financed by art. XX 01 04/05							
<b>TOTAL</b>							

### 8.2.2. Description of tasks deriving from the action

### 8.2.3. Sources of human resources (statutory)

- Posts currently allocated to the management of the programme to be replaced or extended
- Posts pre-allocated within the APS/PDB exercise for year n
- Posts to be requested in the next APS/PDB procedure
- Posts to be redeployed using existing resources within the managing service (internal redeployment)
- Posts required for year n although not foreseen in the APS/PDB exercise of the year in question

<sup>45</sup> There are no Commission officials that will work for the Eurostars Joint Programme in the dedicated implementation structure.

<sup>46</sup> Cost of which is NOT covered by the reference amount

<sup>47</sup> Cost of which is NOT covered by the reference amount

<sup>48</sup> Cost of which is included within the reference amount

#### 8.2.4. Other Administrative expenditure included in reference amount

EUR million (to 3 decimal places)

	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012 and later	TOTAL
<b>1 Technical and administrative assistance (including related staff costs)</b>	0	0,703	0,703	0,703	0,703	1,406	4,218
Executive agencies <sup>49</sup>							
Other technical and administrative assistance							
- <i>intra muros</i>							
- <i>extra muros</i>							
<b>Total Technical and administrative assistance</b>	0	0,703	0,703	0,703	0,703	1,406	4,218

An average of EUR 703.000 is estimated for the running costs of the dedicated implementation structure on an annual basis. This shall cover the programme management, communication, IT, travel and the evaluation of proposals. For the six years duration of the programme these costs shall remain within the ceiling of 4,5 % of the Community contribution.

The tasks to be executed by the dedicated implementation structure are:

- establishment of the yearly call budget, the central organisation of common calls for proposals and the reception of the project proposals (single entry point);
- central organisation of the eligibility and evaluation of project proposals, according to common eligibility and evaluation criteria, central organisation of the selection of project proposals for funding, and project monitoring and follow-up;
- receipt, allocation and monitoring of the Community contribution;
- collecting the accounts on the distribution of funding by the funding bodies in the participating Member States and the other participating countries to the participants in Eurostars projects;
- promotion of the Eurostars Joint Programme;

<sup>49</sup> Reference should be made to the specific legislative financial statement for the Executive Agency(ies) concerned.

- reporting to the EUREKA HLG, to the Eurostars HLG, to the EUREKA Network and to the European Commission on the Eurostars Joint Programme, including on the progress towards further integration.

Calculation– *Estimated costs of the dedicated implementation structure*

Estimation of the costs is based on estimates provided by EUREKA at the time of preparation of this proposal.

- Eurostars management: manager (120.000) + office support (25.000)
- Communication: communication officer (40.000) + events (20.000) + material, press and print (30.000) + website (5000)
- IT: IT officer (60.000) + maintenance and licences (60.000)
- Travel (20.000)
- Proposal evaluation with independent experts: Expert fees (262.500) + travel (35.000)
- Support in evaluations: project officer (part time, 25.000)

These running costs of the Eurostars Joint Programme will be covered within a limit of up to 4,5 % of the Community contribution. Additional resources provided by the EUREKA Secretariat and paid directly by the EUREKA network, including manpower when necessary, are not included in this estimation. Moreover, the administrative handling of the project files by the participating national programmes is not included and will be paid directly by the participating Member States.

8.2.5. *Financial cost of human resources and associated costs not included in the reference amount*

EUR million (to 3 decimal places)

Type of human resources	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012 and later
Officials and temporary staff Budget line 08.01 01	0,117	0,176	0,176	0,176	0,176	0.352
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)						
<b>Total cost of Human Resources and associated costs (NOT in reference amount)</b>	0,117	0,176	0,176	0,176	0,176	0.352

Calculation– *Officials and Temporary agents*

An average cost of 117,000 euros per post FTE. In year 2007, 1 FTE is taken into account for the contract negotiation phase. From 2008 till 2013, 1,5 FTE is taken into account.

Calculation– *Staff financed under art. XX 01 02*

[...]

1,5 FTE/year are anticipated for the follow-up of this initiative by the Commission services from 2008 onward. 1 FTE is required for the contract negotiation phase which is expected to start in the second half of 2007. The main tasks will be:

- Participation in meetings of the Eureka High Level Group (HLG) and the meetings of the Eurostars High Level Group as observer, 4 times two-day meetings/year (Director/HoU level)
- Participation in meetings of the Eurostars Advisory Group, 4-5 times per year (Project Officer level)
- Participation in workshops and dissemination events, 2-3 times per year (Project Officer level)
- Negotiation and Preparation of agreement with the dedicated implementation structure (Project Officer level + Assistant level)
- Monitoring of implementation based on the yearly reports, and coordination of the mid-term and final evaluations (Project Officer level)
- Financial and legal auditing of the implementation of the Joint Programme (Financial Officer level)



8.2.6. *Other administrative expenditure not included in reference amount*

EUR million (to 3 decimal places)

	Year 2007	Year 2008	Year 2009	Year 2010	Year 2011	Year 2012 and later	TOTAL
08 01 02 11 01 – Missions	0,007	0,014	0,014	0,014	0,014	0,028	0,091
08 01 02 11 02 – Meetings & Conferences							
08 01 02 11 03 – Committees <sup>50</sup>							
08 01 02 11 04 – Studies & consultations							
08 01 02 11 05 - Information systems							
<b>2 Total Other Management Expenditure (08 01 02 11)</b>	0,007	0,014	0,014	0,014	0,014	0,028	0,091
<b>3 Other expenditure of an administrative nature</b> Independent experts for mid-term and final review.				0,007		0,007	0,014
<b>Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)</b>	0,007	0,014	0,014	0,021	0,014	0,035	0,105

Calculation - *Other administrative expenditure not included in reference amount*

Missions: Costs are based on EUR 700 average travel cost per mission plus EUR 149,63 of daily allowance; average mission duration is 1,5 days; number and nature of missions: 4 missions per year for 2 officials to attend meetings of the EUREKA/Eurostars HLG, 3 missions per year for one official to attend workshops and other events, 4 missions per year for one official to attend to the Eurostars Advisory Group meeting, where they are not held in Brussels. For 2007, half of the annual costs are assumed.

External assistance: Cost estimates for external support for interim and final evaluation (with 3 external experts at 450 EUR per day for three days + travel EUR 700 + EUR 448,89 for daily allowances per expert).

<sup>50</sup> Specify the type of committee and the group to which it belongs.