

AGREEMENT**on scientific and technical cooperation between the European Community and the State of Israel**

THE EUROPEAN COMMUNITY, hereinafter 'the Community',

of the one part,

and

THE STATE OF ISRAEL, hereinafter 'Israel',

of the other part,

hereinafter referred to as the 'Parties',

CONSIDERING the importance of current scientific and technological cooperation between Israel and the Community and their mutual interest in strengthening it in the context of the establishment of the European Research Area.

WHEREAS Israel and the Community are currently implementing research programmes in fields of common interest.

WHEREAS Israel and the Community have an interest in cooperating on these programmes to their mutual benefit.

CONSIDERING the interest of both Parties in encouraging the mutual access of their research entities to research and development activities in Israel, on the one hand, and to the Community's framework programmes for research and technological development, on the other.

CONSIDERING the Euro-Mediterranean Agreement establishing an Association between the European Communities and their Member States, on the one part, and the State of Israel, on the other part, which entered into force on 1 June 2000, according to which the Parties undertake to intensify scientific and technological cooperation and agree to set out the arrangements for the implementation of this objective in separate agreements to be concluded for this purpose.

WHEREAS the Community and Israel have concluded an Agreement on scientific and technical cooperation for the duration of the Sixth Framework Programme, which provides for its renewal under mutually agreed conditions.

WHEREAS, by Decision No 1982/2006/EC ⁽¹⁾, the European Parliament and the Council of the European Union adopted the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (hereinafter referred to as 'the Seventh EC Framework Programme').

WHEREAS, without prejudice to the relevant provisions of the Treaty establishing the European Community, this Agreement and any activities entered into under it will in no way affect the powers vested in the Member States to undertake bilateral activities with Israel in the fields of science, technology, research and development, and to conclude, where appropriate, agreements to that end,

⁽¹⁾ OJ L 412, 30.12.2006, p. 1.

HAVE AGREED AS FOLLOWS:

Article 1

Scope

1. Israel shall be associated, under the terms and conditions established by, or referred to, in this Agreement and its Annexes, in the European Community Seventh EC Framework Programme for research, technological development and demonstration activities (2007 to 2013) (hereinafter called 'Seventh EC Framework Programme'), as established by Decision No 1982/2006/EC, Regulation (EC) No 2321/2002 modified by Regulation (EC) No 1906/2006⁽¹⁾ of the European Parliament and of the Council of 18 December 2006 concerning the rules for the participation of undertakings, research centres and universities in, and for the dissemination of research results for, the implementation of the European Community Seventh EC Framework Programme (2007 to 2013), and by Council Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC.

2. In addition to the association referred to in paragraph 1, cooperation may include:

- regular discussions on the orientations and priorities for research policies and planning in Israel and the Community,
- discussions on cooperation prospects and development,
- timely provision of information concerning the implementation of programmes and research projects of Israel and of the Community, and concerning the results of work undertaken within the framework of this Agreement,
- joint meetings,
- visits and exchanges of research workers, engineers and technicians,
- regular and sustained contacts between programme or project managers of Israel and the Community,
- participation of experts in seminars, symposia and workshops.

Article 2

Terms and conditions with respect to the association of Israel in the Seventh EC Framework Programme

1. Legal entities of Israel shall participate in indirect actions and in activities of the Joint Research Centre of the Seventh EC

Framework Programme under the same conditions as those applicable to legal entities of Member States of the European Union, subject to the terms and conditions established by, or referred to, in Annexes I and II. For Israeli research entities, the terms and conditions applicable for the submission and evaluation of proposals and those for the granting and conclusion of grant agreements and/or contracts under Community programmes shall be the same as those applicable for grant agreements and/or contracts concluded under the same programmes with research entities in the Community, taking into account the mutual interests of the Community and Israel.

Legal entities of the Community shall participate in Israel's research programmes and projects in themes equivalent to those of the Seventh EC Framework Programme under the same conditions as those applicable to legal entities of Israel, subject to the terms and conditions established by Annexes I and II. A legal entity established in another country associated to the Seventh EC Framework Programme (Associated Country) enjoys the same rights and obligations under this Agreement as legal entities that are established in a Member State provided that the Associated Country in which the entity is established has agreed to award legal entities from Israel the same rights and obligations.

2. Israel shall pay for every year of the duration of the Seventh EC Framework Programme a financial contribution to the general budget of the European Union. The financial contribution of Israel shall be added to the amount earmarked each year in the general budget of the European Union for commitment appropriations to meet the financial obligations arising out of different forms of measures necessary for the execution, management and operation of the Seventh framework programme. The rules governing the calculation and the payment of the financial contribution of Israel are set out in Annex III.

3. Representatives of Israel shall participate as observers in the committees of the Seventh EC Framework Programme established by Decision 2006/512/EC of 17 July 2006⁽²⁾, amending Decision 1999/468/EC. These committees shall meet without the presence of representatives of Israel at the time of voting. Israel will be informed of the result. Participation as referred to in this paragraph shall take the same form, including procedures for receipt of information and documentation, as that applicable to representatives from Member States of the European Union.

Israeli representatives may participate in the meetings of the Scientific and Technical Research Committee (CREST). This committee shall meet without the presence of Israeli representatives at the time of voting and otherwise only in special circumstances. Israel will be informed of the result.

⁽¹⁾ OJ L 391, 30.12.2006.

⁽²⁾ OJ L 200, 22.7.2006, p. 11.

4. Representatives of Israel shall participate as observers in the Board of Governors of the Joint Research Centre. Participation as referred to in this paragraph shall take the same form, including procedures for receipt of information and documentation, as that applicable to representatives from Member States of the European Union.

5. Travel costs and subsistence costs incurred by representatives of Israel participating in meetings of the committees and bodies referred to in this Article, or in meetings related to the implementation of the Seventh EC Framework Programme organised by the Community shall be reimbursed by the Community on the same basis as and in accordance with the procedures currently in force for representatives of the Member States of the European Union.

Article 3

Enhancement of cooperation

1. The Parties will make every effort, within the framework of their applicable legislation, to facilitate the free movement and residence of research workers participating in the activities covered by this Agreement and to facilitate cross-border movement of goods intended for use in such activities.

2. The Parties will ensure that no fiscal charge or levy shall be imposed upon the transaction of transferring of funds between the Community and Israel, which said funds are needed for the operation of activities covered by this Agreement.

Article 4

EC-Israel Research Committee

1. A joint committee called the 'EC-Israel Research Committee' shall be established, whose functions shall include:

- ensuring, evaluating and reviewing the implementation of this Agreement,
- examining any measure of a nature to improve and develop cooperation,
- regularly discussing the future orientations and priorities of research policies and research planning in Israel and the Community and the prospects for future cooperation.

2. The Committee may identify, on request of Israel, regions of Israel that fulfil the criteria set out in Article 5(1) of Council Regulation (EC) No 1083/2006 ⁽¹⁾ and may therefore be eligible regions benefiting from research actions under the Work

Programme 'Research Potential' under the specific 'Capacities' programme.

3. The EC-Israel Research Committee, which shall be composed of representatives of the Commission and of Israel, shall adopt its Rules of Procedure.

4. The EC-Israel Research Committee shall meet at least once a year. Extraordinary meetings shall be held at the request of one or other of the Parties.

Article 5

Final provisions

1. Annexes I, II, III and IV shall form an integral part of this Agreement.

2. This Agreement is hereby concluded for the duration of the Seventh EC Framework Programme. It shall enter into force on the date on which both Parties have notified each other of the completion of their procedures for that purpose and shall be provisionally applied as of 1 January 2007.

This Agreement may only be amended in writing by common consent of the Parties. The entry into force of the amendments will follow the same procedure as those applicable for the Agreement itself through diplomatic channels. Either of the Parties may terminate this Agreement at any time by giving six months' written notice through diplomatic channels. Projects and activities in progress at the time of termination and/or expiry of this Agreement shall continue until their completion under the conditions laid down in this Agreement. The Parties shall settle by common consent any other consequences of termination.

3. Should a Party notify the other that it shall not conclude the Agreement, it is hereby mutually agreed that:

- the Community shall reimburse to Israel its contribution to the general budget of the European Union referred to in Article 2(2),
- however, funds committed by the Community in relation to the participation of Israeli legal entities in indirect actions, including reimbursements referred to in Article 2(5), shall be deducted by the Community from the abovementioned reimbursement,
- projects and activities launched under this provisional application and that are still in progress at the time of the abovementioned notification shall continue until their completion under the conditions laid down in this Agreement.

⁽¹⁾ OJ L 210, 31.7.2006, p. 25.

4. Should the Community decide to revise the Seventh EC Framework Programme, it shall notify Israel of the exact content of these revisions within one week of their adoption by the Community. In case of such revision or extension of the research programmes, Israel may terminate this Agreement by giving six months' notice. The Parties shall give notice of any intention to terminate or to extend this Agreement within three months after the adoption of the Communities' decision.

5. Where the Community adopts a new multi-annual framework programme for research, technological development and demonstration activities, a new Agreement may be renegotiated or renewed under mutually agreed conditions, at the request of either of the Parties.

6. This Agreement shall apply, on the one hand, to the territories in which the Treaty establishing the European Community is applied and under the conditions laid down in that Treaty and, on the other hand, to the territory of the State of Israel.

7. This Agreement shall be drawn up in duplicate in Bulgarian, Czech, Danish, Dutch, English, Estonian, Finnish, French, German, Greek, Hungarian, Italian, Latvian, Lithuanian, Maltese, Polish, Portuguese, Romanian, Slovak, Slovene, Spanish, Swedish and Hebrew languages, each text being equally authentic.

Съставено в Брюксел на шестнадесети юли две хиляди и седма година.

Hecho en Bruselas, el dieciséis de julio de dos mil siete.

V Bruselu dne šestnáctého července dva tisíce sedm.

Udfærdiget i Bruxelles, den sekstende juli to tusind og syv.

Geschehen zu Brüssel am sechzehnten Juli zweitausendsieben.

Kahe tuhande seitsmenda aasta juulikuu kuueteistkümnendal päeval Brüsselis.

Έγινε στις Βρυξέλλες, στις δέκα έξι Ιουλίου δύο χιλιάδες επτά.

Done at Brussels on the sixteenth day of July in the year two thousand and seven.

Fait à Bruxelles, le seize juillet deux mille sept.

Fatto a Bruxelles, addì sedici luglio duemilasette.

Briselē, divtūkstoš septītā gada sešpadsmitajā jūlijā.

Priimta du tūkstančiai septintų metų liepos šešioliktą dieną Briuselyje.

Kelt Brüsszelben, a kétézer-hetedik év július havának tizenhatodik napján.

Magħmul fi Brussel, fis-sittax-il jum ta' Lulju tas-sena elfejn u sebgha.

Gedaan te Brussel, de zestiende juli tweeduizend zeven.

Sporządzono w Brukseli, dnia szesnastego lipca roku dwa tysiące siódmego.

Feito em Bruxelas, em dezasseis de Julho de dois mil e sete.

Întocmit la Bruxelles, șaisprezece iulie două mii șapte.

V Bruseli dňa šestnásteho júla dvetisícšedem.

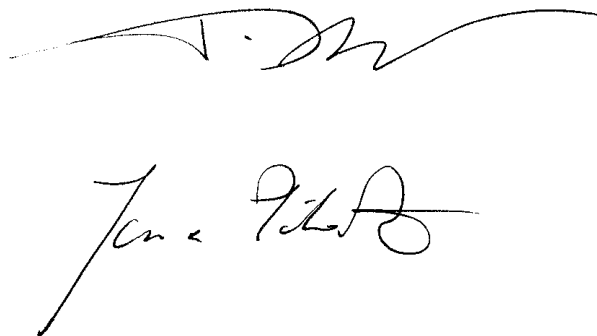
V Bruslju, dne šestnajstega julija leta dva tisoč sedem.

Tehty Brysselissä kuudententoista päivänä heinäkuuta vuonna kaksituhattaseitsemän.

Som skedde i Bryssel den sextonde juli tjugohundrasju.

נעשה בבריסל ביום א' בחודש אב התשס"ז, שהוא יום השישה עשר לחודש יולי אלפיים ושבע

За Европейската общност
 Por la Comunidad Europea
 Za Evropské společenství
 For Det Europæiske Fællesskab
 Für die Europäische Gemeinschaft
 Euroopa Ühenduse nimel
 Για την Ευρωπαϊκή Κοινότητα
 For the European Community
 Pour la Communauté européenne
 Per la Comunità europea
 Eiropas Kopienas vārdā
 Europos bendrijos vardu
 Az Európai Közösség részéről
 Għall-Komunità Ewropea
 Voor de Europese Gemeenschap
 W imieniu Wspólnoty Europejskiej
 Pela Comunidade Europeia
 Pentru Comunitatea Europeană
 Za Európske spoločenstvo
 Za Evropsko skupnost
 Euroopan yhteisön puolesta
 För Europeiska gemenskapen
 Европа Шериктештиги үчүн
 За Европейское Сообщество



בשם הקהילה האירופית

За държавата Израел
 Por el Estado de Israel
 Za Stát Izrael
 For Staten Israel
 Für den Staat Israel
 Iisraeli Riigi nimel
 Για το Κράτος του Ισραήλ
 For the State of Israel
 Pour l'État d'Israël
 Per lo Stato di Israele
 Izraēlas Valsts vārdā
 Izraelio Valstybės vardu
 Izrael Állam részéről
 Għall-Istat ta' l-Iżrael
 Voor de Staat Israël
 W imieniu Państwa Izrael
 Pelo Estado de Israel
 Pentru Statul Israel
 Za Izraelský štát
 Za državo Izrael
 Israelin valtion puolesta
 För Staten Israel



בשם מדינת ישראל

ANNEX I

TERMS AND CONDITIONS FOR THE PARTICIPATION OF LEGAL ENTITIES OF MEMBER STATES OF THE EUROPEAN UNION AND OF ISRAEL

For the purpose of this Agreement, a 'legal entity' means any natural person, or any legal person created under the national law of its place of establishment or under Community law, having legal personality and being entitled to have rights and obligations of any kind in its own name.

I. Terms and conditions for the participation of legal entities of Israel in indirect actions of the Seventh EC Framework Programme

1. Participation and funding of legal entities established in Israel in indirect actions of the Seventh EC Framework Programme shall follow the conditions laid down for 'associated countries' in Regulation (EC) No 2321/2002 modified by Regulation (EC) No 1906/2006. In case the Community makes provisions for the implementation of Articles 169 and 171 of the Treaty establishing the European Community, Israel shall be allowed to participate in the legal structures created under these provisions subject to the decisions and regulations that will be adopted for the establishment of these legal structures and provided that these decisions and regulations will become applicable in Israel. The Joint Committee shall decide on the applicability of these decisions and regulations in Israel.

Legal entities established in Israel shall be eligible for participation in indirect actions based on Articles 169 and 171 of the Treaty establishing the European Community under the same conditions as legal entities established in the Member States.

Legal entities established in Israel shall be eligible, under the same conditions as legal entities established in the Member States, for loans the EIB makes in support of research objectives set out under the Seventh EC Framework Programme (Risk-Sharing Finance Facility).

2. Legal entities of Israel shall be taken into consideration, alongside those of the European Community, for the selection of an adequate number of independent experts for the tasks and under the conditions foreseen in Articles 17 and 27 of Regulation (EC) No 1906/2006 and for participation in various groups and advisory Committees of the Seventh EC Framework Programme taking into account the skills and knowledge appropriate to the tasks assigned to them.
3. In conformity with Regulation (EC) No 1906/2006 and the European Community's Financial Regulations, a grant agreements and/or contracts concluded by the Community with any legal entity of Israel in order to perform an indirect action shall provide for controls and audits to be carried out by, or under the authority of, the Commission or the Court of Auditors of the European Communities. In a spirit of cooperation and mutual interest, the relevant authorities of Israel shall provide any reasonable and feasible assistance as may be necessary or helpful under the circumstances to perform such controls and audits.

II. Terms and conditions for the participation of legal entities of Member States of the European Union in Israel's research programmes and projects

1. The participation of legal entities established in the Community, created under the national law of one of the Member States of the European Union or under Community law, in projects of Israel research and development programmes may require the joint participation of at least one Israeli legal entity. Proposals for such participation shall be submitted jointly, where required, with the Israeli legal entity/ies.
2. Subject to paragraph 1 and to Annex II, the rights and obligations of legal entities established in the Community participating in Israel's research projects within research and development programmes, the terms and conditions applicable for the submission and evaluation of proposals and for the granting and conclusion of grant agreements and/or contracts in such projects shall be subject to Israel's laws, regulations and government directives governing the operation of research and development programmes, as well as national security constraints where applicable, as applicable to Israeli legal entities and assuring equitable treatment, taking into account the nature of the cooperation between Israel and the Community in this field.

Funding of legal entities established in the Community participating in Israel' research projects within research and development programmes shall be subject to Israel's laws, regulations and government directives governing the operation of research and development programmes, as well as national security constraints where applicable, as applicable to non-Israeli legal entities participating in Israel's research projects within research and development programmes. In the case where funding is not provided to the non-Israeli legal entities, Community legal entities shall cover their own costs, including their relative share of the project's general management and administrative costs.

3. Depending on the nature of the project, proposals may be submitted to:
 - (i) the Office of the Chief Scientist in the Ministry of Industry, Trade and Labour for joint industrial research and development projects with Israeli companies. There are no predefined fields in this research and development programme. Joint project proposals may be submitted in any field of industrial research and development. In addition, within the Magnet programme, proposals may be submitted by Israeli companies for cooperation with research entities established in the Community. Such cooperation will require the agreement of the relevant consortium and the Magnet management;
 - (ii) the Ministry of Science, Culture and Sport for strategic research, in priority topics. The topics are determined yearly and are specified in an open call for proposals;
 - (iii) the Office of the Chief Scientist in the Ministry of Agriculture — the Fund for the encouragement of agricultural research;
 - (iv) the office of the Chief Scientist in the Ministry of National Infrastructures, in the fields of energy, infrastructure development and earth sciences;
 - (v) the Office of the Chief Scientist in the Ministry of Health and the newly founded Medical Research Council, which included the granting Agency for Biomedical Research.
 4. Israel shall regularly inform the Community and Israeli legal entities of current Israeli programmes and participation opportunities for legal entities established in the Community.
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ANNEX II

PRINCIPLES ON THE ALLOCATION OF INTELLECTUAL PROPERTY RIGHTS**I. Application**

For the purposes of this Agreement: 'intellectual property' shall have the meaning given in Article 2 of the Convention establishing the World Intellectual Property Organisation, done at Stockholm on 14 July 1967, 'knowledge' shall mean the results, including information, whether or not they can be protected, as well as copyrights or rights pertaining to such information following applications for, or the issue of patents, designs, plant varieties, supplementary protection certificates or similar forms of protection.

II. Intellectual property rights of legal entities of the Parties

1. Each Party shall ensure that the intellectual property rights of legal entities of the other Party participating in activities carried out pursuant to this Agreement, and the related rights and obligations arising from such a participation, shall be consistent with the relevant international conventions that are applicable to the Parties, including the TRIPS Agreement (Agreement on trade-related aspects of intellectual property rights administered by the World Trade Organisation) as well as the Berne Convention (Paris Act 1971) and the Paris Convention (Stockholm Act 1967).
2. Legal entities of Israel participating in an indirect action of the Seventh EC Framework Programme shall have rights and obligations on intellectual property under the conditions laid down in Regulation (EC) No 1906/2006 and in the grant agreements and/or contracts concluded with the European Community accordingly, and that shall comply with paragraph 1. Where Israel participates in an indirect action of the Seventh EC Framework Programme implemented pursuant to Article 169 of the Treaty establishing the European Community, Israel shall have the same rights and obligations on intellectual property as those of the participating Member States laid down in the relevant decision of the European Parliament and the Council and the grant agreement and/or contract concluded with the European Community accordingly, and that shall comply with paragraph 1.
3. Legal entities of the Community participating in Israel's research programme or projects shall have the same rights and obligations on intellectual property as those of legal entities established in Israel participating in such research programme or projects, and that shall comply with paragraph 1.

III. Intellectual property rights of the Parties

1. Except if otherwise specifically agreed by the Parties, the following rules shall apply to knowledge generated by the Parties in the course of activities carried out within Article 1(2) of this Agreement:
 - (a) the Party generating such knowledge shall be the owner of that knowledge. Where their respective share of the work cannot be ascertained, they shall have joint ownership of such knowledge;
 - (b) the Party owning that knowledge shall grant access rights on it to the other Party for carrying out activities referred to in Article 1(2) of this Agreement. Such access rights shall be granted on a royalty-free basis.
2. Except if otherwise specifically agreed by the Parties, the following rules shall apply to scientific literary works of the Parties:
 - (a) in the case where a Party publishes scientific and technical data, information and results, by means of journals, articles, reports, books, including video and software, arising and relating to activities carried out pursuant to this Agreement, a worldwide, non-exclusive, irrevocable, royalty-free licence shall be granted to the other Party to translate, reproduce, adapt, transmit and publicly distribute such works;
 - (b) all copies of data and information, protected by copyright, that have to be publicly distributed and prepared under this section shall indicate the names of the author(s) of the work unless an author explicitly declines to be named. They shall also bear a clearly visible acknowledgement of the cooperative support of the Parties.

3. Except if otherwise specifically agreed by the Parties, the following rules shall apply to undisclosed information of the Parties:
- (a) when communicating to the other Party information relating to activities carried out pursuant to this Agreement, each Party shall identify that information it wishes to remain undisclosed;
 - (b) the receiving Party may under its own responsibility communicate undisclosed information to bodies or persons under its authority for the specific purposes of implementing this Agreement;
 - (c) with the prior written consent of the Party providing undisclosed information, the receiving Party may disseminate such undisclosed information more widely than otherwise permitted in paragraph 2. The Parties shall cooperate in developing procedures for requesting and obtaining prior written consent for such wider dissemination, and each Party will provide such approval to the extent permitted by its domestic policies, regulations and laws;
 - (d) non-documentary undisclosed or other confidential information provided in seminars and other meetings between representatives of the Parties arranged under this Agreement, or information arising from the attachment of staff, use of facilities or indirect actions, shall remain confidential when the recipient of such undisclosed or other confidential or privileged information was made aware of the confidential character of the information communicated at the time such communication was made, according to paragraph 1;
 - (e) each Party shall endeavour to ensure that undisclosed information received by it under paragraphs 1 and 3 is controlled as provided herein. If one of the Parties becomes aware that it will be, or may be reasonably expected to become, unable to meet the non-dissemination provisions laid down in paragraphs 1 and 3, it shall immediately inform the other Party. The Parties shall thereafter consult to define an appropriate course of action.
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ANNEX III

RULES GOVERNING THE FINANCIAL CONTRIBUTION OF ISRAEL TO THE SEVENTH EC FRAMEWORK PROGRAMME**I. Calculation of Israel's financial contribution**

1. The financial contribution of Israel to the Seventh EC Framework Programme shall be established on a yearly basis in proportion to, and in addition to, the amount available each year in the general budget of the European Union for commitment appropriations needed for the implementation, management and operation of the Seventh EC Framework Programme.
2. The proportionality factor governing the contribution of Israel shall be obtained by establishing the ratio between the gross domestic product of Israel, at market prices, and the sum of gross domestic products, at market prices, of the Member States of the European Union and Israel. This ratio shall be calculated on the basis of the latest statistical data pertaining to the same year from the International Bank for Reconstruction and Development, available at the time of publication of the preliminary draft budget of the European Union.
3. The Commission shall communicate to Israel, as soon as possible, and at the latest on 1 September of the year before each financial year, the following information together with relevant background material:
 - the amounts in commitment appropriations, in the statement of expenditure of the preliminary draft budget of the European Union corresponding to the Seventh EC Framework Programme,
 - the estimated amount of the contributions derived from the preliminary draft budget, corresponding to the participation of Israel in the Seventh EC Framework Programme according to paragraphs 1, 2 and 3.

Once the general budget has been finally adopted, the Commission shall communicate to Israel, in the statement of expenditure corresponding to Israel's participation, the final amounts referred to in the first subparagraph.

II. Payment of Israel's financial contribution

1. The Commission shall issue, at the latest in January and June of each financial year, a call for funds to Israel corresponding to its contribution under this Agreement. These calls for funds shall provide, respectively, for the payment:

of six-twelfths of Israel's contribution not later than 60 days after receipt of the calls for funds. However, the six-twelfths to be paid not later than 60 days after receipt of the call issued in January shall be calculated on the basis of the amount set out in the statement of revenue of the preliminary draft budget: the regularisation of the amount thus paid shall occur with the payment of the six-twelfths not later than 30 days after receipt of the call for funds issued at the latest in June.

For the first year of implementation of this Agreement, the Commission shall issue a first call for funds within 30 days of its provisional application. Should this call be issued after 15 June, it shall provide for the payment of twelve-twelfths of Israel's contribution within 60 days, calculated on the basis of the amount set out in the statement of revenue of the budget.

2. The contribution of Israel shall be expressed and paid in euro. Payment by Israel shall be credited to the Community programmes as budgetary revenue allocated to the appropriate budget heading in the statement of revenue of the general budget of the European Union. The Financial Regulation applicable to the general budget of the European Union shall apply to the management of the appropriations.
3. Israel shall pay its contribution under this Agreement according to the schedule in paragraph 1. Any delay in the payment of the contribution shall give rise to the payment of default interest by Israel on the outstanding amount from the due date. The interest rate shall be the rate applied by the European Central Bank to its main refinancing operations in euro on the due date, increased by 1,5 percentage points.

In case the delay in the payment of the contribution is such that it may significantly jeopardise the implementation and management of the programme, participation in the programme of Israel for the concerned financial year will be suspended by the Commission following the absence of payment 20 working days after a formal letter of reminder sent to Israel, without prejudice to the Community's obligations according to grant agreements and/or contracts already concluded pertaining to the implementation of selected indirect actions.

4. At the latest on 31 May of the year following a financial year, the statement of appropriations for the Seventh EC Framework Programme that financial year shall be prepared and transmitted to Israel for information, according to the format of the Commission's revenue and expenditure account.

 5. The Commission, at the time of the closure of the accounts relating to each financial year, within the framework of the establishment of the revenue and expenditure account, shall proceed to the regularisation of the accounts with respect to the participation of Israel. This regularisation shall take into consideration modifications which have taken place, either by transfer, cancellations, carryovers, decommitments, or by supplementary and amending budgets during the financial year. This regularisation shall occur at the time of the second payment for the next financial year, and for the last financial year in July 2014. Further regularisation shall occur every year until July 2016.
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ANNEX IV

FINANCIAL CONTROL OF ISRAELI PARTICIPANTS IN THE COMMUNITY PROGRAMMES COVERED BY THIS AGREEMENT**I. Direct communication**

The Commission shall communicate directly with the participants in the EC Seventh Framework Programme established in Israel and with their subcontractors. They may submit directly to the Commission all relevant information and documentation which they are required to submit on the basis of the instruments referred to in this Agreement and of the grant agreements and/or contracts concluded to implement them.

II. Audits

1. In accordance with Council Regulation (EC, Euratom) No 1605/2002, amended by Council Regulation (EC, Euratom) No 1995/2006 ⁽¹⁾ on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 1248/2006 ⁽²⁾ amending Regulation (EC, Euratom) No 2342/2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities and with the other rules referred to in this Agreement, the grant agreements and/or contracts concluded with participants in the programme established in Israel may provide for scientific, financial, technological or other audits to be conducted at any time on the premises of the participants and of their subcontractors by Commission agents or by other persons mandated by the Commission.
2. Commission agents, the European Court of Auditors and other persons mandated by the Commission shall have appropriate access to sites, works and documents and to all the information required in order to carry out such audits, including in electronic form, subject to the inclusion of this right of access that shall be stated explicitly in the grant agreements and/or contracts concluded to implement the instruments referred to in this Agreement with participants from Israel.
3. The audits may be conducted after the Seventh EC and Euratom Framework Programmes or this Agreement expire, on the terms laid down in the grant agreements and/or contracts in question.
4. The competent Israeli authority designated by the Israeli government shall be informed in advance of the audits conducted on Israeli territory. Such notification shall not be a legal precondition for carrying out such audits.

III. On-the-spot checks

1. Within the framework of this Agreement, the Commission (OLAF) shall be authorised to carry out on-the-spot checks and inspections in the premises of participants and their subcontractors from Israel, in accordance with the terms and conditions laid down in Council Regulation (Euratom, EC) No 2185/96 ⁽³⁾.
2. On-the-spot checks and inspections shall be prepared and conducted by the Commission in close collaboration with the competent Israeli authority designated by the Israeli government as stipulated in Appendix A of this Annex. The designated authority shall be notified a reasonable time in advance of the object, purpose and legal basis of the checks and inspections, so that they can provide assistance. To that end, the officials of the competent Israeli authorities may participate in the on-the-spot checks and inspections.
3. If the Israeli authorities concerned so wish, the on-the-spot checks and inspections may be carried out jointly by the Commission and them.

⁽¹⁾ OJ L 390, 30.12.2006.

⁽²⁾ OJ L 227, 19.8.2006.

⁽³⁾ OJ L 292, 15.11.1996, p. 2.

4. Where the participants in the Seventh EC Framework Programme resist an on-the-spot check or inspection, the Israeli authorities, acting in accordance with national rules and regulations, shall assist the Commission inspectors, to a reasonable extent as needed to allow them to fulfil their duty in carrying out an on-the-spot check or inspection.
5. The Commission shall report as soon as possible to the competent Israeli authority any fact or suspicion relating to an irregularity which has come to its notice in the course of the on-the-spot check or inspection. In any case, the Commission shall be required to inform the abovementioned authority of the result of such checks and inspections.

IV. Information and consultation

1. For the purposes of proper implementation of this Annex, the competent Israeli and Community authorities shall regularly exchange information, unless forbidden or unauthorized by national rules and regulations and, at the request of one of the Parties, shall conduct consultations.
2. The competent Israeli authorities shall inform the Commission within reasonable time of any fact or suspicion which has come to their notice relating to an irregularity in connection with the conclusion and implementation of the grant agreements and/or contracts concluded in application of the instruments referred to in this Agreement.

V. Confidentiality

Information communicated or acquired in any form under this Annex shall be covered by professional secrecy and protected in the same way as similar information is protected by Israeli law and by the corresponding provisions applicable to the Community institutions. Such information may not be communicated to persons other than those within the Community institutions or in the Member States or Israel whose functions legally require them to know it nor may it be used for purposes other than to ensure effective protection of the Parties' financial interests⁽¹⁾.

VI. Administrative measures and penalties

Without prejudice to application of Israeli criminal law, administrative measures and penalties may be imposed by the Commission in accordance with Regulations (EC, Euratom) No 1605/2002, amended by Council Regulation (EC, Euratom) No 1995/2006 and (EC, Euratom) No 2342/2002 amended by Commission Regulation (EC, Euratom) No 1248/2006 and with Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities' financial interests.

VII. Recovery and enforcement

Decisions taken by the Commission under the Seventh EC Framework Programme within the scope of this Agreement which impose a pecuniary obligation on persons other than States shall be enforceable in Israel by means of civil procedure in an Israeli Court. The relevant enforcement provisions are incorporated in the grant agreements with participants from Israel. The enforcement order shall be submitted to the Israeli Court, without any further control other than verification of the authenticity of the act, by the authorities designated by the Government of the State of Israel, which shall inform the Commission thereof. Enforcement shall take place in accordance with the Israeli rules of procedure. The legality of the enforcement decision shall be subject to control by the Court of Justice of the European Communities. Judgments given by the Court of Justice of the European Communities pursuant to an arbitration clause in a grant agreement and/or contract under the Seventh EC and Euratom Framework Programmes shall be enforceable on the same terms.

⁽¹⁾ OJ L 312, 23.12.1995, p. 1.

Appendix A

For the purposes of Article III of Annex IV, in civil or administrative issues the designated Israeli Authority shall be the Office of the Chief Scientist of the Ministry of Industry, Trade and Labour. However, with respect to issues relating to the performance of an investigation or an inspection, the designated Israeli Authority shall be the Department of International Affairs of the Office of the State's Attorney in the Israeli Ministry of Justice.
