



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 28.3.2003
COM(2003) 150 final

Proposal for a

COUNCIL DECISION

**concerning the signature of the Agreement on Scientific and Technical Cooperation
between the European Community and the State of Israel**

(presented by the Commission)

EXPLANATORY MEMORANDUM

Subject: Proposal for a Council Decision concerning the signature of the Agreement on Scientific and Technical Cooperation between the European Community and the State of Israel

1. By its Decision 1999/224/EC of 22 February 1999, the Council concluded an Agreement on Scientific and Technical Cooperation between the European Community and the State of Israel, which entered into force on 8 March 1999.
2. The Agreement associates the State of Israel with all the activities of the specific programmes of the 5th Framework Programme of the European Community for research, technological development and demonstration activities. Article 12(4) of the Agreement provides that "where the Community adopts a new multiannual framework programme for research and development, this Agreement may be renegotiated or renewed under mutually agreed conditions".
3. On 29 March 2002 the State of Israel submitted an official request to the Commission for the renewal of the Agreement associating Israel with the activities of the 5th Framework Programme of the European Community. The renewed Agreement would associate the State of Israel with all the activities of the specific programmes of the 6th Framework Programme of the European Community for research, technological development and demonstration activities (2002-2006).
4. Since cooperation under the Agreement has proved satisfactory, its renewal would be in the interests of the Community in order to enlarge the European Research Area for the implementation of the 6th Framework Programme.
5. Consequently, on 12 August 2002 the Commission requested the Council to authorise it to negotiate the renewal of the current Agreement. On 5 November 2002 the Council authorised the negotiations, and also envisaged the negotiation of provisional application of the renewed Agreement. Provisional application would enable Israeli entities to participate in the first calls for proposals under the 6th Framework Programme.
6. The renewal of the Agreement has been negotiated in accordance with the directives annexed to the Council Decision of 5 November 2002. The negotiations culminated in the draft Agreement and the Annexes thereto which are attached and were initialled on 17 December 2002 by the authorised representatives of the two parties.
7. The draft Agreement is based on the principles of mutual benefit, reciprocal opportunities for participating in each party's programmes and activities in the areas covered by the Agreement, non-discrimination, effective protection of intellectual property and equitable sharing of intellectual property rights.
8. In the light of the above considerations, the Commission proposes that the Council should decide
 - that the Agreement should be signed on behalf of the European Community and authorise the President of the Council to designate the person empowered to sign on behalf of the Community;
 - that the Agreement should be applied on a provisional basis upon signature.

Proposal for a

COUNCIL DECISION

**concerning the signature of the Agreement on Scientific and Technical Cooperation
between the European Community and the State of Israel**

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 170, in conjunction with the first sentence of the first subparagraph of Article 300(2),

Having regard to the proposal from the Commission¹,

Whereas:

- (1) By its Decision 1999/224/EC of 22 February 1999², the Council concluded an Agreement on Scientific and Technical Cooperation between the European Community and the State of Israel, which entered into force on 8 March 1999; the Agreement associates the State of Israel with all the activities of the specific programmes of the Fifth Framework Programme of the European Community for research, technological development and demonstration activities.
- (2) Article 12(4) of the Agreement provides that "where the Community adopts a new multiannual framework programme for research and development, this Agreement may be renegotiated or renewed under mutually agreed conditions".
- (3) On 5 November 2002 the Council authorised negotiations with a view to the renewal of the current Agreement, and also envisaged the negotiation of provisional application of the renewed Agreement. Provisional application would enable Israeli entities to participate in the first calls for proposals under the Sixth Framework Programme.
- (4) The negotiations culminated in the draft Agreement initialled on 17 December 2002 by the authorised representatives of the two parties.
- (5) Subject to possible conclusion at a later date, the Agreement initialled on 17 December 2002 should be signed and provision should be made for its provisional application upon signature,

¹

² ...
OJ L 83, 27.03.1999, p.50.

HAS DECIDED AS FOLLOWS:

Article 1

Subject to possible conclusion at a later date, the President of the Council is hereby authorised to designate the person empowered to sign, on behalf of the Community, the Agreement on Scientific and Technical Cooperation between the European Community and the State of Israel.

The text of the Agreement is attached to this Decision.

Article 2

The Agreement shall apply on a provisional basis upon signature.

Done at Brussels,

*For the Council
The President*

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, of the other part, entered into force on 1st 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 Fifth Framework Programme, which provides for its renewal under mutually agreed conditions;

WHEREAS, by Decision No 1513/2002/EC, the European Parliament and the Council of the European Union adopted the Sixth Framework Programme of the European Community for research, technological development and demonstration activities, contributing towards the creation of the European Research Area and to innovation (2002-2006), hereinafter called the "Sixth 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,

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 6th Framework Programme for research, technological development and demonstration activities (2002-2006) (hereinafter called "EC 6th Framework programme"), as established by Decisions of the European Parliament and of the Council N° 1513/2002/EC³ and Regulation N° 2321/2002/EC⁴, and Decisions of the Council N° 2002/834/EC⁵, 2002/835/EC⁶ and 2002/836/EC⁷.
2. In addition to the association referred to in paragraph 1, cooperation may take the following forms and means:
 - Regular discussions on the orientations and priorities for research policies and planning in Israel and the European Community;
 - Discussions on cooperation prospects and development;
 - Timely provision of information concerning the implementation of programmes and research projects of Israel and of the European Community, and concerning the results of work undertaken within the framework of this Agreement;
 - Joint meetings;
 - Visit and exchanges of research workers, engineers and technicians;
 - Regular and sustained contacts between programme or project managers of Israel and the European Community;
 - Participation of experts in seminars, symposia and workshops.

³ OJ L 232, 29.08.2002, p. 1.

⁴ OJ L 355, 30.12.2002, p. 23.

⁵ OJ L 294, 29.10.2002, p. 1.

⁶ OJ L 294, 29.10.2002, p. 44

⁷ OJ L 294, 29.10.2002, p. 60

Article 2

Terms and conditions with respect to the association of Israel in the EC 6th Framework programme

1. Legal entities of Israel shall participate in indirect actions and in activities of the Joint Research Centre of the EC 6th 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 contracts under Community programmes shall be the same as those applicable for 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 European Community shall participate in Israel's research programmes and projects in themes equivalent to those of the EC 6th 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.

2. Israel shall pay for every year of the EC 6th Framework programme's duration 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 EC 6th 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 EC 6th Framework programme established by Decision N° 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.

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 EC 6th Framework programme organised by the Community shall be reimbursed by the European 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

European Community-Israel Research Committee

1. A joint committee called “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 EC-Israel Research Committee, which shall be composed of representatives of the Commission and of Israel, shall adopt its rules of procedure.
3. The EC-Israel Research Committee shall meet at least once a year. Extraordinary meetings shall be held at the request of one or the other of the Parties.

Article 5

Final provisions

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

2. This Agreement is hereby concluded for the duration of the EC 6th 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 take effect starting the 16.12.02.

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.

Either of the Parties may terminate this Agreement at any time upon twelve months written notice.

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.

3. Pending the completion by the Parties of their internal procedures for its conclusion, the Parties shall provisionally apply this Agreement upon its signature.

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, paragraph 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, paragraph 5, shall be deducted by the Community from the above-mentioned reimbursement;
- Projects and activities launched under this provisional application and that are still in progress at the time of the above-mentioned notification shall continue until their completion under the conditions laid down in this Agreement.

4. Should the European Community decide to revise the EC 6th Framework programme, it shall notify Israel of the exact content of these revisions within one week of their adoption by the European Community.

By derogation from subparagraph 3 and 4 of paragraph 2, this Agreement may be terminated under mutually agreed conditions should either of the Parties notify one another within one month after the adoption of the revisions referred to in subparagraph 1 of its intention to terminate this Agreement.

5. Where the European 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 is drawn up in duplicate in the Danish, Dutch, English, Finnish, French, German Greek, Italian, Portuguese, Spanish, Swedish and Hebrew languages, each of these texts being equally authentic.

Done at ...on ...

Done at ...on

For the Government of the State of Israel

For the European Community

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 European 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 EC 6TH FRAMEWORK PROGRAMME

1. Participation and funding of legal entities established in Israel in indirect actions of the EC 6th Framework programme shall follow the conditions laid down for “associated countries” in the Regulation of the European Parliament and the Council N° 2321/2002/EC⁸.

Israel shall be taken into consideration alongside Member States of the European Union for the implementation of any indirect action of the EC 6th Framework programme through Article 169 of the Treaty establishing the European Community, subject to the participation of at least two of these Member States or Associated candidate countries defined in Article 2 of Regulation N° 2321/2002/EC in such an indirect action.

2. Legal entities of Israel shall be taken into consideration, alongside European Community's ones, for the selection of independent experts for the tasks and under the conditions foreseen in Articles 10, 11 and 18 of Regulation N° 2321/2002/EC and for participation in various groups and advisory Committees of the EC 6th Framework programme.
3. In conformity with Regulation N° 2321/2002/EC and the European Community's Financial Regulations, contract concluded by the European 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 European Community, created under the national law of one of the Member States of the European Union or under European Community law, in projects of Israel research and development programmes may require the joint participation of at least one

⁸ OJ L 355, 30.12.2002. p. 23.

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 European 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 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 European Community in this field.

Funding of legal entities established in the European Community participating in Israel's 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 funding is not provided to the non-Israeli legal entities, European 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 and Trade 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 European Community and Israeli legal entities of current Israeli programmes and participation opportunities for legal entities established in the European Community.

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.

For the purposes of this Agreement, 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 EC 6th Framework programme shall have rights and obligations on intellectual property under the conditions laid down in the Regulation of the European Parliament and the Council N° 2321/2002/EC⁹ and in the contract concluded with the European Community accordingly, and that shall comply with paragraph 1.

Where Israel participates in an indirect action of the EC 6th Framework programme implemented through Article 169 of the Treaty establishing the European Community, *Israel* shall have the same rights and obligation 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 contract concluded with the European Community accordingly, and that shall comply with paragraph 1.

3. Legal entities of the European 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 project, and that shall comply with paragraph 1.

⁹ OJ L 355, 30.12.2002. p. 23.

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, paragraph 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, paragraph 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 world-wide, 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 those 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 paragraph 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 paragraph 1 and 3, it shall immediately inform the other Party. The Parties shall thereafter consult to define an appropriate course of action.

ANNEX III

Rules governing the financial contribution of Israel to the EC 6th Framework programme

I. CALCULATION OF ISRAEL'S FINANCIAL CONTRIBUTION

1. The financial contribution of Israel to the EC 6th 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 EC 6th 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 Communities corresponding to the EC 6th Framework programme;
 - the estimated amount of the contributions derived from the preliminary draft budget, corresponding to the participation of Israel in the EC 6th Framework programme according to paragraph 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 on 1 January and 15 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 20 February;
 - and six-twelfths of Israel's contribution not later than 15 July.

However, the six-twelfths to be paid not later than 20 February 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 15 July.

For the first year of implementation of this Agreement, the Commission shall issue a first call for funds within 30 days of its coming into effect. Should this call be issued after 15 June, it shall provide for the payment of twelve/twelfths of Israel's contribution within 30 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 budget receipts allocated to the appropriate budget heading in the statement of revenue of the general budget of the European Communities. The financial regulation applicable to the general budget of the European Communities 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 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 EC 6th 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, carry-overs, 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 2007. Further regularisation shall occur every year until July 2010.

LEGISLATIVE FINANCIAL STATEMENT

Policy area(s): RESEARCH & TECHNOLOGICAL DEVELOPMENT

Activit(y/ies): International scientific and technical cooperation

TITLE OF ACTION: PROPOSAL FOR A COUNCIL DECISION CONCERNING THE SIGNATURE OF THE AGREEMENT ON SCIENTIFIC AND TECHNICAL COOPERATION BETWEEN THE EC AND ISRAEL

1. BUDGET LINE(S) + HEADING(S)

The contributions of Israeli entities to direct and indirect actions, as well as costs in connection with the implementation of the Agreement (travelling expenses of European experts and of EC officials on mission, workshops, seminars, meetings) will be charged to the specific budget headings of the specific programmes of the European Community RTD Framework Programme (Part B, Article B6-601)

Israel's contribution (revenue):

Chapter 60 (revenue), Articles B6-451 and B6-551 (expenditure)

Israel's contribution to the Framework Programme budget will be proportionate to its gross domestic product (GDP) compared with the sum of its GDP and the GDP of the EU Member States.

2. OVERALL FIGURES

2.1. Total allocation for action (Part B): € million for commitment

2.2. Period of application:

2002-2006. Renewal arrangements are laid down in Article 12 of the Agreement.

2.3. Overall multiannual estimate of expenditure:

- (a) Schedule of commitment appropriations/payment appropriations (financial intervention) *(see point 6.1.1)*

€ million *(to three decimal places)*

	2003	2004	2005	2006
Commitments	0	0	0	0
Payments	0	0	0	0

(b) Technical and administrative assistance and support expenditure (*see point 6.1.2*)

Commitments	0.660	0.660	0.660	0.660
Payments	0.660	0.660	0.660	0.660

Sous-total a+b				
Commitment	0.660	0.660	0.660	0.660
Payments	0.660	0.660	0.660	0.660

(c) Overall financial impact of human resources and other administrative expenditure (*see points 7.2 and 7.3*)

Commitments/ payments	0	0	0	0
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TOTAL a+b+c				
Commitments	0.660	0.660	0.660	0.660
Payments	0.660	0.660	0.660	0.660

2.4. Compatibility with financial programming and financial perspective

[YES] Proposal is compatible with existing financial programming.

2.5. Financial impact on revenue:¹⁰

[YES] Proposal has financial impact: financial contribution by a third country to the budget of the Sixth Framework Programme. The effect on revenue is as follows:

Israel's financial contribution to the Framework Programme will be proportionate to its GDP compared with the sum of its GDP and the GDP of the EU Member States.

Estimated contribution to FP6 on the basis of 1999 GDP:

GDP EUR 15	8 498 599 ¹¹
GDP Israel	100 840

Proportionality factor:

$$\frac{\text{GDP Israel}}{\text{GDP EUR 15 + Israel}} = \frac{100\,840}{8\,599\,439} = 1.17\% \text{ ratio}$$

¹⁰ For further information, see separate Explanatory Note.

¹¹ Source : *World Development Indicators*, World Bank, Washington, February 2001, Table 12 – *Structure of output*, p. 296-297.

EC budget 6 th			Contribution (Estimate)	
2003	3 759	x 1.17 %	44.4	
2004	4 004	x 1.17 %	47.2	
2005	4 190	x 1.17 %	49.4	
2006	4 317	x 1.17 %	50.9	
Total	16 270		191.9	(2003-2006)

3. BUDGET CHARACTERISTICS

Type of expenditure		New	EFTA contribution	Contributions from candidate countries	Heading in financial perspective
NCE	DA	NO	YES	NO	No 3

4. LEGAL BASIS

Articles 170 and 300 of the EC Treaty.

4.1. Titles and references

- Treaty establishing the European Community, and in particular Article 170(2) thereof, in conjunction with the first sentence of the first subparagraph of Article 300(2) and the first subparagraph of Article 300(3).
- Decision No 1513/2002/EC of the European Parliament and the Council of 27 June 2002 concerning the Sixth Framework Programme of the European Community for research, technological development and demonstration activities, contributing to the creation of the European Research Area and to innovation (2002-2006).

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

Community funding is indispensable as the planned cooperation forms part of the implementation of the Framework Programme, including the budget heading relating to administrative expenditure borne by the Community (missions by experts and EU officials; organisation of workshops, seminars and meetings in the EC and Israel).

5.1.1. Objectives pursued

The Agreement should enable Israel and the Community to derive mutual benefit from the scientific and technical progress achieved through their reciprocal research programmes, with participation by the Israeli scientific community and industry in programmes of the European Community RTD Framework Programmes and non-subsidised participation in Israeli publicly financed research activities by entities established in the Community.

Thanks to the direct and indirect effects of the cooperation, the beneficiaries will be the scientific community, the private sector and the general public in the EC and Israel.

5.2. Action envisaged and budget intervention arrangements

Budgetary arrangements will be based on the type of cooperation proposed (association of a third country in specific programmes of Community research).

5.3. Methods of implementation

Direct management by the Commission.

6. FINANCIAL IMPACT

6.1. Total financial impact on Part B (over the entire programming period)

6.2. Calculation of costs by measure envisaged in Part B (over the entire programming period)

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

The Commission is not requesting any additional posts for the management of the Agreement.

No officials are being specifically assigned to manage the Agreement. It will be managed by the staff authorised for the Sixth Framework Programme.

7.2. Overall financial impact of human resources

7.3. Other administrative expenditure deriving from the action

Expenditure on management of the Agreement (estimate)		
Travel expenses per year		
EU experts' missions to Israel		
within the framework of the specific programmes covering the four activities		
150 EU experts (for 400 projects) x 7 nights		
Cost per mission:		
- 1 return journey	(± 918 €)	€ 918
- daily allowance	(150 € x 7)	€ 1 050
- experts' fees	(250 € x 7)	€ 1 750
	TOTAL	€ 3 718
total cost for 150 missions		€ 560 000
EU officials' missions to Israel		
(DGs RTD, INFSO, ENTR, AGRI, FISH, TREN, JRC)		
28 missions per year (management of the Agreement as a whole) (4 per DG)		
+ 16 missions per year (specific programmes)		
Total : 44 missions per year		
- return journey Brussels-Tel Aviv	(± 918 €)	€ 918
- hotel :	3 nights (210 €/night)	€ 630
- daily allowance	3 days x 150 €	€ 450
	TOTAL	€ 1 998
total cost for 44 missions		€ 88 000
Workshops/seminars		
2/year (estimate):		€ 12 000
Total		660 000 euros/year

The amounts correspond to total expenditure for twelve months.

I.	Annual total (7.2 + 7.3)	€ 660 000
II.	Duration of action	4 years
III.	Total cost of action (I x II)	€ 2 640 000

8. FOLLOW-UP AND EVALUATION

8.1. Follow-up arrangements

All the activities carried out in the framework of the Cooperation Agreement will be regularly evaluated by the Commission departments and will also be subject to one joint Community-Israel evaluation each year. Evaluation will cover:

(a) Performance indicators:

number of proposals put forward by Israel per specific programme compared with the number of proposals selected for funding under the programme;

number of proposals put forward by Israel compared with the number of proposals selected for funding under the Framework Programme;

number of proposals put forward under the specific programmes of the Framework Programme compared with the relative share (1%) of Israel's participation in those programmes;

number of Israeli proposals selected for funding in the specific programmes of the Framework Programme compared with its relative participation in those programmes.

(b) Gathering of information:

On the basis of data from the specific programmes of the Framework Programme.

(c) Corrections :

Through information to the partners on both sides on practical arrangements for taking part in the specific programmes of the Framework Programme. The information will be passed on in accordance with the recommendations of the Joint Cooperation Committee.

8.2. Evaluation

At the end of the 6th Framework Programme the Commission will evaluate all cooperation activities covered by the Agreement.

9. ANTI-FRAUD MEASURES

When the implementation of the Framework Programme calls for the use of external contractors or implies granting financial contributions to third parties, the Commission will carry out, where appropriate, financial audits, in particular if it has reasons to doubt the realistic nature of work performed or described in the activity reports.

The Community's financial audits will be carried out either by its own staff or by accounting experts approved according to the law of the audited party. The Community will chose the latter freely, while avoiding any risks of conflicts of interest which might be indicated to it by the party subject to the audit.

In addition, the Commission will make sure, in carrying out the research activities, that the financial interests of the European Communities are protected by effective checks and, in case of detected irregularities, measures as well as deterrent and proportionate sanctions.

In order to achieve this aim, rules on checks, measures and sanctions, with reference to Regulations 2988/95, 2185/96, 1073/99 and 1074/99 will be included in all contracts concluded in the implementation of the Framework Programme.

In particular, the following points will have to be provided for in the *contracts* :

- the introduction of specific contractual clauses to protect the financial interests of the EC in carrying out checks and controls in relation to the work performed;
- the participation of administrative inspectors in the field of fraud-fighting, in accordance with Regulations 2185/96, 1073/99 and 1074/99;
- the application of administrative sanctions for all intentional or negligent irregularities in the implementation of the *contracts*, in accordance with framework Regulation 2988/95, including a black-listing mechanism;
- the fact that recovery orders in the case of irregularities and fraud may be enforceable in accordance with Article 164 of the EAEC Treaty.

In addition, and as routine measures, an internal audit and control programme in respect of scientific and budgetary aspects will be carried out by the DG Research staff responsible; an internal audit will be carried out by the Internal Audit Unit of DG Research; and local inspections will be carried out by this Unit and the Court of Auditors.