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RECH 338
FEROE 4

PROPOSAL

From: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 29 July 2014

To: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No. Cion doc.: COM(2014) 495 final

Subject: Proposal for a COUNCIL DECISION on the signature and provisional
application of the Agreement for scientific and technological cooperation
between the European Union and the Faroe Islands associating the Faroe
Islands to Horizon 2020 - the Framework Programme for Research and
Innovation (2014-2020)

Delegations will find attached document COM(2014) 495 final.

Encl.: COM(2014) 495 final



EUROPEAN
COMMISSION

Brussels, 29.7.2014
COM(2014) 495 final

2014/0227 (NLE)

Proposal for a

COUNCIL DECISION

on the signature and provisional application of the Agreement for scientific and technological cooperation between the European Union and the Faroe Islands associating the Faroe Islands to Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 18 March 2014 the Council authorised the Commission to open negotiations, on behalf of the European Union, with the Faroe Islands in order to conclude an Agreement between the European Union and the Faroe Islands associating the Faroe Islands to Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020).

The negotiations between both parties were completed and resulted in the attached draft agreement text which is in line with the negotiation directives issued by the Council.

The Commission proposes that the Council:

- decides on the signature and provisional application of the Agreement on behalf of the European Union.

2. LEGAL ELEMENTS OF THE PROPOSAL

The proposal for a Council decision is based on Articles 186 and 218(5) and 218(8) of the Treaty on the Functioning of the European Union.

Proposal for a

COUNCIL DECISION

on the signature and provisional application of the Agreement for scientific and technological cooperation between the European Union and the Faroe Islands associating the Faroe Islands to Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 186 in conjunction with Article 218(5) and the first subparagraph of Article 218(8) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020) was established by Regulation (EU) No 1291/2013 of the European Parliament and the Council¹ ("Horizon 2020").
- (2) On 18 March 2014 the Council authorised the Commission to open negotiations, on behalf of the Union, with the Faroe Islands, in order to conclude an Agreement for scientific and technological cooperation between the European Union and the Faroe Islands associating the Faroe Islands to Horizon 2020.
- (3) These negotiations have been successfully completed and subject to its conclusion at a later date, the Agreement should be signed on behalf of the European Union.

HAS DECIDED AS FOLLOWS:

Article 1

The signing of the Agreement for scientific and technological cooperation between the European Union and the Faroe Islands associating the Faroe Islands to Horizon 2020 - the Framework Programme for Research and Innovation is hereby approved on behalf of the Union, subject to the conclusion of that Agreement.

The text of the Agreement to be signed is attached to this Decision.

¹ OJ L347, 20.12.2013, p. 104

Article 2

The Council Secretariat General shall establish the instrument of full powers to sign the Agreement, subject to its conclusion, for the person(s) indicated by the negotiator of the Agreement.

Article 3

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

*For the Council
The President*

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for Council Decision on the Signature and provisional application of an Agreement for scientific and technological cooperation between the European Union and the Faroe Islands associating the Faroe Islands to Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020).

1.2. Policy area(s) concerned in the ABM/ABB structure²

Policy strategy and coordination of the Directorates-General RTD, JRC, AGRI, EAC, CNECT, ENER, ENTR and MOVE.

1.3. Nature of the proposal/initiative

- The proposal/initiative relates to **a new action**
- The proposal/initiative relates to **a new action following a pilot project/preparatory action**³
- The proposal/initiative relates to **the extension of an existing action**
- The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objective(s)

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

To associate the Faroe Islands to Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020). Participation of the Faroe Islands as associated country in Horizon 2020 is to be seen as continuation of their participation in the 7th Framework Programme.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective

ABM/ABB activity(ies) concerned

To strengthen the EU's industrial leadership and competitiveness in a global context and reinforce the excellence of EU research.

² ABM: activity-based management – ABB: activity-based budgeting.

³ As referred to in Article 54(2)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

This Agreement should enable the Faroe Islands and the Union to derive mutual benefit through participation in Horizon 2020 - the Union's new Framework programme for Research and Innovation (2014-2020) and to upgrade and intensify their cooperation in areas of mutual scientific and technological interest.

1.4.4 *Indicators and result and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

- Number of proposals presented by the Faroe Islands compared to the number of proposals selected for funding under Horizon 2020 as a whole and in the different pillars of Horizon 2020;
- Number of applicants from the Faroe Islands in the proposals submitted and retained for funding;
- Number of entities from the Faroe Islands obtaining funding and the share of the funding obtained in the Horizon 2020 Specific programme compared to the Faroe Island's relative participation in that programme.
- Number of Faroese grant agreements signed.

1.5. **Grounds for the proposal/initiative**

1.5.1. *Requirement(s) to be met in the short or long term*

This Decision will allow the Faroe Islands to participate in most of the Horizon 2020 calls for proposals as associated country and for its research entities to obtain funding if selected. They will need to pay a financial contribution to ensure association status.

1.5.2. *Added value of EU involvement*

The Faroe Islands pay a yearly financial contribution for its participation as associated country which is added to the EU budget.

In turn, cooperation will contribute to the Union's scientific excellence and competitiveness, given the Faroes close proximity to the EU as a northern European neighbour.

1.5.3. *Lessons learned from similar experiences in the past*

The Faroe Islands were associated to the Seventh EU Research Framework Programme (FP7) from 2010. They are thus familiar with cooperation on R&I with the EU and can also build upon the successful projects and actions granted under FP7.

1.5.4. *Compatibility and possible synergy with other appropriate instruments*

Horizon 2020 is compatible with other Union funding instruments.

1.6. Duration and financial impact

Proposal/initiative of **limited duration**

– Proposal/initiative in effect from 01/01/2014 to 31/12/2020

– Financial impact from 01/01/2014 to 31/12/2023

Proposal/initiative of **unlimited duration**

– Implementation with a start-up period from YYYY to YYYY,

– followed by full-scale operation.

1.7. Management mode(s) planned⁴

From the 2014 budget

Direct management by the Commission

– by its departments, including by its staff in the Union delegations;

– by the executive agencies;

Shared management with the Member States

Indirect management by delegating implementation tasks to:

– third countries or the bodies they have designated;

– international organisations and their agencies (to be specified);

– the EIB and the European Investment Fund;

– bodies referred to in Articles 208 and 209 of the Financial Regulation;

– public law bodies;

– bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;

– bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;

– persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.

⁴ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

– If more than one management mode is indicated, please provide details in the "Comments" section.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Commission will regularly evaluate all the actions carried out under the Agreement, which will also be subject to regular monitoring of the implementation of this Agreement in the EU-Faroe Islands Research and Innovation Committee, as set up in Art.4 of the Agreement. This evaluation will cover:

a) Performance indicators relating to the Horizon 2020 Specific Programme:

- Number of proposals presented by the Faroe Islands compared to the number of proposals selected for funding under Horizon 2020 as a whole and in the different pillars of Horizon 2020;

- Number of applicants from the Faroe Islands in the proposals submitted and retained for funding;

- Number of entities from the Faroe Islands obtaining funding and the share of the funding obtained in the Horizon 2020 Specific programme compared to the Faroe Islands' relative participation in that programme.

- Number of grant agreements signed with entities from the Faroe Islands.

b) Gathering of information:

On the basis of data from the Horizon 2020 programme, upon request and on the basis of information exchanged at the EU-the Faroe Islands Committee.

c) Overall evaluation:

The Commission will evaluate the Faroe Islands' overall participation under Horizon 2020 in the light of the duration of its association.

2.2. Management and control system

2.2.1. Risk(s) identified

No risks identified.

2.2.2. Information concerning the internal control system set up

Annex III to the Agreement specifies the rules governing the Faroe Islands' financial contribution to Horizon 2020.

A review (on the basis of the data concerning participation of Faroese legal entities in indirect and direct actions under Horizon 2020 in the years 2014-2016) of the proportionality factor governing the Faroes financial contribution to the Programme

is foreseen in the Agreement. This review is to take place in the fourth year of application of the Agreement.

2.2.3. *Estimate of the costs and benefits of the controls and assessment of the expected level of risk of error*

N/A

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

Such measures are laid down in Annex IV to the Agreement on the financial control of Faroese participants in the Programme covered by the Agreement.

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

The Union'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 Union will choose 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 Union are protected by effective checks and, where irregularities are detected, by deterrent and proportionate measures and penalties.

In order to achieve this aim, rules on checks, measures and penalties, with reference to Regulations No 2988/95, No 2185/96 and No 883/2013 will be incorporated in all contracts used 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 EU in carrying out checks and controls in relation to the work performed;
- the carrying out of administrative checks as part of anti-fraud measures, in accordance with Regulations No 2185/96, No 883/2013;
- the application of administrative penalties for all intentional or negligent irregularities in the implementation of the contracts, in accordance with the Framework Regulation No 2988/95, including a blacklisting mechanism;
- The fact that decisions taken by the Commission in application of Art. 299 TFEU to enforce recovery of amounts due and unpaid by Faroese beneficiaries following to their participation to "Horizon 2020" will be enforceable in the Faroe Islands.
- In addition and as a routine measure, a control programme in respect of scientific and budgetary aspects will be carried out by the responsible staff in the DG for Research and Innovation; an internal audit will be carried out by the Internal Audit

unit of DG Research and Innovation; and local inspections will be undertaken by the European Court of Auditors.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing budget lines

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number Heading	Diff./non-diff. (5)	from EFTA countries ⁶	from candidate countries ⁷	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
1a	08.01.05	non-diff.	YES	YES	YES	YES
	08.01.05.01					
	08.01.05.03					

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Number [...][Heading.....]	Diff./non-diff.	from EFTA countries	from candidate countries	from third countries	within the meaning of Article 21(2)(b) of the Financial Regulation
	[...][XX.YY.YY.YY]		YES/N O	YES/NO	YES/N O	YES/NO

⁵ Diff. = Differentiated appropriations / Non-Diff. = Non-differentiated appropriations.

⁶ EFTA: European Free Trade Association.

⁷ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework		Competitiveness for Growth and Employment											
		1a	2014	2015	2016	2017	2018	2019	2020	TOTAL			
DG: <.....>													
• Operational appropriations													
Number of budget line	Commitments	(1)											
	Payments	(2)											
Number of budget line	Commitments	(1a)											
	Payments	(2a)											
Appropriations of an administrative nature financed from the envelope of specific programmes ⁸													
Number of budget line 08 01.05		(3)	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.609
Number of budget line 08.01.05.01		(4)	0.082	0.082	0.082	0.082	0.082	0.082	0.082	0.082	0.082	0.082	0.574
Number of budget line 08.01.05.03		(5)	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.035
• TOTAL operational appropriations		(6)											
• TOTAL appropriations of an administrative nature financed from the envelope for specific programmes	Commitments	(7)											
	Payments	(8)	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.609

⁸ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

TOTAL appropriations for HEADING 1a of the multiannual financial framework	Commitments	=6+8	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.609
	Payments	=7+8	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.609

Heading of multiannual financial framework	5	" Administrative expenditure "
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EUR million (to three decimal places)

DG: <.....>	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)	TOTAL
• Human resources						
• Other administrative expenditure						
TOTAL DG <.....>						

TOTAL appropriations for HEADING 5 of the multiannual financial framework	(Total commitments = Total payments)	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.084
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EUR million (to three decimal places)

TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework	Commitments	2014	2015	2016	2017	2018	2019	2020	TOTAL
	Payments	0.099	0.099	0.099	0.099	0.099	0.099	0.099	0.693

3.2.2. Estimated impact on operational appropriations

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to three decimal places)

Indicate objectives and outputs ↓	Type ⁹	Average cost	Year				Enter as many years as necessary to show the duration of the impact (see point 1.6)				TOTAL		
			N	N+1	N+2	N+3	2021	2022	2023	2024		Cost	No total
OUTPUTS													
SPECIFIC OBJECTIVE No 1 ¹⁰ ...													
- Output													
- Output													
- Output													
Subtotal for specific objective No 1													
SPECIFIC OBJECTIVE NO 2 ...													
- Output													
Subtotal for specific objective No 2													
TOTAL COST													

⁹ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
¹⁰ As described in point 1.4.2. 'Specific objective(s)...'

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

	2014	2015	2016	2017	2018	2019	2020	TOTAL
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HEADING 5 of the multiannual financial framework	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.084
Human resources								
Other administrative expenditure								
Subtotal HEADING 5 of the multiannual financial framework	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.084

Outside HEADING 5¹¹ of the multiannual financial framework	2014	2015	2016	2017	2018	2019	2020	
Human resources	0.082	0.082	0.082	0.082	0.082	0.082	0.082	0.574
Other expenditure of an administrative nature	0.005	0.005	0.005	0.005	0.005	0.005	0.005	0.035
Subtotal outside HEADING 5 of the multiannual financial framework	0.087	0.087	0.087	0.087	0.087	0.087	0.087	0.609

TOTAL	0.099	0.099	0.099	0.099	0.099	0.099	0.099	0.693
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The human resources appropriations required will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

¹¹ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

	2014	2015	2016	2017	2018	2019	2020
• Establishment plan posts (officials and temporary staff)							
XX 01 01 01 (Headquarters and Commission's Representation Offices)							
XX 01 01 02 (Delegations)							
08 01 05 01 (Indirect research)	0.75	0.75	0.75	0.75	0.75	0.75	0.75
10 01 05 01 (Direct research)							
• External staff (in Full Time Equivalent unit: FTE)¹²							
XX 01 02 01 (CA, SNE, INT from the "global envelope")							
XX 01 02 02 (CA, LA, SNE, INT and JED in the delegations)							
XX 01 04 yy ¹³							
- at Headquarters							
- Delegations							
XX 01 05 02 (CA, SNE, INT - Indirect research)							
10 01 05 02 (CA, INT, SNE - Direct research)							
Other budget lines (specify)							
TOTAL							

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

Officials and temporary staff	Preparation of Joint Committee meetings foreseen under Art. 4 of the Agreement and several missions ensuring the good functioning and implementation of the Agreement, as well as regular review and follow-up of the Agreement.
External staff	

¹² CA= Contract Staff; LA = Local Staff; SNE= Seconded National Expert; INT = agency staff; JED= Junior Experts in Delegations).

¹³ Sub-ceiling for external staff covered by operational appropriations (former "BA" lines).

3.2.4. Compatibility with the current multiannual financial framework

- Proposal/initiative is compatible with the current multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.
- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework¹⁴.

3.2.5. Third-party contributions

- The proposal/initiative does not provide for co-financing by third parties.
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

	Year N	Year N+1	Year N+2	Year N+3	Enter as many years as necessary to show the duration of the impact (see point 1.6)			Total
Specify the co-financing body								
TOTAL appropriations cofinanced								

3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to three decimal places)

Budget line:	revenue	Appropriations available for the current financial year	Impact of the proposal/initiative ¹⁵						
			Year N 2014	Year N+1 2015	Year N+2 2016	Year N+3 2017	2018	2019	2020

¹⁴ See points 19 and 24 of the Interinstitutional Agreement (for the period 2007-2013).

¹⁵ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 25% for collection costs.

Article 6013	<i>pm</i>	1.262	1.335	1.427	1.521	1.610	1.719	1.879
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* the amounts for 2014-2020 are in MEURO and are to be considered as indicative figures. The contribution finally requested will take account of corrections over the previous year.

For miscellaneous 'assigned' revenue, specify the budget expenditure line(s) affected.

Specify the method for calculating the impact on revenue.

Budget lines: 02.045001, 05.095001, 06.035001, 08.025001, 09.045001, 10.025001, 15.035001, 32.045001 and the appropriations accruing from third country (i.e. non-European Economic area) financial contributions to Horizon 2020.

The Faroe Islands' contribution to Horizon 2020 will be proportionate to its GDP compared to that of the EU 28. This ratio shall be calculated on the basis of the latest statistical data from Eurostat, available at the time of the publication of the draft budget of the European Union for the same year.

The proportionality factor obtained for 2014 is 0.014%.

For 2014, the estimated contribution to the Horizon 2020 Framework Programme, based on 2012 GDP (source: Eurostat), at market prices, is €1.263M.

GDP EUR 28	12,967,102.60
GDP Faroe Islands	1,810.30
Ratio	0.014%

Estimated Contribution (Mio €)

Year	Budget	Total estimated contribution
2014	9,043.6	1.263
2015	9,560.0	1.335
2016	10,223.7	1.427
2017	10,893.8	1.521
2018	11,532.0	1.610
2019	12,317.5	1.719
2020	13,462.6	1.879
Total	77,033.2	10.754