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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 22.10.2009
COM(2009)565 final

2009/0160 (CNS)

Proposal for a

COUNCIL DECISION

on the signature, on behalf of the European Community, and provisional application of the Agreement between the European Community and the Government of the Faroes on Scientific and Technological Cooperation, associating the Faroe Islands to the European Community's Seventh Framework Programme for Research, Technological Development and Demonstration Activities (2007-2013)

EXPLANATORY MEMORANDUM

Subject: Proposal for a Council decision on the signature and provisional application of an agreement between the European Community and the Government of the Faroes on scientific and technological cooperation, associating the Faroe Islands to the European Community's Seventh Framework Programme for Research, Technological Development and Demonstration Activities (2007-2013)

1. On 15 June 2009 the Council authorised the European Commission to negotiate an Agreement between the European Community and the Government of the Faroes for scientific and technological cooperation, associating the Faroes to the Seventh (EC) Framework Programme for Research and Development (2007-2013).
2. The negotiations between the two parties were completed and resulted in the attached draft agreement, which was initialled on 13 July 2009 and which is in line with the negotiating directives issued by the Council.
3. The agreement is based on the principles of mutual benefit, reciprocal opportunities for access to each other's programmes and activities relevant to the purpose of the Agreement, non-discrimination, effective protection of intellectual property and equitable sharing of intellectual property rights.
4. The agreement will open to legal entities of the Faroe Islands the same participation and funding rights and obligations as the legal entities established in the EU Member States. Furthermore, the agreement foresees the participation of representatives of the Faroes as observers with no voting rights in the FP7 Programme Committees and in the Board of Governors of the Joint Research Centre.
5. This S&T association agreement will help to structure and enhance the scientific and technological cooperation between the EC and the Faroes, through regular meetings of its Joint Committee, in which specific cooperation activities can be planned.
6. The agreement shall enter into force on the date on which the parties exchange diplomatic notes informing each other that their respective internal procedures necessary for its entry into force have been completed and shall remain in force for the remaining duration of the Seventh EC Framework Programme.
7. It is proposed that this Agreement should apply provisionally as of 1 January 2010 subject to its conclusion at a later date.

In light of the above considerations, the Commission requests the Council:

- to authorise the signature, on behalf of the European Community, of the Agreement between the European Community and the Government of the Faroes on scientific and technological cooperation .

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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) thereof,

Having regard to the proposal from the Commission¹,

Whereas:

- (1) The Commission has negotiated, on behalf of the Community, an Agreement with the Government of the Faroes on Scientific and Technological Cooperation (hereinafter referred to as "the Agreement"), which provides for provisional application as of 1 January 2010. Provisional application would enable entities from the Faroes to participate in the calls for proposals under the Seventh EC Framework Programme, planned for launching in January 2010.
- (2) The negotiations resulted in the Agreement initialled on 13 July 2009.
- (3) It is necessary to sign the Agreement with a view to possible conclusion at a later date,

HAS DECIDED AS FOLLOWS:

Article 1

1. Subject to conclusion at a later date, the President of the Council is hereby authorised to designate the person(s) empowered to sign, on behalf of the European Community, the Agreement between the European Community, of the one part, and the Government of the Faroes, of the other part, on Scientific and Technological Cooperation.

¹ OJ C , , p. .

2. The text of the Agreement is attached to this Decision.

Article 2

The Agreement between the European Community of the one part, and the Government of the Faroes, of the other part, on Scientific and Technological Cooperation shall be applied provisionally from 1 January 2010.

Article 3

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

Done at Brussels,

*For the Council
The President*

ANNEX
AGREEMENT
BETWEEN THE EUROPEAN COMMUNITY AND
THE GOVERNMENT OF THE FAROES
ON SCIENTIFIC AND TECHNOLOGICAL COOPERATION

THE EUROPEAN COMMUNITY,

hereinafter "the Community",

of the one part,

and

THE GOVERNMENT OF THE FAROES,

hereinafter " the Faroes",

of the other part,

hereinafter referred to as the "Parties",

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

WHEREAS Faroese researchers have already successfully been participating in projects funded by the Community.

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

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

WHEREAS, by Decision No 1982/2006 EC ², 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").

² OJ L 412, 30.12.2006.

CONSIDERING that the Government of the Faroes concludes this agreement on behalf of the Kingdom of Denmark pursuant to the Act on the Conclusion of Agreements under International Law by the Government of the Faroes³.

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 the Faroes 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. The Faroes shall be associated, under the terms and conditions established by, or referred to, in this Agreement and its Annexes, to the European Community Seventh EC Framework Programme for research, technological development and demonstration activities (2007 to 2013), as established by Decision 1982/2006/EC, Regulation (EC) No 1906/2006⁴ 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. All acts deriving from the above acts, including the acts setting up the structures needed for the implementation of the Seventh EC Framework Programme through research activities under Articles 169 and 171 of the Treaty establishing the European Community shall be applicable in the Faroes.
3. 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 the Faroes and the Community,
 - discussions on cooperation prospects and development,
 - timely provision of information concerning the implementation of programmes and research projects of the Faroes and of the Community, and concerning the results of work undertaken within the framework of this Agreement,
 - joint meetings,

³ Danish Government Circular N° 126 of 26 September, 2005
<https://www.retsinformation.dk/Forms/R0710.aspx?id=23119>

⁴ OJ L391, 30.12.2006, p.1-18

- visits and exchanges of research workers, engineers and technicians,
- regular and sustained contacts between programme or project managers of the Faroes and the Community,
- participation of experts in seminars, symposia and workshops.

ARTICLE 2

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

1. Legal entities of the Faroes 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 the Faroes 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 established in the Community, taking into account the mutual interests of the Community and the Faroes.

Legal entities of the Community shall participate in the Faroes' 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 the Faroes, 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) shall enjoy 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 the Faroes the same rights and obligations.

2. From the date of the application of this agreement the Faroes 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 the Faroes 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 EC Framework Programme. The rules governing the calculation and the payment of the financial contribution of the Faroes are set out in Annex III.
3. Representatives of the Faroes shall participate as observers in the committees of the Seventh EC Framework Programme established by Decision No 1999/468/EC⁵.

⁵ OJ L 184, 17.7.1999, p. 23-26

These committees shall meet without the presence of representatives of the Faroes at the time of voting. The Faroes 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.

4. Representatives of the Faroes 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 the Faroes 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 transferring of funds between the Community and the Faroes, when said funds are needed for the operation of activities covered by this agreement.

ARTICLE 4

EC-Faroes Research Committee

1. A joint committee called the "EC-Faroes 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 the Faroes and the Community and the prospects for future cooperation,
 - making, subject to each Party's domestic approval processes, technical amendments to this Agreement as may be required.
2. The Committee may identify on request of the Faroes regions of the Faroes that fulfil the criteria set out in Article 5(1) of Council Regulation (EC) No 1083/2006⁶ and which may therefore be eligible regions benefiting from research actions under the Work Programme "Research Potential" under the specific "Capacities" programme.
3. The EC-Faroes Research Committee, which shall be composed of representatives of the Commission and of the Faroes, shall adopt its Rules of Procedure.
4. The EC-Faroes Research Committee shall meet at least every two years. 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 remaining 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. It shall be provisionally applied as of 1 January, 2010.

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 upon 6 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

⁶ OJ L 210, 31.7.2006, p.25-78.

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 the Faroes 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 the Faroese 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 above-mentioned notification shall continue until their completion under the conditions laid down in this Agreement.
4. Should the Community decide to revise the Seventh EC Framework Programme, it shall notify the Faroes 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, the Faroes 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 Community's decision.
5. When 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 Faroes.
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 Faroese languages, each text being equally authentic.

ANNEX I

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

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 the Faroes in indirect actions of the Seventh EC Framework Programme

1. Participation and funding of legal entities established in the Faroes in indirect actions of the Seventh EC Framework Programme shall follow the conditions laid down for 'associated countries' in Regulation (EC) No 1906/2006 of the European Parliament and of the Council of 18 December 2006 laying down the rules for the participation of undertakings, research centres and universities in actions under the Seventh Framework Programme and for the dissemination of research results (2007-2013)⁷. In case the Community makes provisions for the implementation of Articles 169 and 171 of the Treaty establishing the European Community, the Faroes shall be allowed to participate in the legal structures created under these provisions, subject to the rules setting up such legal structures.

Legal entities established in the Faroes 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 the Faroes 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 the Faroes 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 agreement and/or contract concluded by the Community with any legal entity of the Faroes 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 the Faroes shall provide any reasonable and feasible assistance as may be necessary or helpful under the circumstances to perform such controls and audits.

⁷ OJ L391, 30.12.2006, p.1-18

II. Terms and conditions for the participation of legal entities of Member States of the European Union in the Faroese 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 the Faroese research and development programmes may require the joint participation of at least one Faroese legal entity. Proposals for such participation shall be submitted jointly, where required, with the Faroese 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 the Faroese 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 the Faroese laws, regulations and government directives governing the operation of research and development programmes, as well as national security constraints where applicable, as applicable to Faroese legal entities and assuring equitable treatment, taking into account the nature of the cooperation between the Faroes and the Community in this field.

Funding of legal entities established in the Community participating in Faroese research projects within research and development programmes shall be subject to Faroese 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-Faroese legal entities participating in the Faroese research projects within research and development programmes. In the case where funding is not provided to the non-Faroese legal entities, Community legal entities shall cover their own costs, including their relative share of the project's general management and administrative costs.

3. Proposals for research in all fields are to be submitted to the Faroese Research Council (Granskingarráðið).
4. The Faroes shall regularly inform the Community of current Faroese programmes and participation opportunities for legal entities established in the 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, ‘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 the Faroes 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 legal entities of the Faroes participate in an indirect action of the Seventh EC Framework Programme implemented pursuant to Article 169 of the Treaty establishing the European Community, they 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 Faroese research programmes or projects shall have the same rights and obligations on intellectual property as those of legal entities established in the Faroes participating in such research programmes 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(3) 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(3) 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 sub-paragraph (b). 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 sub-paragraph (a);
 - (e) each Party shall endeavour to ensure that undisclosed information received by it under sub-paragraphs (a) and (c) 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 sub-paragraphs (a) and (c), 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 THE FAROES TO THE SEVENTH EC FRAMEWORK PROGRAMME

I. Calculation of the financial contribution of the Faroes

1. The financial contribution of the Faroes 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, in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002..
2. The proportionality factor governing the contribution of the Faroes shall be obtained by establishing the ratio between the gross domestic product of the Faroes, at market prices, and the sum of gross domestic products, at market prices, of the Member States of the European Union. These ratios shall be calculated, for the Member States, on the basis of the latest statistical data from Eurostat, available at the time of publication of the preliminary draft budget of the European Union for the same year and for the Faroes on the basis of the latest statistical data pertaining to the same year from the National Statistical Authority of the Faroes (Hagstova Føroya) available at the time of publication of the preliminary draft budget of the European Union.
3. The Commission shall communicate to the Faroes, 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 the Faroes 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 the Faroes, in the statement of expenditure corresponding to the Faroese participation, the final amounts referred to in the first subparagraph.

II. Payment of the financial contribution of the Faroes

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

of six-twelfths of the Faroese contribution not later than 30 days after receipt of the calls for funds. However, the six-twelfths to be paid not later than 30 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 the Faroese 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 the Faroes shall be expressed and paid in euro. Payment by the Faroes 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. The Faroes 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 the Faroes on the outstanding amount from the due date. The interest rate for amounts receivable not repaid on the due date shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the Official Journal of the European Union, in force on the first calendar day of the month in which the due date falls, increased by one and a half 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 the Faroes 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 the Faroes, 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 for that financial year shall be prepared and transmitted to the Faroes 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 the Faroes. 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.

ANNEX IV

FINANCIAL CONTROL OF FAROESE PARTICIPANTS IN THE COMMUNITY PROGRAMMES COVERED BY THIS AGREEMENT

I. Direct Communication

The Commission shall communicate directly with the participants in the Seventh EC Framework programme established in the Faroes 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 1605/2002⁸, on the Financial Regulation applicable to the general budget of the European Communities and Commission Regulation (EC, Euratom) No 2342/2002⁹ 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 the Faroes 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 including OLAF.
2. Commission agents, the European Court of Auditors and persons mandated by the Commission including OLAF 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 the Faroes.
3. The audits may be conducted after the Seventh EC Framework Programme or this Agreement expire, on the terms laid down in the grant agreements and/or contracts in question.
4. The competent Faroese authority designated by the Faroese government shall be informed in advance of the audits conducted on the territory of the Faroes. 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 including OLAF shall be authorised to carry out on-the-spot checks and inspections in the premises of

⁸ OJ L248, 16.09.2002, pp.1-48

⁹ OJ L357, 31.12.2002, pp.1-71

participants and their subcontractors from the Faroes, in accordance with the terms and conditions laid down in Council Regulation (Euratom, EC) No 2185/96¹⁰.

2. On-the-spot checks and inspections shall be prepared and conducted by the Commission in close collaboration with the National Audit Office (Landsgrannskoðanin). It 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 Faroese authorities may participate in the on-the-spot checks and inspections.
3. If the Faroese authorities concerned so wish, the on-the-spot checks and inspections may be carried out jointly by the Commission and them.
4. Where the participants in the Seventh EC Framework Programme resist an on-the-spot check or inspection, the Faroese 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 Faroese 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 Faroese and Community authorities shall regularly exchange information, unless forbidden or unauthorised by national rules and regulations and, at the request of one of the Parties, shall conduct consultations.
2. The competent Faroese 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 Faroese 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 the Faroes 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.

¹⁰ OJ L 292, 15.11.1996, p.2

VI. Administrative Measures And Penalties

Without prejudice to application of Faroese criminal law, administrative measures and penalties may be imposed by the Commission in accordance with Regulations (EC, Euratom) No 1605/2002, and (EC, Euratom) No 2342/2002 and with Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995¹¹ 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 the Faroes by means of civil procedure in a Faroese Court. The relevant enforcement provisions are incorporated in the grant agreements with participants from the Faroes. The enforcement order shall be submitted to the Faroese Court, without any further control other than verification of the authenticity of the act, by the authorities designated by the Government of the Faroes, which shall inform the Commission thereof. Enforcement shall take place in accordance with the Faroese 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 Framework Programme shall be enforceable on the same terms.

¹¹ OJ L312, 23.12.1995, p.1-4

LEGISLATIVE FINANCIAL STATEMENT

1. NAME OF THE PROPOSAL

Proposal for a Council decision on the signature and provisional application of an agreement between the European Community and the Government of the Faroes on scientific and technological cooperation, associating the Faroe Islands to the European Community's Seventh Framework Programme for Research, Technological Development and Demonstration Activities (2007-2013).

2. ABM / ABB FRAMEWORK

Policy strategy and coordination of, in particular, the DGs RTD, JRC, ENTR, INFSO and TREN.

3. BUDGET LINES

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

- Faroes participation:

Chapter 6013 (revenue), Articles 10.0202, 02.0403, 06.0604, 08.2204, 09.0402 (Title 1a))

The contribution by the Faroes to the budget of the Seventh EC Framework Programme will be proportionate to its GDP compared with that of the European Union of 27. It will be allocated to the various specific programmes of the Seventh EC Framework Programme in proportion to their budgets.

- Participation in indirect actions by entities from the Faroes, as well as costs in connection with the implementation of the Agreement (workshops, seminars, meetings, etc.), will be charged to the specific budget lines for the specific programmes of the Seventh EC Framework Programme (08.010503).

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

This agreement shall be effective from the date of signature for the remaining duration of the Seventh framework programme (EC). It may be terminated at any time by either party upon six months' notice.

3.3. Budgetary characteristics *(add rows if necessary)*:

Budget line	Expenditure type		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
08 01.05.03	Non-comp	Non-diff ¹²	NO	YES	YES	1a)

¹² Non-differentiated appropriations.

4. SUMMARY OF RESOURCES

4.1 Financial Resources

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

EUR million (to 3 decimal places)

Expenditure type	Section no.		Year	2011	2012	2013	n+4	N+5 and later.	Total
			2010						

Operational expenditure¹³

Commitment Appropriations (CA)	8.1	a	0	0	0	0			0
Payment Appropriations (PA)		b	0	0	0	0			0

Administrative expenditure within reference amount¹⁴

Technical & administrative assistance (NDA)	8.2.4	c	0.117	0.117	0.117	0.117			0.468
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TOTAL REFERENCE AMOUNT

Commitment Appropriations		a+c	0.117	0.117	0.117	0.117			0.468
Payment Appropriations		b+c	0.117	0.117	0.117	0.117			0.468

Administrative expenditure not included in reference amount¹⁵

Human resources and associated expenditure (NDA)	8.2.5	d	0	0	0	0			0
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¹³ Expenditure that does not fall under Chapter xx 01 of the Title xx concerned.

¹⁴ Expenditure within Article xx 01 04 of Title xx.

¹⁵ Expenditure within Chapter xx 01 other than Articles xx 01 04 or xx 01 05.

Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6	e	0	0	0	0			0
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Total indicative financial cost of intervention

TOTAL CA including cost of Human Resources		a+c +d+ e	0.117	0.117	0.117	0.117			0.468
TOTAL PA including cost of Human Resources		b+c +d+ e	0.117	0.117	0.117	0.117			0.468

Co-financing details

No co-financing required

4.1.2 Compatibility with Financial Programming

- Proposal is compatible with existing financial programming.
- Proposal will entail reprogramming of the relevant heading in the financial perspective.
- Proposal may require application of the provisions of the Interinstitutional Agreement¹⁶ (i.e. flexibility instrument or revision of the financial perspective).

4.1.3 Financial impact on Revenue

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

Note: All details and observations relating to the method of calculating the effect on revenue should be shown in a separate annex.

		Prior to action [Year n-1]						
Budget line	Revenue*		2010	2011	2012	2013	-	Total
6013	a) Revenue in absolute terms	0	0,927	1,065	1,193	1,324	-	4,509
	b) Change in revenue	Δ					-	

*estimated revenue

¹⁶ See points 19 and 24 of the Interinstitutional agreement.

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

Use of existing human resources. The Commission is not requesting additional staff for implementation of the agreement.

5. CHARACTERISTICS AND OBJECTIVES

Details of the context of the proposal are required in the Explanatory Memorandum. This section of the Legislative Financial Statement should include the following specific complementary information:

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

This decision will allow both parties to upgrade and intensify their cooperation in areas of common scientific and technological interest.

5.2 Value-added of Communities involvement and coherence of the proposal with other financial instruments and possible synergy:

The Agreement is based on the principles of mutual benefit, reciprocal opportunities for access to each other's programmes and activities relevant for the purpose of the Agreement, non-discrimination, the effective protection of intellectual property and equitable sharing of intellectual property rights. The proposal is also in line with the administrative expenditure borne by the Community which provides for missions by experts and EU officials, organisation of workshops, seminars and meetings in the European Community and the Faroes.

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

The main objective is to stimulate cooperation between the European Community and the Faores in the areas covered by the RTD framework programme:

the agreement is designed to enable the Community and the Faroes to profit, on the basis of the principle of mutual benefit, from the scientific and technical progress achieved under their respective research programmes, by means of participation by the Faroes' scientific community and Faroese industry in Community research projects and independent participation, without funding, by entities established in the Community in Faroese projects;

beneficiaries in the EC and the Faroes will be the scientific communities, industry and the general public, thanks to the direct and indirect effects of cooperation.

5.4. Method of Implementation (indicative)

Show below the method(s)¹⁷ chosen for the implementation of the action.

X Centralised Management

X Directly by the Commission

Indirectly by delegation to:

Executive Agencies

Bodies set up by the Communities as referred to in Art. 185 of the Financial Regulation

National public-sector bodies/bodies with public-service mission.

Shared or decentralised management

With Member States

With third countries

Joint management with international organisations (please specify)

Relevant *comments*:

6. MONITORING AND EVALUATION

The cooperation agreement will be regularly assessed by the relevant Commission services.

The assessment will cover the following:

- a. Compilation of available information: based on the data from the specific programmes of the framework programme.
- b. General assessment of the operation: an evaluation of all the cooperation activities under this agreement will be made by the Commission's departments.

7. 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 reason to doubt the realistic nature of work performed or described in the activity reports.

¹⁷ If more than one method is indicated please provide additional details in the "Relevant comments" section of this point.

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 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, in carrying out the research activities, the Commission will ensure that the financial interests of the European Communities are protected by effective checks and, where irregularities are detected, by proportionate and dissuasive measures and penalties.

In order to achieve this aim, rules on checks, measures and penalties, with references to Regulations No 2988/95, 2185/96, 1073/99 and 1074/99 will be set out 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 EC 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 1073/1999 and No 1074/1999;
- 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 possible recovery orders in case of irregularities and fraud be enforceable according to Article 256 of the EC 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 undertaken by this Unit and the Court of Auditors of the European Union.

8. DETAILS OF RESOURCES

8.1 Objectives of the proposal in terms of their financial cost: NA

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year n		Year n+1		Year n+2		Year n+3		Year n+4		Year n+5 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost
OPERATIONAL OBJECTIVE No.1 ¹⁸																
Action1.....																
Output 1																
Output 2																
Action 2.....																
Output 1																
Sub-total Objective 1																
OPERATIONAL OBJECTIVE No.2																
Action 1.....																

¹⁸ As described under Section 5.3.

Output 1																
Sub-total Objective 2																
OPERATIONAL OBJECTIVE No. n																
Sub-total Objective n																
TOTAL COST																

8.2 Administrative Expenditure

8.2.1 Number and type of human resources

Use of existing human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (number of posts/FTEs)					
		2010	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5
Officials or temporary staff ¹⁹ (XX 01 01)	A*/AD						
	B*, C*/AST						
Staff financed ²⁰ by Art. XX 01 02							
Other staff financed ²¹ by Art. XX 01 04/05							
TOTAL							

8.2.2 Description of tasks deriving from the action

Management of the Agreement will entail missions and attendance of meetings by EU and Faroese experts, held in Brussels and the Faroes.

8.2.3 Sources of human resources (statutory)

When more than one source is stated, please indicate the number of posts originating from each of the sources)

- Posts currently allocated to the management of the programme to be replaced or extended
- Posts pre-allocated within the APS/PDB exercise for year n
- Posts to be requested in the next APS/PDB procedure

¹⁹ Cost of which is NOT covered by the reference amount.

²⁰ Cost of which is NOT covered by the reference amount.

²¹ Cost of which is included within the reference amount.

- Posts to be redeployed using existing resources within the managing service (internal redeployment)
- Posts required for year n although not foreseen in the APS/PDB exercise of the year in question

8.2.4 Other administrative expenditure included in reference amount
(08 01 04/05 – Expenditure on administrative management)

EUR million (to 3 decimal places)

Budget line (number and heading)	2010	2011	2012	2013	Year n+4	Year n+5 and later	TOTAL
1. Technical and administrative assistance (including related staff costs)							
Executive agencies ²²							
Other technical and administrative assistance	0.117	0.117	0.117	0.117			0.468
<i>intra muros</i>							
<i>extra muros</i>							
Total Technical and administrative assistance	0.117	0.117	0.117	0.117			0.468

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

EUR million (to 3 decimal places)

Type of human resources	2010	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later
Officials and temporary staff (08 01 01)						
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)						
Total cost of Human Resources and associated costs (NOT in reference amount)						

²² Reference should be made to the specific legislative financial statement for the Executive Agency (ies) concerned.

Calculation– *Officials and Temporary agents (122.00€ per year for officials)*

Reference should be made to Point 8.2.1, if applicable

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

Reference should be made to Point 8.2.1, if applicable

8.2.6 Other administrative expenditure not included in reference amount

EUR million (to 3 decimal places)

	2010	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
XX 01 02 11 01 – Missions							
XX 01 02 11 02 – Meetings & Conferences							
XX 01 02 11 03 – Committees ²³							
XX 01 02 11 04 – Studies & consultations							
XX 01 02 11 05 - Information systems							
2. Total Other Management Expenditure (XX 01 02 11)							
3. Other expenditure of an administrative nature (specify including reference to budget line)							
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)							

Calculation - Other administrative expenditure not included in reference amount

Annex Method of calculating the effect on revenue
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Faroes' contribution to the Seventh EC Framework Programme will be proportionate to its GDP compared to the GDP of the European Union.

Estimated contribution to the Seventh EC Framework Programme based for the Member States, on the basis of the latest statistical data from Eurostat (EUROSTAT, Statistics in

²³ Specify the type of committee and the group to which it belongs.

Focus - Theme 2) and for the Faroes on the basis of the latest statistical data from the National Statistical Authority of the Faroes (Hagstova Føroya) on 2008 GDP :

GDP 2008 (Mio €)

GDP EUR 27	12.506.963,900
GDP Faroes	1.673,020
Ratio	0,013%

Estimated Contribution (Mio €)

Year	Budget	Total estimated contribution
2010	6.932,723	0,927
Total	6.932,723	0,927