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Committee on Industry, Research and Energy

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DRAFT REPORT

on the proposal for a decision of the European Parliament and of the Council
on the participation by the Community in a research and development
programme aimed at supporting research and development performing SMEs
undertaken by several Member States
(COM(2007)0514 – C6-0281/2007 – 2007/0188(COD))

Committee on Industry, Research and Energy

Rapporteur: Paul Rübig

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission.)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

on the proposal for a decision of the European Parliament and of the Council on the participation by the Community in a research and development programme aimed at supporting research and development performing SMEs undertaken by several Member States

(COM(2007)0514 – C6-0281/2007 – 2007/0188(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2007)0514),
 - having regard to Article 251(2) and Articles 169 and 172(b) of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C6-0281/2007),
 - having regard to Rule 51 of its Rules of Procedure,
 - having regard to the report of the Committee on Industry, Research and Energy and the opinion of the Committee on Budgets (A6-0000/2008),
1. Approves the Commission proposal as amended;
 2. Calls on the Commission to refer the matter to Parliament again if it intends to amend the proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and Commission.

Text proposed by the Commission

Amendments by Parliament

Amendment 1 Recital 20

(20) In order to efficiently implement the Eurostars Joint Programme, the dedicated implementation structure should grant financial support to third parties participating in the Eurostars Joint Programme selected following calls for proposals.

(20) In order to efficiently implement the Eurostars Joint Programme, the dedicated implementation structure should grant financial support to third parties participating in the Eurostars Joint Programme selected following calls for proposals. ***The grant of such financial support to third parties and its payment should be transparent and non-bureaucratic.***

Amendment 2
Recital 19

(19) The Community should have the right to reduce its financial contribution in case the Eurostars Joint Programme is implemented inadequately, partially or late, or in case the participating Member States and the other participating countries do not contribute or contribute partially or late to the financing of the Eurostars Joint Programme, on the terms set out in an agreement to be concluded between the Community and the dedicated implementation structure.

(19) The Community should have the right to reduce ***or withhold*** its financial contribution in case the Eurostars Joint Programme is implemented inadequately, partially or late, or in case the participating Member States and the other participating countries do not contribute or contribute partially or late to the financing of the Eurostars Joint Programme, on the terms set out in an agreement to be concluded between the Community and the dedicated implementation structure.

Amendment 3
Recital 20 a (new)

(20 a) If a ranking of beneficiary applicants has been defined , the respective list shall be binding for the allocation of funding from the Community contribution and from the national earmarked budgets to Eurostars projects.

Amendment 4
Recital 27 a (new)

(27a) Monitoring of the implementation of the Eurostars Joint Programme should be cost-efficient and should not impose unnecessary burdens on SMEs participating in the Programme.

Amendment 5
Article 2, point (e)

(e) commitments by the participating Member States and the other participating countries to contribute to the financing of the Eurostars Joint Programme and the

(e) commitments by the participating Member States and the other participating countries to contribute to the financing of the Eurostars Joint Programme and the

effective payment of the financial contribution, in particular the funding of participants in the projects selected following *the* calls for proposals launched under the Eurostars Joint Programme;

effective payment of the financial contribution, in particular the funding of participants in the projects selected following calls for proposals launched under the Eurostars Joint Programme ***ensuring that the payments are effected within the period specified by the dedicated implementation structure.***;

Justification

Since SMEs are particularly hard hit by late payments the Community has to avoid late payments by finding an efficient monitoring scheme

Amendment 6 Article 4

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

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

Justification

If the evaluation after two years shows a necessity the general agreement has to be adjusted.

Amendment 7 Article 9

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

The Commission shall communicate all relevant information to the European Parliament, the Council and the Court of Auditors. The participating Member States and the other participating countries ***shall, on request,*** submit to the Commission, through the dedicated implementation structure, any additional information

required by the European Parliament, the Council and the Court of Auditors concerning the financial management of the dedicated implementation structure.

required by the European Parliament, the Council and the Court of Auditors concerning the financial management of the dedicated implementation structure.

Justification

If the European Parliament, the Council or the Court of Auditors needs additional information concerning the financial management, the Member States must provide such information. This is necessary for a future evaluation of the program.

Amendment 8 Article 13, paragraph 2

2. An interim evaluation of the Eurostars Joint Programme shall be carried out by the Commission two years after the start of the Eurostars Joint Programme. This evaluation shall cover the quality and efficiency of the implementation, including scientific, management and financial integration, of the Eurostars Joint Programme and progress towards the objectives set, including recommendations on the most appropriate ways to further enhance integration. The Commission shall communicate the conclusions thereof, accompanied by its observations and, where appropriate, proposals for the adaptation of this Decision, to the European Parliament and the Council.

2. An interim evaluation of the Eurostars Joint Programme shall be carried out by the Commission two years after the start of the Eurostars Joint Programme. This evaluation shall cover the quality and efficiency of the implementation, including scientific, management and financial integration, of the Eurostars Joint Programme and progress towards the objectives set, including recommendations on the most appropriate ways to further enhance integration. ***The evaluation shall also assess the eligibility criteria for the research and innovation-performing SMEs, in particular what proportion of time and of annual turnover is dedicated to research activities.*** The Commission shall communicate the conclusions thereof, accompanied by its observations and, where appropriate, proposals for the adaptation of this Decision, to the European Parliament and the Council.

Justification

The participation conditions for SMEs referring the full-time equivalent and the investment in research conditions are very high, such that only few SMEs can attend to the program. Therefore there has to be an evaluation after two years.

Amendment 9 Article 13, paragraph 2 a (new)

2 a. If the evaluation referred to in paragraph 2 shows that the eligibility criteria are too stringent, such that insufficient proposals for the award of grants are accepted, the Commission and the dedicated implementing structure shall amend the general agreement referred to in Article 4 in order to adjust those criteria accordingly.

Amendment 10
Annex I, section II Activities, point 2

(2) executed for their core part by the R&D performing SME(s), which should contribute for at least **50%** of the costs related to R&D within the project. Minor subcontracting may be accounted for, if necessary for the project.

(2) executed for their core part by the R&D performing SME(s), which should contribute for at least **25%** of the costs related to R&D within the project. Minor subcontracting may be accounted for, if necessary for the project.

Justification

Too many R&D performing SMEs are excluded with a 50 % contribution. By setting the barrier to 25 %, also more market based SMEs could participate.

Amendment 11
Annex I, section V Funding Mechanism, heading Funding of Eurostars projects, paragraph 1 a (new)

The financial support shall be paid as a lump sum. Where a lump sum payment is not compatible with the funding rules of the participating national programmes, a fixed percentage of the direct costs of the project in question (flat rate) should be preferred.

Justification

The Eurostars program should work in a transparent and non-bureaucratic way, which is to achieve with a lump sum or a flat rate payment.

EXPLANATORY STATEMENT

The Commission proposal concerns the participation of the Community in the EUROSTARS joint research and development programme undertaken by several Member States and Associated Countries under Article 169 of the Treaty.

The programme is the result of an initiative put forward by EUREKA to support research and development performing SME's in executing market-oriented research in transnational projects. EUROSTARS is one of the four Article 169 initiatives identified in the Specific Programmes of the Seventh Framework Programme.

It is a joint initiative between 27 countries, the EUREKA network- an intergovernmental initiative which supports market oriented R&D and innovation projects in all fields- and the European Commission, providing funding for SMEs to lead international market driven collaborative research projects. The scheme combines the centralised management of the Framework Programmes with the decentralised network of EUREKA.

22 Member States and 7 associated countries have pledged €300 million and the European Commission is contributing €100 million from the 7th Framework Programme.

EUROSTARS and the Seventh Framework Programme

SMEs have access to a number of programmes under the Framework programme:

- In the ***Cooperation Specific Programme*** Research performing SMEs can participate in collaborative research in any of ten thematic areas.

Each work programme identifies the research areas of particular interest to SMEs and provides concrete measures to increase their participation. The aim, at the request of the EP, is to enable at least 15% of the funding to go to SMEs.

The dissemination and transfer of knowledge are important features in each thematic area.

- In the ***Capacities Specific Programme*** Research outsourcing SMEs can participate in two schemes to build their research capacity and technological know how.

a) *Research for the benefit of SMEs*, covers all fields of science and technology and aims to complement national programmes by supporting trans-national research cooperation and technology transfer.

Support is offered for increasing research efforts, outsourcing research, extending networks and acquiring technological know how.

b) *Research for SMEs associations*: supporting short term collaborative projects by several

SMEs to solve common problems, such as conforming to European standards or meeting regulatory requirements, through research. Results are then disseminated to members of the SME associations. In both schemes projects are required to include activities promoting the use of research results. They also have special rules for ownership and access rights.

- In the ***People Specific Programme***: Research performing SMEs can participate in "Industry-academia pathways and partnerships". This scheme allows SMEs to participate in joint research partnerships supported by experienced researchers and staff secondments between public and private sectors.
- Finally in the ***Risk Sharing Finance Facility***, a new feature of FP7, designed to improve access to debt finance. A contribution is provided from the EU to the EIB to finance more risky RTD projects. This will increase the amount of RTD actions financed by the EIB, such as joint technology initiatives, large projects, including EUREKA projects, new research infrastructures and projects run by SMEs, to help overcome market deficiencies.

EUROSTARS complements the Seventh Framework Programme by offering a bottom-up programme adapted to the needs of research performing SME's.

The EUROSTARS Joint Programme

The Joint Programme intends to go beyond a simple coordination of national programmes to achieve integration of scientific, management and financial aspects.

Scientific integration implies a common process of evaluation and selection of projects based on scientific excellence and economic impact. Management integration will be achieved by means of a dedicated implementation structure (the EUREKA Secretariat) and financial integration by the establishment of a multi-annual financing plan with the funds contributed by the participating countries and the Community.

EUROSTARS will fund multipartner transnational projects in any field of science and technology initiated and led by R&D performing SMEs but open to other type of participants (universities, research organisations, large companies), although the core part of the project should be performed by the SME. Research activities should be market oriented and aimed at short to medium term commercial results.

Implementation of EUROSTARS

The joint programme will be implemented through a dedicated implementation structure which will act as a single entry point for proposals, submitted after each yearly call for proposals.

Project proposals will be evaluated and selected at central level on the basis of eligibility and evaluation criteria with the help of independent experts. The ranking of proposals will be performed by an international evaluation panel of independent experts. The ranking list shall be binding for the allocation of funding from the community contribution and from national funds earmarked to EUROSTARS projects.

Project participants in selected projects will be handled administratively by their respective national programmes.

The rapporteur's comments

This rapporteur is concerned with the eligibility criteria for SME's in regards the percentage of contribution to the costs of the projects both in terms of investment and full-time equivalent and the percentage of annual turnover spent in research activities. Therefore, he proposes that an evaluation of these criteria should be made after two years and if needed, an adjustment of these criteria should be made possible.

Another concern is the required contribution of the R&D performing SMEs to the costs of the project (at least 50%) which will exclude many market based SMEs and therefore this rapporteur proposes that this barrier should be set at 25%.

In regards implementation, the EUROSTARS joint programme should work in a transparent and non bureaucratic way to facilitate SME participation. Therefore, the Community contribution to projects should be made by lump sum payments and in case a lump sum payment is not compatible with the national programmes, there should be a flat rate payment.

Finally, since the realisation of the EUROSTARS programme is already in an advanced stage, there exists a broad consensus that a rapid handling of the report should take place. Therefore, this rapporteur will aim to an adoption of the report in the **First Reading** in plenary.