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Subject:	Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the participation of the Union in the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) jointly undertaken by several Member States

Delegations will find attached a Presidency text on the Proposal for a Decision of the European Parliament and of the Council on the participation of the Union in the Partnership for Research and Innovation in the Mediterranean Area (PRIMA) jointly undertaken by several Member States in view of the Research Working Party of 16 January 2017.

Changes to doc. 15657/16 are indicated in **bold underlined** for additions and ~~strikethrough~~ for deletions.

General scrutiny reservation: all delegations.

Parliamentary scrutiny reservation: UK.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on the participation of the Union
in the Partnership for Research and Innovation in the Mediterranean Area (PRIMA)
jointly undertaken by several Member States

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 185 and the second paragraph of Article 188 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee¹,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) In its Communication of 3 March 2010 entitled 'Europe 2020 A strategy for smart, sustainable and inclusive growth' the Commission emphasised the need to develop favourable conditions for investment in knowledge and innovation so as to achieve smart, sustainable and inclusive growth in the Union. Both the European Parliament and the Council have endorsed that strategy.

¹ OJ C ... [ESC opinion]

- (2) Regulation (EU) No 1291/2013 of the European Parliament and of the Council² established Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) ('Horizon 2020'). Horizon 2020 aims at achieving a greater impact on research and innovation by contributing to the strengthening of public-public partnerships, including through Union participation in programmes undertaken by several Member States.
- (3) Public-public partnerships should aim to develop closer synergies, increase coordination and avoid unnecessary duplication with Union, international, national and regional research programmes, and should fully respect the Horizon 2020 general principles, in particular those relating to openness and transparency.
- (4) Regulation (EU) No 1291/2013 has identified 'Climate action, environment, resource efficiency and raw materials' and 'Food security, sustainable agriculture and forestry, marine, maritime and inland water research, and the bioeconomy' as two of the priority societal challenges to be addressed by supporting investment in research and innovation. Moreover, Regulation (EU) No 1291/2013 recognises that research and innovation activities for these challenges should be carried out at the Union level and beyond, given the transnational and global nature of the climate and the environment, their scale and complexity, and the international dimension of the food and agricultural supply chain.
- (5) Regulation (EU) No 1291/2013 acknowledges that international cooperation with third countries is necessary to address effectively common challenges. International cooperation in research and innovation is a key aspect of the Union's global commitments and has an important role to play in the Union's partnership with neighbourhood countries. This cooperation follows the approach taken in the European neighbourhood policy to differentiate the level of cooperation with each country in the neighbourhood based on their commitment towards the Union.

² Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 – the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC (OJ L 347, 20.12.2013, p. 104).

- (6) In its Communication of 7 June 2016 on establishing a new Partnership Framework with third countries under the European Agenda on Migration, the Commission emphasised the need to call upon all policies, including research and innovation, to address the root causes of migration through a new cooperation model involving private investors, leveraging limited budget resources, and focusing on SMEs and sustainable infrastructure.
- (7) On 23 December 2014, a group of 19 countries of the Mediterranean Area submitted to the Commission a proposal for a Joint Programme initiative 'Partnership for Research and Innovation in the Mediterranean Area' (PRIMA). Among these countries, 14 countries have agreed to jointly undertake the PRIMA initiative by committing financial contributions: Cyprus, Czech Republic, France, Greece, Italy, Luxembourg, Malta, Portugal and Spain, Member States of the Union; Israel and Tunisia, third countries associated to Horizon 2020; Egypt, Lebanon and Morocco, third countries not associated to Horizon 2020.
- (8) PRIMA aims at implementing a joint programme for the development and the adoption of innovative and integrated solutions for improving the efficiency, safety, security and sustainability of food production and water provision in the Mediterranean area. PRIMA should contribute to the achievement of the recently-agreed Sustainable Development Goals and to the forthcoming European Sustainable Development Strategy.
- (9) For ensuring participation of the third countries not associated to Horizon 2020 in PRIMA, namely Egypt, Lebanon and Morocco, international agreements between the Union and these third countries should be required in order to extend to them the legal regime established by this Decision.
- (10) In line with the objectives of Horizon 2020, any other Member State and third country associated to Horizon 2020 should be entitled to participate in PRIMA if it commits to contribute to the financing of PRIMA.

- (11) In order to achieve the objectives of PRIMA, participation of any other third country not associated to Horizon 2020, in particular Southern Mediterranean countries, should be possible if it commits to contribute to the financing of PRIMA and if the PRIMA-IS approves its participation. Its participation should also be provided for by the relevant international agreement between such third country and the Union.
- (12) In order to ensure the joint implementation of PRIMA, an implementation structure should be set up ('PRIMA-IS'). The PRIMA-IS should be the recipient of the Union's financial contribution and it should ensure the efficient implementation of PRIMA.
- (13) The Union's financial contribution should be subject to formal commitments from the Participating States to contribute to the financing of PRIMA and to the fulfilment of those commitments in accordance with the terms of this Decision. Flexibility should be provided to the Participating States to optionally contribute financially to the PRIMA-IS in view of funding indirect actions, thus achieving a high degree of financial integration. Furthermore, Participating States should contribute financially or in kind to activities implemented without Union contribution. The period during which the Participating States have to provide their contribution should be clearly defined.
- (14) A ceiling should be established for the Union contribution in PRIMA with funding from Horizon 2020. Within that ceiling, the Union contribution should be equal to the contribution of the Participating States to PRIMA in order to achieve a high leverage effect and ensure a stronger integration of the Participating States' programmes. It should be possible to use a limited part of the Union contribution to cover administrative costs of the PRIMA-IS.
- (15) In order to avoid a prolonged implementation of PRIMA, a deadline should be fixed for the launch of the last activities, including the last calls for proposals.

- (16) PRIMA activities should be in line with the objectives and research and innovation priorities of Horizon 2020 and with the general principles and conditions laid down in Article 26 of Regulation (EU) No 1291/2013. PRIMA should take into account the OECD definitions regarding Technological Readiness Level in the classification of technological research, product development and demonstration activities.
- (17) In order to achieve the objectives of PRIMA, the PRIMA-IS should provide financial support mainly in the form of grants to participants in actions funded by the PRIMA-IS. Those actions should be selected following open and competitive calls for proposals under the responsibility of the PRIMA-IS.
- (18) Calls for proposals managed by the PRIMA-IS should also be published on the single portal for participants, as well as through other Horizon 2020 electronic means of dissemination managed by the Commission.
- (19) The Union's financial contribution should be managed in accordance with the principle of sound financial management and with the rules on indirect management laid down in Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council³ and Commission Delegated Regulation (EU) No 1268/2012⁴.
- (20) In order to protect the Union's financial interests, the Commission should have the right to reduce, suspend or terminate the Union's financial contribution if PRIMA is implemented inadequately, partially or late, or if the Participating States do not contribute, or contribute partially or late, to the financing of PRIMA.

³ Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union repealing Council Regulation (EC, Euratom) No 1605/2002 (OJ L 298 of 26.10.2012, p. 1).

⁴ Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 (OJ L 362 of 31.12.2012, p. 1).

- (21) Participation in indirect actions funded by the PRIMA-IS is subject to Regulation (EU) No 1290/2013 of the European Parliament and of the Council⁵. However, due to the specific operating needs of PRIMA, it is necessary to provide for derogations in accordance with Article 1(3) of that Regulation.
- (22) Derogations from point (b) of Article 9(1) and from Article 9(3) of Regulation (EU) No 1290/2013 are necessary in order to account for the specificities resulting from the geographical scope of PRIMA, by further adjusting the minimum eligibility conditions for participation in indirect actions. In order to ensure balanced core participation in indirect actions under a north-south configuration, as a derogation from point (b) of Article 9(1) of Regulation (EU) No 1290/2013, the minimum number of participants should be three legal entities established in three different Participating States of which one is established in a Member State or in a country associated to Horizon 2020, and one is established in a third country, associated or not to Horizon 2020. Derogation from Article 9(3) of Regulation (EU) No 1290/2013 is necessary in order to ensure that the minimum eligibility conditions for participation in indirect actions are not discriminatory for entities established in third countries participating in PRIMA as Participating States. In order to ensure that funding conditions are not discriminatory for entities established in third countries participating in PRIMA as Participating States, it should be provided for that legal entities established in the Participating States are eligible for funding in addition to entities referred to in Article 10(1) of Regulation (EU) No 1290/2013. Derogations from Article 12 of Regulation (EU) No 1290/2013 are necessary in order to allow broadening cooperation through joint calls launched by the PRIMA-IS with legal entities other than third countries and international organisations.

⁵ Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in 'Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)' and repealing Regulation (EC) No 1906/2006 (OJ L 347, 20.12.2013, p. 81).

- (23) For the purpose of simplification, administrative burden should be reduced for all parties. Double audits and disproportionate documentation and reporting should be avoided. When audits are conducted, the specificities of the national programmes should be taken into account, as appropriate.
- (24) Audits of recipients of Union funds provided in accordance with this Decision should ensure a reduction of administrative burden, in accordance with Regulation (EU) No 1291/2013.
- (25) The Union's financial interests should be protected through proportionate measures throughout the expenditure cycle, including the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, administrative sanctions in accordance with Regulation (EU, Euratom) No 966/2012.
- (26) The Commission should conduct an interim evaluation assessing in particular the quality and efficiency of PRIMA and the progress made towards the objectives set, and a final evaluation, and should prepare reports on those evaluations.
- (27) Upon request from the Commission, the PRIMA-IS and the Participating States should submit any information the Commission needs to include in the reports on the evaluation of PRIMA.

(28) The objective of this Decision is to strengthen the integration and alignment of research and innovation systems and activities in the Mediterranean countries in the fields of water provision and food systems. The scale of the research and innovation necessary to address the challenges in the Mediterranean area is immense due to the systemic character of the major bottlenecks. The scope of research and innovation is complex, multidisciplinary and requires a multi-actor and cross-border approach. A collaborative approach with a wide set of Participating States can help to increase the required scale and scope, by pooling financial and intellectual resources. Since the objective can therefore be better achieved at Union level by integrating national efforts into a consistent Union approach, by bringing together compartmentalised national research programmes, by helping design common research and funding strategies across national borders, and by achieving the critical mass of actors and investments required, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Decision does not go beyond what is necessary in order to achieve those objectives.

(29) Therefore, the Union should participate in PRIMA,

HAVE ADOPTED THIS DECISION:

Article 1

Participation in PRIMA

1. The Union shall participate in the Partnership for Research and Innovation in the Mediterranean Area ('PRIMA') jointly undertaken by [Cyprus, France, Germany, Greece, Israel, Italy, Luxembourg, Malta, Portugal, Spain and Tunisia] ('Participating States'), in accordance with the conditions laid down in this Decision.
2. [Egypt, Jordan, Lebanon and Morocco] shall become Participating States subject to the conclusion of international agreements with the Union setting out the terms and conditions of their participation in PRIMA.

3. Any Member State and any country associated to Horizon 2020 other than those listed in paragraph 1 may participate in PRIMA provided it fulfils the condition laid down in point (c) of Article 4(1) of this Decision **and complies in particular with Article 11(5)**. If it fulfils ~~these~~ **these** conditions, it shall be regarded as a Participating State for the purposes of this Decision⁶.
4. Any third country not associated to Horizon 2020 other than those listed in paragraph 2 may participate in PRIMA provided that:
 - (a) it fulfils the condition laid down in point (c) of Article 4(1) of this Decision **and complies in particular with Article 11(5)**;
 - (b) the PRIMA-IS approves its participation in PRIMA after examining the relevance of its participation for achieving the objectives of PRIMA; and
 - (c) it concludes an international agreement with the Union setting out the terms and conditions of its participation in PRIMA.

If the country complies with the requirements set out in the first subparagraph, it shall be regarded as a Participating State for the purposes of this Decision.

Article 2

Objectives of PRIMA

1. The general objective of PRIMA is to build research and innovation capacities and to develop knowledge and common innovative solutions for water management and provision and agro-food systems in the Mediterranean region, to make them more climate resilient, efficient, cost-effective and sustainable, and to contribute to solving water scarcity, food security, nutrition, health, well-being and migration problems upstream.
2. In order to contribute to the general objective, PRIMA shall fulfil the following specific objectives:

⁶ **A recital could be added to clarify this paragraph.**

- (i) the formulation of a long-term, common strategic agenda in the area of water provision and agro-food systems;
- (ii) the orientation of relevant national research and innovation programmes towards the implementation of the strategic agenda;
- (iii) the involvement of all relevant public and private sector actors in implementing the strategic agenda by pooling knowledge and financial resources to achieve the necessary critical mass;
- (iv) the strengthening of the research and innovation capacities of all actors involved.

Article 3

Union's financial contribution to PRIMA

1. The ~~maximum~~ Union's financial contribution, including EFTA appropriations, **shall equal the contributions of the Participating States** to PRIMA. **The Union's financial contribution** shall be **not exceed** [EUR 200 000 000], ~~to equal the contributions of the Participating States.~~
2. The Union's financial contribution referred to in paragraph 1 shall be paid from the appropriations in the general budget of the Union allocated to the relevant parts of the Specific Programme implementing Horizon 2020, established by Council Decision 2013/743/EU⁷, and in particular from Part II 'Industrial Leadership' and Part III 'Societal challenges', in accordance with point (c)(vi) of Article 58(1) and Articles 60 and 61 of Regulation (EU, Euratom) No 966/2012.
3. The Union's financial contribution referred to in paragraph 1 shall be used by the implementation structure of PRIMA (the 'PRIMA-IS'):

⁷ Council Decision 2013/743/EU of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC (OJ L 347, 20.12.2013, p. 965).

- (a) to fund the activities referred to in Article 6(1)(a);
- (b) to cover the PRIMA-IS administrative costs, up to a maximum of [5%] of the Union's financial contribution referred to in paragraph (1).

Article 4

Conditions for the Union's financial contribution to PRIMA

1. The Union's financial contribution referred to in Article 3(1) shall be conditional upon the following:
 - (a) the demonstration by the Participating States that PRIMA is set up in accordance with the terms set out in this Decision;
 - (b) the designation by the Participating States or organisations designated by the Participating States of an entity with legal personality, as referred to in Article 58(1)(c)(vi) of Regulation (EU, Euratom) No 966/2012, as the PRIMA-IS. The PRIMA-IS shall be responsible for efficiently implementing PRIMA, for receiving, allocating and monitoring the Union's financial contribution referred to in Article 3(1), as well as the Participating States' contribution, where appropriate, and for ensuring that all necessary actions are undertaken to achieve the objectives of PRIMA;
 - (c) the commitment by each Participating State to contribute to the financing of PRIMA;
 - (d) the demonstration by the PRIMA-IS of its capacity to implement PRIMA, including receiving, allocating and monitoring the Union's financial contribution referred to in Article 3(1) in the framework of indirect management of the Union budget in accordance with Articles 58, 60 and 61 of Regulation (EU, Euratom) No 966/2012;
 - (e) the establishment of a governance model for PRIMA in accordance with Article 12;
 - (f) the adoption by the PRIMA-IS, after obtaining approval by the Commission, of the common principles referred to in Article 6(6).

2. During the implementation of PRIMA, the Union's financial contribution referred to in Article 3(1) shall also be conditional upon the following:
 - (a) the implementation by the PRIMA-IS of the objectives set out in Article 2, and of the activities referred to in Article 6;
 - (b) the maintenance of an appropriate and efficient governance model in accordance with Article 12;
 - (c) the compliance by the PRIMA-IS with the reporting requirements set out in Article 60(5) of Regulation (EU, Euratom) No 966/2012;
 - (d) the fulfilment by the Participating States of the commitments referred to in point (c) of paragraph 1.
3. The Commission shall assess the fulfilment of commitments undertaken by the Participating States, in particular through the first two PRIMA annual work plans. Following that assessment the maximum Union's financial contribution referred to in Article 3(1) may be reviewed in accordance with Article 9.

Article 5

Contributions from Participating States to PRIMA

1. The Participating States shall make or arrange for their national funding bodies to make financial or in kind contributions of at least [EUR 200 000 000] during the period from the date of entry into force of this Decision until 31 December 2028.

2. Contributions from the Participating States or their national funding bodies shall consist of the following:
 - (a) where appropriate, financial contributions to the PRIMA-IS in view of funding indirect actions referred to in Article 6(1)(a);
 - (b) financial or in kind contributions in implementing activities referred to in Article 6(1)(b); and
 - (c) financial or in kind contributions to the administrative budget of the PRIMA-IS not covered by the Union's financial contribution as set out in Article 3(3)(b).
3. In-kind contributions referred to in point (b) of paragraph 2 of this Article shall consist of costs incurred by the Participating States in implementing activities referred to in Article 6(1)(b), less any direct or indirect Union's financial contribution to those costs.
- 3a. In-kind contributions referred to in point (c) of paragraph 2 of this Article shall consist of costs incurred by the Participating States in relation to the administrative budget of the PRIMA-IS, less any direct or indirect Union's financial contribution to those costs.
4. For the purpose of valuing the in kind contributions referred to in point (b) of paragraph 2, the costs shall be determined in accordance with the usual accounting practices of the Participating States or national funding bodies concerned, the applicable accounting standards of the Participating State where the concerned national funding bodies are established and the applicable International Accounting Standards/International Financial Reporting Standards. The costs shall be certified by an independent auditor appointed by the Participating States or national funding bodies concerned. Should there be any uncertainty arising from the certification, the valuation method may be verified by the PRIMA-IS. In case of remaining uncertainties, it may be audited by the PRIMA-IS.

5. Contributions referred to in points (a) and (b) of paragraph 2 counting as contributions from Participating States shall be made after the entry into force of this Decision for the activities included in the first PRIMA annual work plan, and after adoption of the subsequent annual work plans.

Article 6

Activities and implementation of PRIMA

1. PRIMA shall support ~~the following~~ **a wide range of research and innovation activities, as defined in the PRIMA work plan, by means of:**
- (a) indirect actions within the meaning of Regulations (EU) No 1290/2013 and (EU) No 1291/2013 funded by the PRIMA-IS in accordance with Article 7, mainly in the form of grants following transnational open and competitive calls for proposals organised by the PRIMA-IS, including:
- (i) research and innovation actions, as well as innovation actions, ~~including demonstrators, pilot plants, testing, pre-commercial deployment, addressing a wide range of Technology Readiness Levels and ensuring an appropriate balance between small and large projects;~~
- (ii) coordination and support actions focussing on dissemination and outreach to promote PRIMA and maximise its impacts;

Option 1:

- (b) activities funded by the Participating States and with Union's financial contribution referred to in Article 3(1) ~~of~~ **up to one half** / [one fifth] of the effective **financial** contributions of the participating Member States, ~~addressing increasingly, where appropriate, higher Technology Readiness Levels and~~ consisting in:

(i) activities selected following transnational open and competitive calls for proposals organised by the PRIMA-IS, managed by the national funding bodies under the national programmes of the Participating States, providing financial support mainly in the form of grants;

~~(ii) activities under the national programmes of the Participating States including bilateral projects.~~

(c) activities funded by the Participating States under the national programmes of the Participating States without Union's financial contribution referred to in Article 3(1) including ~~bilateral~~ **transnational** projects.

Option 2:

(b) activities funded by the Participating States without Union's financial contribution referred to in Article 3(1) ~~addressing increasingly, where appropriate, higher Technology Readiness Levels and~~ consisting in:

(i) activities selected following transnational open and competitive calls for proposals organised by the PRIMA-IS, managed by the national funding bodies under the national programmes of the Participating States, providing financial support mainly in the form of grants;

(ii) activities under the national programmes of the Participating States including ~~bilateral~~ **transnational** projects.

2. PRIMA shall be implemented on the basis of annual work plans, to be adopted by the PRIMA-IS, after obtaining approval by the Commission, by the end of the previous year. As an exception, the PRIMA annual work plan for 2018 may be adopted by 31 March 2018. **The work plan shall cover the period from 1 January to 31 December of a given year.** The PRIMA-IS shall make the annual work plan publicly available.

3. Activities may only be funded under PRIMA if they are set out in the PRIMA annual work plan. The PRIMA annual work plan shall distinguish between the activities referred to in point (a) of paragraph 1, the activities referred to in point (b) of that paragraph, as well as the administrative costs of the PRIMA-IS. It shall provide for their corresponding expenditure estimates as well as for the budget allocation to activities funded with Union's financial contribution referred to in Article 3(1) and to activities funded by the Participating States without Union's financial contribution referred to in Article 3(1). The PRIMA annual work plan shall also include the estimated value of the Participating States' in kind contributions referred to in Article 5(2)(b).
4. The last activities to be funded, including the last calls for proposals under the relevant PRIMA annual work plans shall be launched by 31 December 2024. In duly justified cases, they may be launched by 31 December 2025.
5. Activities to be funded by the Participating States without Union's financial contribution referred to in Article 3(1) may only be included in the PRIMA annual work plan following the positive outcome of their external independent evaluation by international peer review with regard to the objectives of PRIMA, as organised by the PRIMA-IS.
6. Activities included in the PRIMA annual work plan that are funded by the Participating States without Union's financial contribution referred to in Article 3(1) shall be implemented in compliance with common principles to be adopted by the PRIMA-IS, after obtaining approval by the Commission. The common principles shall take into account the principles set out in this Decision, in Title VI of Regulation (EU, Euratom) No 966/2012 and in Regulation (EU) No 1290/2013, in particular the principles of equal treatment, transparency, independent peer review evaluation and selection. The PRIMA-IS shall also adopt, after obtaining approval by the Commission, the reporting requirements of the Participating States to the PRIMA-IS, including with regard to indicators inserted into each of those activities.

7. The activities referred to in point (b)(i) of paragraph 1 shall, in addition to the common principles referred to in paragraph 6, comply with the following conditions:
- (a) The proposals shall be for transnational projects, with minimum participation of at least three independent legal entities established in three different Participating States, of which⁸:
 - (i) one established in a Member State or in a country associated to Horizon 2020, and
 - (ii) one established in a third country considered as a Participating State in accordance with this Decision by the submission deadline under the relevant call for proposals.
 - (b) The proposals shall be selected following transnational calls for proposals and shall be evaluated with the assistance of at least three independent experts, on the basis of the following award criteria: excellence, impact, quality and efficiency of the implementation.

Option 1

- (c) Proposals shall be ranked according to the evaluation results. The selection shall be made by the PRIMA and should follow ~~to the extent possible~~ this ranking. The Participating States shall agree on an adequate funding mode that allows maximising the number of proposals above threshold to be funded on the basis of this ranking, in particular by providing reserve amounts to the national contributions for calls for proposals. ~~In case one or more projects cannot be funded, the projects following directly in the ranking may be selected.~~

⁸ A recital could be added addressing the balance North/South of the Mediterranean.

d) In case one or more projects cannot be funded by the national funding agency because it has already consumed its available appropriations , it may be funded by the PRIMA-IS on the basis of the PRIMA general grant agreement. However, only 20% of the EU contribution defined at article 3.1 may be used to fund these participants, provided their national funding agency has actually committed sufficient appropriation on the call. If this additional funding is not able to fund all participants from the consortia retained for funding, then the projects following directly in the ranking may be selected, the projects following directly in the ranking may be selected.

Option 2

(c) Proposals shall be ranked according to the evaluation results. The selection shall be made by the PRIMA and should follow ~~to the extent possible~~ this ranking. The Participating States shall agree on an adequate funding mode that allows maximising the number of proposals above threshold to be funded on the basis of this ranking, in particular by providing reserve amounts to the national contributions for calls for proposals. In case one or more projects cannot be funded, the projects following directly in the ranking may be selected.

8. The PRIMA-IS shall monitor and report to the Commission on the implementation of all activities included in the PRIMA annual work plan.
9. Any communication or publication relating to the activities of PRIMA, and performed in cooperation with PRIMA, whether undertaken by the PRIMA-IS, a Participating State or its national funding bodies, or participants to an activity, shall be labelled or co-labelled as ‘[name of the activity] is part of the PRIMA programme supported by the European Union’.

Option A²

Article 7

Rules for participation and dissemination

1. The PRIMA-IS shall be considered to be a funding body within the meaning of Regulation (EU) No 1290/2013 and shall provide financial support to indirect actions referred to in Article 6(1)(a) of this Decision in accordance with the rules set out in that Regulation, subject to the derogations set out in this Article.
2. By way of derogation from point (b) of Article 9(1) of Regulation (EU) No 1290/2013, the minimum number of participants shall be three legal entities established in three different Participating States of which¹⁰:
 - (a) one established in a Member State or in a country associated to Horizon 2020, and
 - (b) one established in a third country considered as a Participating State in accordance with this Decision by the submission deadline under the relevant call for proposals.
3. By way of derogation from Article 9(3) of Regulation (EU) No 1290/2013, in duly justified cases provided for in the PRIMA annual work plan, the minimum condition shall be the participation of one legal entity established in a Participating State, which is a Member State, a country associated to Horizon 2020 or a third country considered as a Participating State in accordance with this Decision by the submission deadline under the relevant call for proposals.

² **Option A: funding by PRIMA-IS.**

¹⁰ A recital could be added addressing the balance North/South of the Mediterranean.

4. **[Option 1:** In addition to the participants eligible for funding under Article 10(1) of Regulation (EU) No 1290/2013, any legal entity established in a Participating State shall be eligible for funding.]

Option 2: By way of derogation from Article 10(1) and (2) of Regulation (EU) No 1290/2013, the following participants are eligible for funding by the PRIMA-IS:

- (a) any legal entity established in a Participating State or created under Union law;
- (b) any international European interest organisation.¹¹

In the case of a participating international organisation or in the case of a participating legal entity established in a country which is not a Participating State, neither of which are eligible for funding according to the first subparagraph, funding by the PRIMA-IS may be granted provided that at least one of the following conditions is fulfilled:

- (a) the participation is deemed essential for carrying out the action by the PRIMA-IS;
- (b) such funding is provided for under a bilateral scientific and technological agreement or any other arrangement between the Union and the international organisation or, for entities established in a country which is not a Participating State, the country in which the legal entity is established.¹²

5. By way of derogation from Article 12 of Regulation (EU) No 1290/2013, where such an activity is included in the PRIMA annual work plan, the PRIMA-IS may launch joint calls with third countries other than the Participating States or their scientific and technological organisations and agencies, with international organisations or with other third parties, in particular non-governmental organisations, in accordance with the rules set out in Article 12 of Regulation (EU) No 1290/2013.

¹¹ **See Regulation (EU) No 1290/2013, Art. 2(12) (OJ L 347, 11.12.2013, p. 86).**

¹² A recital could be added to explain this article.

Option B¹³

Article 7

Rules for participation and dissemination

1. The PRIMA-IS shall be considered to be a funding body within the meaning of Regulation (EU) No 1290/2013 and shall provide financial support to indirect actions referred to in Article 6(1)(a) of this Decision in accordance with the rules set out in that Regulation, subject to the derogations set out in this Article.
2. By way of derogation from point (b) of Article 9(1) of Regulation (EU) No 1290/2013, the minimum number of participants shall be three legal entities established in three different Participating States of which¹⁴:
 - (a) one established in a Member State or in a country associated to Horizon 2020, and
 - (b) one established in a third country considered as a Participating State in accordance with this Decision by the submission deadline under the relevant call for proposals.
3. By way of derogation from Article 9(3) of Regulation (EU) No 1290/2013, in duly justified cases provided for in the PRIMA annual work plan, the minimum condition shall be the participation of one legal entity established in a Participating State, which is a Member State, a country associated to Horizon 2020 or a third country considered as a Participating State in accordance with this Decision by the submission deadline under the relevant call for proposals.

¹³ **Option B: Funding by Participating States.**

¹⁴ A recital could be added addressing the balance North/South of the Mediterranean.

4. By way of derogation from Article 10(1) and (2) of Regulation (EU) No 1290/2013, the following participants are eligible for funding by the PRIMA-IS:

(a) any legal entity established in a Participating State or created under Union law;

(b) any international European interest organisation.

(c) any legal entity established in a Member State, or a country associated to Horizon 2020, identified in the PRIMA annual work plan.

The participants referred to in indent (c) of the previous subparagraph shall provide to PRIMA-IS appropriate financial guarantees to cover the risk of default or mismanagement of EU funding.

5. By way of derogation from Article 10(1)(a) of Regulation (EU) No 1290/2013, only legal entities established in a Participating State should be eligible for funding. However, whenever the call for funding provides explicitly for the participation of legal entities established in other States than the Participating States, Article 10.1.a) of Regulation (EU) No 1290/2013 should apply.

6. By way of derogation from Article 28(4) and 28(5) of Regulation No 1290/2013, whenever legal entities established in non Participating States are authorized to participate in a PRIMA action, their funding rates should be 50% of the funding rate that applies to legal entities from Participating States. As a consequence, the funding rate should be limited to 50% of their eligible costs under research and innovation actions and to 35% or 50% of their eligible costs, under innovation actions.

7. By way of derogation from Article 12 of Regulation (EU) No 1290/2013, where such an activity is included in the PRIMA annual work plan, the PRIMA-IS may launch joint calls with third countries other than the Participating States or their scientific and technological organisations and agencies, with international organisations or with other third parties, in particular non-governmental organisations, in accordance with the rules set out in Article 12 of Regulation (EU) No 1290/2013.

Article 8

Agreements between the Union and the PRIMA-IS

1. Subject to a positive ex-ante assessment of the PRIMA-IS in accordance with Article 61(1) of Regulation (EU, Euratom) No 966/2012 and provision of adequate financial guarantees in accordance with article 58(1)(c)(vi) thereof, the Commission, on behalf of the Union, shall conclude a delegation agreement and annual transfer of funds agreements with the PRIMA-IS.
2. The delegation agreement referred to in paragraph 1 shall be concluded in accordance with Articles 58(3), 60 and 61 of Regulation (EU, Euratom) No 966/2012 and Article 40 of Delegated Regulation (EU) No 1268/2012. It shall also set out inter alia the following:
 - (a) the requirements for the PRIMA-IS contribution regarding the performance indicators set out in Annex II to Decision 2013/743/EU;
 - (b) the requirements for the PRIMA-IS contribution to the monitoring referred to in Annex III to Decision 2013/743/EU;
 - (c) the specific performance indicators related to the functioning of the PRIMA-IS;
 - (d) the requirements for the PRIMA-IS regarding the provision of information on administrative costs and of detailed figures concerning the implementation of PRIMA;
 - (e) the arrangements regarding the provision of data necessary to ensure that the Commission is able to meet its dissemination and reporting obligations;
 - (f) the arrangements for the approval or rejection by the Commission of the draft PRIMA annual work plan, the common principles referred to in Article 6(6) and the reporting requirements of the Participating States, before they are adopted by the PRIMA-IS; and

- (g) provisions for the publication of calls for proposals by the PRIMA-IS, in particular on the single portal for participants as well as through other Horizon 2020 electronic means of dissemination managed by the Commission.

Article 9

Termination, reduction or suspension of the Union's financial contribution

1. If PRIMA is not implemented or is implemented inadequately, partially or late, the Commission may terminate, proportionally reduce or suspend the Union's financial contribution referred to in Article 3(1) in line with the actual implementation of PRIMA.
2. If the Participating States do not contribute, contribute partially or late to the financing of PRIMA the Commission may terminate, proportionally reduce or suspend the Union's financial contribution referred to in Article 3(1), taking into account the amount of funding allocated by the Participating States to implement PRIMA.

Article 10

Ex-post audits

1. Ex-post audits of expenditure on indirect actions referred to in Article 6(1)(a) of this Decision shall be carried out by the PRIMA-IS in accordance with Article 29 of Regulation (EU) No 1291/2013.
2. The Commission may decide to carry out the audits referred to in paragraph 1 itself. In such cases, it shall do so in accordance with the applicable rules, in particular the provisions of Regulations (EU, Euratom) No 966/2012, (EU) No 1290/2013 and (EU) No 1291/2013.

Article 11

Protection of the financial interests of the Union

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Decision are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and dissuasive administrative sanctions.
2. The PRIMA-IS shall grant Commission staff and other persons authorised by the Commission, as well as the Court of Auditors, access to its sites and premises and to all the information, including information in electronic format, needed in order to conduct their audits.
3. The European Anti-fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Council Regulation (Euratom, EC) No 2185/96¹⁵ and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council¹⁶ with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a grant agreement or grant decision or a contract funded, directly or indirectly, in accordance with this Decision.

¹⁵ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

¹⁶ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Ant-Fraud Office 'OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

4. Without prejudice to paragraphs 1, 2 and 3, contracts, grant agreements and grant decisions, resulting from the implementation of this Decision shall contain provisions expressly empowering the Commission, the PRIMA-IS, the Court of Auditors and OLAF to conduct such audits and investigations, according to their respective competences. Where the implementation of an action is outsourced or subdelegated, in whole or in part, or where it requires the award of a procurement contract or financial support to a third party, the contract, grant agreement or grant decision shall include the contractor's or beneficiary's obligation to impose on any third party involved explicit acceptance of these powers of the Commission, the PRIMA-IS, the Court of Auditors and OLAF.
5. In implementing PRIMA, the Participating States shall take the legislative, regulatory, administrative and other measures necessary for protecting the Union's financial interests, in particular, to ensure full recovery of any amounts due to the Union in accordance with Regulation (EU, Euratom) No 966/2012 and Delegated Regulation (EU) No 1268/2012.

*[Article 12
Governance of PRIMA*

1. The bodies of the PRIMA-IS shall include:
 - (a) the General Assembly;
 - (b) the Management Board;
 - (c) the Secretariat;
 - (d) the Scientific Advisory Board.

2. The PRIMA-IS shall be governed by the General Assembly, in which all Participating States are represented. The General Assembly shall be the decision-making body of PRIMA-IS.

The General Assembly shall adopt, after obtaining approval from the Commission:

- (a) the PRIMA annual work plan;
- (b) the common principles referred to in Article 6(6); and
- (c) the reporting requirements of the Participating States to the PRIMA-IS.

The General Assembly shall approve the participation in PRIMA of any third country not associated to Horizon 2020 other than those listed in Article 1(2) after examining the relevance of its participation for achieving the objectives of PRIMA.

Each Participating State shall have one vote in the General Assembly. The decisions shall be taken by consensus. Failing that, the General Assembly shall take its decisions by a majority of at least 75% of the votes. Approval of the participation in PRIMA of any third country not associated to Horizon 2020 other than those listed in Article 1(2) shall be by unanimity.

The Union, represented by the Commission, shall be invited to all the meetings of the General Assembly as an observer, and may take part in the discussions. It shall receive all necessary documents.

3. The General Assembly shall determine the number of Management Board members, which shall not be less than five, and shall appoint them. The Management Board shall supervise the Secretariat of the PRIMA-IS.

4. The General Assembly shall establish the Secretariat of the PRIMA-IS as the executive body of PRIMA.

The Secretariat shall:

- (a) implement the PRIMA annual work plan;
 - (b) provide support to the other bodies of PRIMA-IS;
 - (c) monitor and report on the implementation of PRIMA;
 - (d) manage Union's financial contribution referred to in Article 3(1) and financial contributions from the Participating States and report on their use;
 - (e) increase the visibility of PRIMA through advocacy and communication;
 - (f) liaise with the Commission in accordance with the delegation agreement referred to in Article 8.
5. The General Assembly shall appoint a Scientific Advisory Board consisting of independent experts from the Participating States, competent in areas relevant to PRIMA. The General Assembly shall establish the number of Scientific Advisory Board members, their voting rights and the arrangements for their appointment in accordance with Article 40 of Regulation (EU) No 1290/2013.

The General Assembly may set up specialised working groups under the Scientific Advisory Board with additional independent experts for specific tasks.

The Scientific Advisory Board shall:

- (a) advise the General Assembly on strategic priorities and needs;

- (b) advise the General Assembly on the content and scope of the draft PRIMA annual work plan from a scientific and technical standpoint;
- (c) review the scientific and technical aspects of the implementation of PRIMA and deliver an opinion on its annual report;
- (d) where appropriate, advise the General Assembly to set up scientific subcommittees, task forces and specialised working groups.↓

Article 13

Communication of information

1. At the request of the Commission, the PRIMA-IS shall send to the Commission any information necessary for the preparation of the reports referred to in Article 14.
2. The Participating States shall submit to the Commission, through the PRIMA-IS, any information requested by the European Parliament, the Council or the Court of Auditors concerning the financial management of PRIMA.
3. The Commission shall include the information referred to in paragraph 2 of this Article in the reports referred to in Article 14.

Article 14

Evaluation

1. By 30 June 2022 the Commission shall conduct with the assistance of independent experts an interim evaluation of PRIMA. The Commission shall prepare a report on that evaluation which includes conclusions of the evaluation and observations by the Commission. The Commission shall send that report to the European Parliament and to the Council by 31 December 2022.

2. By 31 December 2028, the Commission shall conduct **with the assistance of independent experts** a final evaluation of PRIMA. The Commission shall prepare a report on that evaluation which includes results of that evaluation. The Commission shall send that report to the European Parliament and the Council by 30 June 2029.

Article 15

Entry into force

This Decision shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

Article 16

Addressees

This Decision is addressed to the Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President