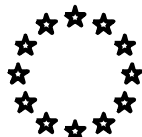


2001

**EXTERNAL MONITORING REPORT
ON THE
SPECIFIC PROGRAMME
FOR
RESEARCH AND TECHNOLOGICAL
DEVELOPMENT**



IN THE FIELD OF

**PROMOTION OF INNOVATION
AND ENCOURAGEMENT OF
PARTICIPATION OF SMEs**

This is part of the series of the external annual monitoring reports prepared for the EC Framework Programme and the Euratom Framework Programme, and their constituent Specific Programmes, and also -as a novelty- covers also the implementation of the European Research area related activities (ERA),

The Commission has over the years been placing increasing emphasis on the evaluation of Community R&D activities. With the overall Reform of the Commission, evaluation activities are more and more placed in the heart of the decision process. In line with this continuous effort for improvement, a revised programme-monitoring scheme has been introduced in 2001, based on the system launched in 1995, which involved independent external experts in the monitoring activities. The new mechanism launched this year, has been built in order to better involve the experts monitoring the implementation of ERA and specific programmes, by representing them in the Framework programme Panel. The timely response by the Programme management to the recommendations produced by the experts will be enhanced, providing the basis for a quick response mechanism to programme developments, as the follow up of experts recommendations will be receiving still more attention.

This report is the third covering the Fifth Framework Programme; the report also highlights progress in relation to implementation of ERA and results and impact of previous Framework Programmes. The report should help reinforce establishment of best practices and identify the scope for further improvements in programme implementation.

The report consists of two parts:

Part A: *External monitoring report prepared by the following independent external experts:*

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Part B: *Responses of the Programme management to the external monitoring report.*

PART A:

Report of the external Monitoring Panel

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1. EXECUTIVE SUMMARY

The monitoring of the specific programme for Research and Technological Development in the field of Innovation and SMEs for the year 2001 showed again good progress in many parts of the programme.

The active participation of the SMEs in CRAFT, beyond the objective of 10 % of the funds invested in SME-projects is a real achievement. Besides the direct benefit in improvement of the R&D capabilities of the SMEs, indirect benefits are the extension of their network and consequently a genuine contribution to the internationalisation of SMEs.

Some highlights in the 2001 activities of Directorate Innovation were the four new calls of proposals, the improvements and increasing use of the CORDIS online-database, and the improvements in the networking of innovation in Europe. A major achievement was the launch of the European Innovation Scoreboard, with high visibility, motivating power and political importance.

The panel concentrated its efforts in particular on the follow-up of the recommendations made by the monitoring panel for the year 2000, and on the following main issues: contribution to the implementation of ERA, participation by accession countries, SME participation, Women and science, Impact of earlier research framework programmes.

Besides the presentation and discussions with the Commission's directors, the panel found it worthwhile to gather information outside the Commission's services. The panel carried out a questionnaire to the NCP-SME network. It also held a selected number of interviews with SME-leaders, university professors, consultants in European research projects, in order to collect feedback from participants to European projects. The limited number of the sample should be validated by a more in depth-study of the needs of the participating SME.

The panel has witnessed that concrete action has been taken on most, although not all, of the recommendations from the previous monitoring exercise. However the basic concern, already expressed by the 2000 monitoring report and verified by the customer's interviews, is the administrative burden. The reduction of administrative burden should be the first priority and the major recommendation of the panel. The lack of flexibility and the burdensome procedure are working counterproductive, both for the internal staff and for the users. From a customer's point of view, the administrative procedure discourages entrepreneurs, especially from dynamic SMEs. The system does not allow the administrators to take initiatives.

Based upon its analysis, the panel proposes a number of recommendations, management recommendations, policy recommendations, recommendations for FP5, specific recommendations and finally recommendations for the monitoring programme.

The key recommendations are :

The reduction of the administrative burden, with priority on simplification and reduction of the time to contract.

A focus towards the customer should transform the Commission from an internal-oriented administration into a service-oriented organisation. An inter-departmental training program and change management would help in this respect.

A value chain analysis of the projects and directorates, together with a qualitative analysis of the needs of the customer will ensure a more effective use of the means of the Commission. These actions on value chain analysis and simplification of administration would also help to solve the problem of work overload and understaffing of many units.

A qualitative analysis of the benefits of participation of SMEs in European research programmes, besides the existing quantitative approach, should help to design adequate programmes corresponding to the needs of the SMEs.

Finally, in order to have a broader support from the industrial world to the rather academic notion of ERA, the panel recommends to extend the concept of a European Research Area towards a European Innovation Area, or better to integrate both in a **European Research and Innovation Area (ERIA)**.

ERA + EIA = ERIA.

2. PANEL METHODOLOGY

The panel of four independent experts met in plenary session for seven days over four occasions – in November, December 2001; and January and February, 2002, - in Brussels and Luxembourg to review the extensive documentation received from the Commission, to conduct seven interviews with appropriate personnel and to discuss in detail the monitoring brief and reporting process.

Panel members also spent significant amounts of time at their home locations analysing the materials, making contact with local actors in the Innovation/SME areas [National Ministries, Universities, NCPs and industrial federations in particular] and completing and writing the report in draft and final forms.

It was found important to gather feedback also outside the Commission's services. Therefore, panel members did also held a selective number of customer's interviews with SME leaders, university professors, and specialised consultants in order to have feedback from their experiences in Innovation and SME Programmes.

We would also like here to thank the important collaboration received from Mr. Grata and his staff to the work of this monitoring panel.

3. INTRODUCTION

In a modern technological period, innovation is the bases for economic success. It is therefore a key factor for reaching the ambitious aim of the Lisbon summit to have Europe as the leader in research and technology. Innovation is the complement to research: transferring research and development into products and economic successes.

Innovation management research has pointed out the important role of SMEs in the innovation activities. It has also shown the direct effect on the employment, particularly in SMEs.

The programme 'Promotion of innovation and encouragement of SME participation ('Innovation and SMEs') has a double objective: a marketing objective: the promotion of innovation to all actors, and in particular towards the SMEs in Europe, and a entrepreneurial role: to act as a catalyst to encourage participation of SMEs in European programmes.

To reach these objectives the programme carries out a number of important activities and services:

- Information collection and dissemination
- sensibilisation with a number of instruments
- establishing networks and improving the efficiency of these network

- and finally a laboratory to carry out pilot actions to test new ideas.

Innovation and SMEs is endowed with a total budget of 80 M€ in 2001 (Annex 1).

The programme is managed by Directorate C Innovation of DG Enterprise in Luxembourg and Directorate A ('Co-ordination of Community Actions') of DG Research.

The programme builds on a long tradition of work in innovation.

Innovation and SMEs in 2001

In 2001 the programme launched and evaluated four calls.

The highlights of the 2001 Calls included:

- i. INN/00/04 (28 March - 5 April 2001) (call dates: opening 15.12.00, closing 15.03.01)
Awareness and assistance actions in the fields of intellectual property rights (IPR): NPO and IPR-Helpdesk; and LIFT - Linking Innovation, Finance and Technology
- ii. SME 2001 (October 2001) (call dates: opening 13.07.2001, closing 19.09.2001)
Collective Research Pilot Action
- iii. INN/01/01 (1-12 October 2001). (call dates: opening 15.05.2001, closing 14.09.2001)
PAXIS -Mechanisms to facilitate the setting-up and development of innovative firms
- iv. INN/01/02 (call dates: opening 15.12.2001, closing 15.03.2002)
New approaches to technology transfer - Innovation Projects

The programme also completed the contract negotiations associated with two calls launched in 2000 : call INN/00/01 for Innovation Projects and call INN/00/02 on Innovating Regions in Europe.

An important part of the work through 2001 was devoted to the continuity of the some key parts of the programme. This includes the selection of the proposals submitted under the open calls for SME Specific Measures (CRAFT and Exploratory Awards) and 'Economic and Technological Intelligence Projects', the maintenance of the information infrastructure (the online-service CORDIS) and of the network of IRCs (Innovation Relay Centres) and the management of the 'Innovation projects' launched in FP5. The Innovation Scoreboard and the Innobarometer were major achievements of 2001.

SMEs

The panel had a big fundamental debate: Should SMEs participate in European research projects? Some intermediary organisations and even some Commission's officials have doubts on this. They pointed out that the basic support of innovation in SMEs lies in regional policies. They consider that SMEs should first use regional support in research and innovation, and that European projects should be restricted to a selected number of high technology SMEs.

The panel did not solve this fundamental question. In this respect, the term SMEs is somewhat confusing and misleading. There are a variety of SMEs, with total different structure. Not all SMEs are doing research, nor have the potential to play a practical role in innovation. It will always be a selected group of dynamic, mostly new-technology based industries, that are the target group of the Commission's support. Only a few are playing an international role. Using the term SME may raise false expectations for too many companies, while we have to accept that European research projects will always be limited to a selected part of SMEs. On the other hand, the exclusion of SMEs from European projects may create a two-tier distinction between the more and less advanced, broadening the innovation gap within the EU.

The panel recommends that the Commission reflects on these contradictions and on the confusing terminology regarding SMEs, in order to focus and to avoid confusion.

Examination of the Action Lines

The panel has examined the ten action lines of the work programme in the light of the monitoring issues set out in the terms of reference. The methodology used by the panel is described in section II. The analysis and the findings of the panel is in section IV Objectives and Strategy (4.1) and in section Management and Processes (4.2).

The major conclusions and recommendations drawn from the analysis are presented in section V. They include management recommendation, policy recommendations, recommendations towards FP6, specific recommendations and general recommendation for the monitoring programme.

4. ANALYSIS AND FINDINGS

4.1 STRATEGY – OBJECTIVES

The strategy and objectives are contained in the work program. Four principal activities are included: promotion of innovation; encouraging SME participation; joint innovation and SME activities and co-ordination and support activities.

The key results for each work program in 2001 are as follows:

I. Promoting Innovation: Studies and good practices

I.i Trend Chart development

The Trend Chart is well developed at National and Community level, the European Innovation Scoreboard published in October 2001 is a good success trial. A further highlight is the web Trend Chart. Its value is widely acknowledged among Member States. However, as already mentioned in recommendation 10 of 2000 monitoring report, the periodicity of the survey (every 4 years) should be lowered, ideally to 1 year.

I.ii RINNO project

The RINNO project provides a database of regional innovation initiatives. It will seek to build a web-based reference source for European regional innovation actors on the basis of case studies (www.rinno.com). The project is in the process of being implemented. It is expected to be completed within the first months of 2002.

I.iii New approaches to technology transfer - Innovation projects

A significant feature as outlined in the work program is “Promoting the initial transfer of technologies stemming from other sources than the results arising from EC funded development and demonstration projects”. The year 2001 was marked by the management of portfolios of Call 1 (16 projects) and Call 2 projects (negotiation and launch of 30 projects), and the launch of Call 3 in December 2001. Call 3 is marked by an expected budget reduction to 20 M € and emphasis on project clustering.

The action line focuses on ambitious and rather difficult objectives to achieve with respect to its limited budget. Year 2001 shows significant improvements: assessment of technology transfer projects launched under the FP4, decisive steps forward regarding the build up of sound clusters. These clusters allow co-operation between 57 enterprises. Various workshops devoted to clusters were very active in 2001.

The co-ordination of innovative activities was marked by decisive results in 2001: TIP is used by many of FP5 projects. (See the 2000 Monitoring Panel Report, recommendations, p.9). The e-TIP is becoming operational and will be included shortly into CORDIS.

The action line contributes positively to ERA: the projects consortia show a fair participation of partners from accession countries.

Overall, these results are significant considering the nature of the projects. They are mostly pilot projects providing value of examples. Good practices are systematically looked upon.

The position of action line within the new FP6 is not clearly decided yet. But it is certain that innovation will be systematically implemented within FP6, which is in itself a positive result for the Innovation Directorate.

II. Encouraging SME participation

II.i A single complementary entry point

It offers a point common to all Community RTD programmes, to which SMEs can address all their questions, ideas and proposals concerning RTD actions for SMEs. This service is highly appreciated by SMEs. Also the open call formula is adequate for SMEs, which means proposals can be submitted at any time of the year.

II.ii Joint support and assistance instruments

Whilst a multiplicity of initiatives exists in terms of support and assistance, the panel feels that greater co-ordination is required in this action. At present, **Cordis can not give wide examples of success in SME participation. The aggregated information from IRC, NCP and other network organization about particular cases in different regions could be used more effectively to identify the critical factor of success.**

II.iii Economic and technological intelligence

The panel recommends that the technological needs of SMEs should be assessed by industrial sector or geographic region. The regional bodies involved in development can act as relay centres for the promotion of innovation and the encouragement of SMEs.

II.iv Pilot Action on Collective Research

Call for expressions of interest and a Restricted Call for proposal were launched on 13.07.2001 and 30.11.2001 respectively, **and forecast conclude the negotiation of contracts on 20.02.2002** . The results of this pilot action will be very important for the design of FP6, **but do not have sufficient relevant information at this moment, to obtain conclusions about the efficiency of programme and real results expected.**

III. Joint Innovation and SME Participation

III.i European support network for the promotion of research, technology transfer and innovation

There is very little information about NCP, its structure, organisation and responsibilities (but this is the responsibility of the member states, not the Commission). On the contrary, the IRC structure was well consolidated in 2001. After a mid-term evaluation, the extension for the 68 contracts in 31 countries (Malta will join the network from 1.4.2002 onwards) is under negotiation. The negotiations with 14 IRCs were completed and an amount of 8.5 M € was committed. The IRC are *key players* of enterprise support (65.000 client companies), and 5000 transnational technology transfer negotiations (800 agreements signed).

A further highlight is the IRC web site.

III.ii Electronic information services and other means of dissemination

CORDIS continues to be confirmed as the publishing and communication service of the entire Framework Programme. The results of studies conducted from independent external organisation reveal a very high level of satisfaction of users. (See CORDIS republication project 12.2001).

III.iii Intellectual property

IPR Helpdesk pilot version was discontinued end of August, 2001. It has confirmed the demand for this type of assistance but a change to an accompanying measure cost share approach rather than a service contract was considered more appropriate for its continuation. A new contract was signed in late 2001. In response to the call of 15.12.2000 4 proposals were received for 14 M€ One proposal was selected for 4 M€ but the service (important and successful in the panel's opinion) will be interrupted for what is a very long time (6 months). The pilot action involving National Patents Offices (NPO) (call 15.12.2000) received 4 proposals, for 3,3 M€ Selected were three projects for 2.7 M€

The new IPR-helpdesk was partially operational since March 15th, and is scheduled to be fully operational from May, 1st, in the five languages of the Patent Office. However, on April 17th, the CORDIS-database still mentions the interruption of the service and does not give the link to the new IPR-helpdesk. One of the first lines of the new helpdesk is 'about us', in fact information about the University of Alicante and the partners in the project. This information is not relevant for the customer, but only publicity for the institutions that are paid by the Commission to provide this service. This link should be placed at a lower level.

The Patinnova Conference in co-operation with the EPO, was a success, with 600 participants. However only 10 % of the participants were managers from big companies, and only 5 % were participants from SMEs. The Conference is more for specialists in patent law, consultants, attorneys, and seems not directly focusing to SMEs. SMEs need a more general information, such as the IPR Helpdesk. For encouraging SME participation, FP6 should result in the return of a vigorous action on here.

The distribution of the CD 'It all starts with an idea' with CORDIS, was an excellent marketing activity, in this respect.

III.iv Access to private innovation financing

The LIFT Helpdesk – the call of 15.12.2000 received five proposals, for 19.3 M€ Selected was one project for 4 M€ LIFT service through the CORDIS web site is considered very useful (helpdesk, dissemination measures, etc.) There exists significant competition in venture capital, but the panel considers it important for the Commission to develop more early stage capital opportunities. There are also several funds programmes and initiatives in progress: I-TEC; EUROTECH; EIF; ETF; TPF; ECIP; JOP; JEV; SME Guarantee; ENTAS

III.v Mechanisms to facilitate the setting-up and development of innovative firms

In the call of 15.05.2001 under the PAXIS action line - (i. thematic networks of economic areas of excellence; ii. cross-border RDT projects; iii. accompanying measures) - 116 proposals were received (37/57/22 respectively) and requested funding was 80M€ The response to the call for proposals may be considered satisfactory. Accepted were 31 (22/6/3) for a value of 15.4 M€

IV. Co-ordination and Support Activities

IV.i Support Activities relating to Innovation

The Technology Implementation Plan (TIP) is included in CORDIS as test phase (eTIP). There are doubts about the up-to-date nature of the information. There is little news about the Information Benchmarking Service (IBS). A highlight of the work of IRCs is the exploitation of results from the thematic programmes.

IV.ii Support Activities relating to SME Participation

The last report covered the period April 1999-April 2001. Exploratory Awards in this period included 2,684 proposals involving 6,000 SMEs, of which 1,150 received approval and were funded. CRAFT projects in the same time period attracted 1,072 proposals involving 5,500 SMEs, of which 409 have been selected to date. The efficiency of the submitted/selected ratio at ca.40% is similar to FP4, but does not indicate a trend, which suggests that SMEs are increasing their participation in FP5.

4.1.1 Progress in ERA and programmes implementation

Participation of the SMEs increases the R&D potential of the European countries, and favour the creation of an international network. In this sense the programmes have contributed to the creation of a European Research Area. We however have doubts whether the notion of ERA has already penetrated the economic community. The gap between research and business remains. SMEs are not interested in research, but in applications of research, this means in innovation. Therefore, from an SME and company point of view, the notion of European Innovation Area - EIA - would make more sense.

4.1.2 Significant results in the European and International Contexts

Proposals for the development of the European Research Area (ERA) are a consequence of increasing awareness of the EU's "innovation deficit". In the panel's opinion, the relevant results of European Innovation Scoreboard 2001 for comparison with the U.S. and Japan, (especially as regards the indicators of % population with 3rd level education; BERD/GDP; EPO hi-tech patents/population; % hi-tech value added) indicate an important gap that FPV does not appear to have closed substantially to date.

4.1.3 Participation of candidate countries

The encouragement of participation in the candidate countries was advanced mainly through IRCs and NCP networks. Introducing statistical indicators of Scoreboard for Accession Countries in 2002 is likely to increase the gap with US and Japan.

In the Exploratory Awards, the participation of SME proposers from Associated countries have increased to 8 %, which is 25 % more than overall participation in FP5. For CRAFT projects, 5 % of the SME proposers are from Associated countries.

4.1.4 Participation of SMEs

The qualitative element in SME participation is still insufficient. The new measures for encouragement must have more impact in the participation of SMEs, but not to create a two-tier distinction between SMEs that are more or less advanced, because such a move can signify a greater “innovation deficit” within the EU. A further means of reaching more SMEs is by transferring results of research to SMEs through collaborative projects.

Nevertheless, the Commission has succeeded in reaching an increasing number of SMEs. The high participation with the surpassing of the 10 % objective is an important achievement of the Commission programme. *The panel encourages the Commission in this direction.* Another positive element is the participation of very small companies : for Exploratory Awards, 81 % of the SME proposers have less than 50 employees, and even 43 % even less than 10. For CRAFT projects, these figures are 70 %, respectively 30 %.

The results of the participation of SMEs seem extremely beneficial: according to an external study, every Euro invested by a company has a return of 12 Euro, and 9 for SMEs. The director in charge questions this conclusion. The panel sees some methodological problem in the study: the link between cause and effect is not clear. It is probably a self-fulfilling prophecy. Companies that are more dynamic, play on the international scene, have an innovative mind will be better prepared for participating in EC projects, and for all these reasons have a better chance to be more successful. Some active SMEs use European research projects as a part of their strategy to internationalise. The indirect benefit for them is the extension of their network, contacts in new countries, with international partners.

On the other hand, interviews with participants and consultants showed that a number of SMEs that are not always very active in the project. Some SMEs are asked by research centres to join the team, in order to increase their chances to be selected. Those SMEs do this as a rather passive support, but without a real conviction, and their role is minimal. Their link to other partners of the team is non-existent. The existing quantitative analysis should be completed with a qualitative analysis of the benefits of participation of SMEs in European research programmes.

Not all the problems are due to the exaggerated administrative burden. Also some SMEs have unrealistic expectations. They have to conform to the rules.

The panel recommends an education of the mentality of some SMEs. A clear communication about the objectives of the participation of SMEs, including the rules with the rights and duties of the participants, may help in this regard.

Interviews with consultants also pointed out that some SMEs have also a complex regarding European projects. All kinds of rumours refrain many to even think of participate to European contracts. The narrow-mindedness of a number of SMEs is a barrier for participating. Many family companies do not like outside interference. The eventuality of an audit - a legitimate right of the Commission according the contract - is for some of them a reason not to participate.

4.1.5 Women and Science

DG Enterprise published in 07.2001 an external study, which showed that a gender impact assessment of FP5. Results of the study revealed that the programme covers adequately the needs of both men and women in business.

Female entrepreneurs represent 5 % of the proposers of the exploratory awards. Although this figure is low, it is in line with the percentage of European women owning technology oriented business.

4.1.6 Towards the New FP

It is necessary to consider the specific needs of EU SMEs in the context of the changing traditional economy, in order to improve the quality of SME participation in innovation, and the various co-operation schemes

4.2 *MANAGEMENT & PROCESSES*

4.2.1 Main Management Issues

DG Enterprise and support staff have made an important effort to fulfil the 2001 Work programme and improve the efficiency of actions in FP 5, especially in the promotion and encouragement of SMEs and in expending more effort in start-up, new methods for innovation, programme dissemination and the empowerment of external networks and financial tools.

Likewise they have adopted new measures and methods for monitoring the impact of programmes such as Innovation Scoreboard and Paxis through benchmarking.

However there are some concerns here:

- a steady increase of reporting obligations which is hardly compatible with the availability of staff
- Not enough resources appear to be devoted within thematic programmes to theories
- and methodologies designed to rigorously define and develop innovation.

For instance, the fact is that no further innovation specific programmes are foreseen in FP6, so therefore it may appear as a fair indicator of the success of the Innovation Directorate that the dissemination within thematic programmes of its innovation culture appears to have occurred. There has further been a 20% personnel reduction in Directorate General.

The constraints and challenges facing the DG include:

- Deficit on innovation in business research
- Deficit in patent applications
- Lack of co-ordination in some EU countries
- Gap in project development success by comparison with the USA
- The need for confidentiality of projects being developed in large companies
- There is a tendency to focus on technology acquisition, less on problem resolution
- There appears to be little collaboration between research centres, universities and

- entreprises generally.
- Insufficient use of methodologies for innovation process in Thematic Projects
 - Strengthen Innovation cells in Thematic Programmes

Organisation & Co-ordination.

According to the results of the interviews and the deliberations of the panel, it appears that the organisation is not flexible enough to allow the necessary adaptations to priority changes during the 4-year time frame of the FP structure. The panel's suggested responses include:

- The provision of a mechanism to protect the strategic confidentiality inherent in projects
- To consider the appropriate role for the administration of SME and Innovation support in Europe (which appears to be more conservative than USA).
- Time to contract is still too long – this requires urgent and focused action – see section below in this regard.
- The time taken to implement changes in programme management is prohibitive – both in terms of time and in terms of potential costs to participants.
- A serious lack of legal expertise, preventing the administration from reaching the necessary critical mass (the dedicated team is too small and too distant from decision centres).
- Procedure delays can be considered as suited for the Commission in its replies to proposers (6 weeks) but may appear too long to some partners e.g. SMEs for the contract negotiation phase (4 to 6 months). However, there always remains an incompressible delay since a detailed technical annex has to be written and agreed upon by all partners before the contract can be signed. A better and regular feedback concerning the status may improve the communication.

Co-ordination of innovation across FP5

According to the report on activities in 2000, this year has seen a strengthening of the Innovation Co-ordination activities within FP5. The report for 2001 is not yet available but the panel expects the trend should be confirmed in 2001. The impact of the reorganisation of DG Research in early 2001 did not appear to be counter-productive to the overall efficiency of the group

The main issues covered in 2001 are: improving and implementing TIP procedures, supporting the liaison of the IRCs, IPR Helpdesk and LIFT services with the thematic programmes.

As an example of effective participation within thematic programmes, the Growth Programme's own methodology for project assessment has been adopted by the other programmes.

The follow up of the previous monitoring recommendations concerning the co-ordination group is positive and significant impacts are to be found among the different thematic programmes.

Resources dedicated to programme

There appears to be a lack of human resources to evaluate the results of various actions, projects, contracts.

Time to contract

The panel carried out a short study on the time to contract for the research contracts in the Directorate Innovation (Annex 3). We studied the 5 calls from September 2000 to September 2001, as most of this work was carried out in 2001.

Of the 111 projects, none was contracted before 6 months after the end date of the call. The fastest contract was awarded after 7 1/2 months. 35 projects (49 %) were contracted after 8 to 9 months. 18 (25 %) projects after 12 months. 6 projects were signed at 15 months and 9 were still not signed after 18 months. For the last call of September 2001, not one contract was signed before 6 months has elapsed.

So while the time schedule for evaluation seems very efficient, the difficulties appear to begin within the negotiation period, and with the official procedure of approval by the Committee of Member States, before the Commission's official decision.

In order to have some feedback from the customer's side, the panel members held a selected number of individual interviews with participants, mainly from universities and consultants. Although it is very difficult and hazardous to define conclusions from this random sample, time to contract remains the major critique. We should however be careful to generalise. The problem with this random selection with interviews with people involved in several projects for several years, is that it was not clear whether the critiques concerned 2001 programs, or refer to older projects. Bad experiences from the past still remain in people's mind, even if they are not actual anymore. It is also true that problems may be located in a specific directorate, and are not generalised. Based on the limited interviews, the panel also recommends to carry out a more in depth analysis of the customer's feedback and feedback from rejected proposals.

4.2.2 Communication & Information Dissemination

The key document here is the communication of the Commission, "Innovation policy in a knowledge based economy"

Major features of this activity in 2001 included:

- The Innovation Scoreboard which is of course highly politically important)
- PAXIS (Regions of Excellence) in the perspective of FP6
- CORDIS: approval for the renewal of the contract had been obtained for an extra year and will occur in early 2002.
- The CORDIS content production system is improving (i.e. the speed and reliability of update) following the 2000 panel's recommendation no. 5.
- The Technology Market Place shows positive evolution. However the improvement, as suggested in recommendation 6, appears not be close to implementation.
- Continual publication of three periodical magazines, Innovation and technology Transfer, Euroabstracts and CORDIS focus including a number of supplements and special editions
- Studies, (Call for tenders), 12 reports published and 5 under way
- Statistics, Trend Chart on Innovation (Scoreboard; Database on innovation policy; Benchmarking workshops; Innobarometer)
- Interface with 5th FP Thematic Programs for the co-ordination of the innovation and transfer of technology activities (reporting best practices; impact assessment methods; internal seminars)
- Several conferences, including PATINNOVA and the 2nd Forum of Innovative SMEs in Lyon

Key issues here include:

ERGO: confirmation of last year's prospects. According to The Self-Assessment Inno-SME 2001 (11 January 2002) the ERGO will be maintained at current levels to enhance the harmonisation of research information; its activities are apparently on hold for lack of EC-internal staff. The ERGO project is a negative priority since the end of 2000. The EuroCRIS (European Current Research Information Systems) have taken over the initiative and are trying to keep the idea alive. This includes maintenance and further development of CERIF and the Ortelius thesaurus.

Suggested responses from the interviews conducted by the panel and actions include:

- CORDIS tender specifications in long term (4 years)
- Improve CORDIS as the only one way for research community in UE.
- Interactivity of CORDIS in partners searching
- Up-date procedures generally
- Include national and regional level of CORDIS

The panel considers that the action line makes efficient use of CORDIS dissemination tools.

Establishing closer relations to SMEs and the right distribution of information about the programmes are the key to the success. Direct contacts with SMEs aiming to start an R&D project with regional support indirectly via intermediary organisations, making use of the regionally funded projects. A number of suggestions are given by the NCPs to set up guidelines for best practice that could be transferred to their colleagues (see annex). Direct face-to-face contacts with SMEs seem to give the best results.

The delay for the publication by the Commission of the special studies on innovation, is - as reported by university participants - in some cases very late, which may retard the diffusion of best practices.

4.2.3 Evaluation & Monitoring Methodology

The panel believes that project monitoring is a strength: the approach of the Commission as "hands on" is an important feature. Evaluation is not standardised due to the specificity of projects. As a result, analysis and selection processes are consequently relatively complex.

The Go/No Go step after 6 Months with a 2-stage finding strongly limits the risk of projects. This approach should be an example for other programmes.

Of the cases included in the IRC action the IRC external evaluation (21.11.2001 report) found the following distribution: 15 IRC considered "good"; 51 IRC considered "satisfactory"; 2 IRC considered "under-performing". At the pre-selection stage, 68 IRCs would be invited to continue and the expected EU contribution is 37 M€

This timely evaluation allowed to take the necessary steps to intervene where necessary and to allow cross-fertilisation of the mutual experience.

All evaluation processes are conducted in keeping with the terms of the "Manual of Proposal Evaluation Procedures". However, there is little evaluation of the output of programmes compared to the input, including overhead and administration costs. The cost-benefit of some actions can be questioned. The value chain analysis seems rather absent in the evaluation and monitoring process.

4.2.4 Follow-up of impact of previous research FPs & SPs

Results on technology transfer projects under FP4 are made available.

The success of the IPR Helpdesk is much appreciated. Unfortunately the service was disrupted because of co-ordination problems within DG Enterprise at contract renewal stage. The service should shortly resume its operation.

It is expected that FP6 will show an evolution to larger and more integrated projects.

4.2.5 Other Relevant Aspects

The necessary link between Innovation and Research Centres is not resolved, since this linkage is in the view of the panel is one of the most significant issues facing the Commission in the area of SME participation and Innovation encouragement.

Main worries and suggestions here include:

- Management of tools designed to foster the participation of SMEs in FP
- Co-ordination and support for the SMEs participation in thematic programmes under specific measures (Exploratory Awards; CRAFT; Economic & Technological Intelligence)
- There exists a significant risk that the objectives in each thematic programme for accomplish the SMEs quota will not be achieved (10%)
- The technology transfer in innovation projects is not stemming from the thematic programmes
- The panel suggests the investigation of the capacity (not only financing) of SMEs to achieve the research implantation at a deep level of capability
- Financial guarantee for financing start-ups enterprises varies
- Customises Innovation policies (clusters; start-ups;...)
- Quality of IRC services is an issue given the wide range of such services
- Empower the IRC and NCP responsibility

The role of intermediary organisations

Some company representatives are very sceptical about the role of the many intermediary organisations active in the promotion of innovation, at national and regional level. A frequent concern is that some of those intermediates, whereof most are public organisations, tend to spend too much of their time with other intermediaries and not enough active with companies. Companies also find that some intermediary organisations are just post offices, that send you to other intermediary. Some are not very dynamic, just reactive and not pro-active, and therefore do not add enough value. The choice of the IRCs is therefore crucial for the effectiveness of the programme : in the selection to pick up the best intermediaries as an IRC for the region, the evaluation by the customer, the SME, should be an important criterium

The NCP-SME network and the co-ordination with other networks

The panel carried out a questionnaire to the NCP-SME-network. A complete report of this questionnaire is found in annex 2. The main issues raised by the feedback of the NCPs are the following:

Although a minority of respondents has not really witnessed improvement, a small majority has noticed some improvement and is generally satisfied with the functioning of the SME-NCPs

network considered perhaps better than other NCP networks. In general the efficiency of the NCP network has been improved continuously during the FP's. Some ETI initiatives have contributed to the functioning of the network.

There is still room for improving the NCP network in terms of e.g. visibility. Improvements in this area are, however, closely linked to resource allocations of the NCPs and to the coherence of the objectives of the NCP network and the organisations hosting them. A faster information flow, a strong communication flow between the actors, between the NCPs, and a general support of the network (incl. Informatics) by the EC and training should be actions for improvement.

It is felt that the network is very much people based, rather than system based. The performance, efficiency and hence the utility of the network depends to a large extent on the personal involvement and commitment of the NCP's and to their local regional network. Technology parks and technology centres are privileged partners in these local networks.

During 2000 and 2001 attempts have been made to co-ordinate the work of IRC's, EIC's and OPET network. Some regret that this has only been an attempt on paper. For unknown reasons the NCP network was excluded from this exercise at an early stage. It is an advantage for the SMEs if the NCP network and in particular the IRC network has an integrated service platform. SMEs usually do not have a clear idea whether their project is in the area of research, technology development, technology transfer or product development. The best way such co-operation could be achieved is through co-ordination at the level of appointed organisations. The accent of IRCs and NCPs should be on solving the SMEs problems. Nothing beats the one-to-one direct contact.

Establishing closer relations to SMEs and the right distribution of information about the programmes are the key to the success. Direct contacts with SMEs aiming to start an R&D project with regional support indirectly via intermediary organisations, making use of the regionally funded projects. A number of suggestions are given by the NCPs to set up guidelines for best practice that could be transferred to their colleagues (see annex 2). Direct face-to-face contacts with SMEs seem to give the best results.

4.3 IMPACT OF FRAMEWORK PROGRAMME RESEARCH IN 2001

Most of the present action lines of Innovation and SME programme are the direct continuation of previous actions within FP3 and FP4, and show evidence of improvement in terms of impact and efficiency.

- ✓ An extensive evaluation of lessons for FP4 had been carried out, demonstrating a significant progress from FP3 to FP4, according to the various criteria of SMEs participation: the number of SMEs having signed a shared cost research contract has tripled, and the funding has doubled. SMEs has received 20% of all EC funding, and account for 62% of all industrial participations. The share of the SME Specific measures within Collaborative RTD Contracts has sharply increased from 10% to 23% of funding to SMEs.
- ✓ The assessment of Technology Transfer and Validation projects under FP4 had been carried out and the results were presented and analysed at an extensive workshop in December 2001. The learning process shows positive impact on the current Technology Transfer projects launched within FP5: lessons from good practice, most appropriate structure of consortia, clustering issues. About 15 projects from FP4 are still on going, and are expected to finish before the end of 2002. It will then allow to draw conclusions about the overall impact of these projects.

- ✓ The conclusions and evaluation contracts from FP4 show positive impacts on the following actions:
 - IRC, FEMIRC and OPET contracts
 - European Networks and Service (ESN) Contracts
 - Regional actions (RITTS, TRIPS, AMRT).

4.4 IMPACT & FOLLOW-UP OF PREVIOUS RECOMMENDATIONS OF 2000 PANEL

It is important to note that some of the recommendations were more amenable for progress in 2001 than others. The following comments were agreed by the panel:

Recommendation 1: The Co-ordination Group according to its report on 2000 activity shows significant progress. In particular, the eTIP procedure was implemented. The new re-organisation of early 2001 suggests a better and more efficient co-ordination of the relevant activities between the thematic programmes.

Recommendation 2: The awaited improvement of the IRC network appears to be on the right track. In order to promote continued effectiveness, a strategic analysis was carried out which examined the objectives, context, achievements and possible futures of the IRC network. The results are being used to take the necessary action for improvement where necessary.

Recommendation 3: Unfortunately, the required expertise on ETI efficiency should only be launched at the closing of FP5 in late 2002. This is to be regretted given the size of the budget involved.

Recommendation 4: No major problem; the data is suited and an analysis is carried at mid FP5. Not only should SME participation be measured, so should the results and possible benefits from an SME standpoint of the activities.

Recommendation 5: In 2000, the quality of data at CORDIS was a major criticism. Using the feedback from the specific surveys, improvement appears to be on the way with respect to content management and quality.

Recommendation 6: The Technology Market Place already shows a better usage yet it is still a long way from what is desirable.

Recommendation 7: Improvement of SME participation is under examination for FP6, aiming at a better payment procedure to contractors.

Recommendation 8: The panel could not find any evidence that progress was shown in the co-ordination with the EIB. As EIB is not funding start-ups directly, the problem remains. As an alternative the panel suggests exploring the possibility of risk-insurance based financing method. The Commission could take one global insurance covering all its SME project funding.

Recommendation 9: The possibilities for better supporting of the IPR costs within contract research and after completion of the project for SMEs is under examination by the Commission.

Recommendation 10: Improving the periodicity (4 years currently) of the survey for the Innovation Scoreboard with a 1 year objective is targeted. However this requires a better co-ordination process

within Member States. The panel considers that the chances of success are good due to the well-recognised success of the Innovation Scoreboard.

The panel wished to follow-up on some of the recommendations of the 2000 Monitoring Report outside the Commission's services and held a questionnaire to the NCP-SME-network.

The FP 2000 Monitoring Report further suggested that there needs to be greater coherence between the various DGs that support SMEs. The respondents' answers towards improvement on this important issue are unanimous negative going from an encouraging mention 'nothing in particular but I greatly encourage such an initiative' over 'it might be but we have not noticed' to a complete 'no, on the contrary'.

The NCPs plead unanimously for a better co-ordination between the DGs. One respondent realises that 'It's a Commission dilemma!', but several proposals are formulated. They reach from co-ordination, matrix organisation to merger of the Directorate Innovation & SME within DG Research. The Commission needs a better customer and service-oriented approach.

The panel appreciates the regular update of the responses of the Programme Management to the recommendations of the Monitoring Panel as a proof of the importance given by the management to this exercise.

5. RECOMMENDATIONS

5.1 MANAGEMENT ISSUES

1. A customer-orientation

The various activities of the directorate seem to be rather production-oriented. This is somewhat ironic, given that research in innovation suggests that a customer-focus is crucial for maintaining leadership in innovation policy and practice. *The panel therefore recommends that **the schemes should be customer-oriented**.* The panel recommends that the technological needs of SMEs should be assessed by industrial sector or geographic region. The Commission should focus on the customer, more particularly the final customer, i.e. the SMEs, the companies and the research institutes and universities that benefit from its financial support.

*In this respect, the panel recommends that **a value chain analysis** should be carried out in order to see what added value the various projects can offer. This analysis should include a cost-benefit analysis of the outputs compared to the inputs. This together with a qualitative analysis of the needs of the customer will ensure a more effective use of the means of the Commission.*

2. Rationalising and streamlining the existing Community business support networks

In this regard, the panel supports the initiative to rationalise and streamline the existing Community business support networks, an initiative designed to eliminate the potential for overlapping, risk of duplication and reduce costs of support infrastructures. More integrated innovation policies are needed which link RTD policy directly with policies in other areas. (Report Majo, Five Year Assessment RTD Projects, July 2000). This should also help improve a situation, which currently can be a source of confusion to the enterprises they are destined to serve (cf. Communication from Mr. Liikanen to the Commission). *The panel urges the implementation of this initiative.*

5.2 POLICY ISSUES

1. Co-ordination and coherence between DG Research and DG Enterprise

Based upon the reactions of the NCPs and customers, *the panel recommends a debate on the organisation of the research and innovation activities of the Commission, in particular in order to achieve coherence and encourage co-operation between the DG Research and DG Enterprise.* The dual reporting structure to two different Commissioners and the geographical location of DG Innovation leads towards a split: the Innovation Directorate in Luxembourg sometimes has the impression of being isolated. This isolation is increased in regard to the budget involved.

Suggestions for a reorganisation of the actual structure should be studied. Different alternatives include: an integration of the SME unit with CRAFT within DG Enterprise; the integration of the Innovation directorate within DG research; or a status quo situation with Directorate Innovation in DG Enterprise, but with a better implementation of the matrix organisation structure, and assigning responsibility for budget and evaluation within the same DG.

2. Clear communication of the objectives

Some users pointed out the contradiction between the overall economic objective – increase the level of European research by developing centres of excellence – and the political objective – integrate the NAS countries. Some experiences of participants have proven - or at least have given the impression - that in order to be selected a contract better includes a university of a new country rather than the best university in Europe. This double objective is fine, but criteria should be clear in advance. *The panel recommends a clear communication of the objectives and the selection criteria.*

3. European Research and Innovation Area - ERIA

The ERA (European Research Area) concept is focusing on Research. Research has a primary rather academic connotation. This could be a reason why the concept of ERA has not been well introduced yet in the economic environment. Innovation is the complement to research with a more applied focus and is more widespread amongst the industrial companies and dynamic SMEs. In order to have a broader support from the industrial world to the rather academic notion of ERA, *the panel recommends to extend the concept of a European Research Area towards a European Innovation Area, or better to integrate both in a European Research and Innovation Area (ERIA) : ERA + EIA = ERIA.*

5.3 RECOMMENDATIONS TOWARDS FP6

1. The importance of the co-ordination and of the management of research projects

The proposed change in FP6 towards larger projects does not appear to the panel to be based on unambiguous research results suggesting such a direction and can be considered worrying, especially for SMEs. For a company, the actual costs for preparation of a project are estimated around 25.000 Euros. In the foreseen scheme of integrated projects, the preparation costs will increase, while the chances for success should diminish. The panel fears that it may be more difficult to motivate companies to introduce projects. Especially the leader of a project will have a more difficult task in co-ordination with more partners, co-ordination work that is not decently reimbursed by the commission. *The panel suggests that the Commission includes a decent incentive for the co-ordination job of the project leader.* The qualitative results of the research projects are in

a substantial way dependent from the project leader and his co-ordination and project manager capabilities. Some good experience with hands-on independent consultants have given good results. The panel suggest to launch a study on the importance of the project leader and co-ordination in the Research programmes. The use of specialised consultants as independent project co-ordinator should be envisaged.

2. Training during transition period

The phasing out of FP5 and launch of FP6 will create an interruption of 8 to 10 months. The practical result is that intermediaries and the networks that have been set up in the past year will be without work. *The panel recommends that the Commission transform this situation into an opportunity. It is important that the networks do not interrupt their activities. The training efforts could be done in this quieter period. More emphasis should be accorded to the active dissemination of the results, in place of motivation for new projects.* This effort will avoid demotivation of the intermediaries and disintegration of the existing networks.

3. Exploitation rights and SMEs

FP6 will give more flexibility to make agreements concerning the commercial rights of the results of the project. As SMEs will not be project leaders but more subcontractors, the fear for SMEs is that the bigger companies will impose their demands, and will take the exploitation rights for them, while until now all participants have equal access to the results.

The panel recommends that the Commission takes care that the projects have a fair agreement on exploitation rights, in particular that the big companies do not use their power to impose their unilateral views.

4. Special attention towards quality proposals from young researchers and women scientists

The research projects often tend to go to the well-known university research centres, with the well-known senior professors. It is probably more difficult for a younger researcher to have access to research funds. The move towards centres of excellence could emphasise this tendency. The panel recommends that the selection process should also select quality proposals from young researchers with high potential, with particular attention for women scientists.

5. Management issues regarding FP6

The panel suggests that the following recommendations are appropriate:

- to organise the harmonisation of innovation resources within the proposed FP6
- and, a recommendation which will be a big challenge: the integration of projects in the whole FP with the provision of the adequate quantity and quality of human resources.

The panel recommends taking advantage of the FP's catalytic effects in the decision-making process in companies – much of this could be written up as best-practice case studies and there should be a series of 'best-practice' conferences in order to disseminate the beneficial results of such effects. The time to FP project decision must more closely match the time it takes a company to reach a decision – i.e. more closely match 'real-time' decision making processes.

5.4 SPECIFIC RECOMMENDATIONS

1. Programmes based on customer's needs

*The panel recommends that the **research programmes be based on needs of customers**. Some rejected SMEs have the impression that they were either too small or too big, but never the right size. An improved feedback system can help to avoid frustration and encourage further applications. For projects in operation the administrators should give a quick response to interims report, in order to be able to adjust where necessary as soon as possible.*

The Commission's services should understand the practical problems of contractors regarding co-ordination and timing of projects. In times of quick turnover due to staff shortage in the companies, it is not easy to have the right co-incident between the availability of researcher and the timing of start of the project. Unnecessary delay can result in the loss of the intended researcher who maybe assigned in the meanwhile to another contract, or may have changed jobs.

2. Reduction of the administrative burden and reduction of the time to contract

The complexity of internal regulations and the rigidity of the procedures have been pointed out in previous monitoring reports and by the industrial federations. This seems to be a continuous problem, where no significant progress has been made from a customer point of view. Time to contract has been reduced in some cases, but some seems to be inappropriate in fast evolving areas as technology. As pointed out in our analysis, in some contracts from DG Enterprise (Innovation) a period of more than one year between the close of a call and the signature of the contract is not an exception. In a field of innovation with need to fast adaptation to the changing environment this is unacceptable. Again, the tendency towards bigger projects, raises the justified fear that this all will lead to bigger delays. *The panel recommends a constant attention for reducing the administrative burden and reducing time to contract. Simplification of administration and procedures should be a constant concern for every organisation.* The proposed simplifications in DG Research seem to go into the right direction.

The panel urges the Commission to reduce the time to contract.

The panel has two suggestions in this respect. As the evaluation phase seems under control, focus should be on the negotiation phase and on the officialisation phase. The panel recommends that the complete roadmap of a project should be followed up with the registration of the critical dates of the successive steps in the programme evaluation advancement. This time between phases should be monitored on a continuous base. The panel recommends to use this roadmap list as a management tool. The cause of the delay - a consequence of negotiation or an internal administrative problem - should be registered. In these cases, *adequate feedback to all proposers of the consortium should be given on a regular basis.*

3. Review of the procedure without official approval of the Committee of Member States

The panel recommends to review the official procedure especially the approval by the Committee of Member States. The panel acknowledges the importance of the decision of the programme by the Committee of Member States, but question the utility of having this Committee approve the awarding of the individual contracts. The past has proven that the proposals of the Commission were always followed. The proposed procedure could be to delegate the decision to the Commission, and requesting the Committee decision only by exception in cases of doubt or for special cases.

The panel recommends to the Member States to review their position in this issue, in the interest of their own participants, of their own research centres and companies.

4. Joint training program in service management

The panel urges for simplification of administrative procedures

In spite of the high quality and technical education level of the administrators, the service level is beneath the customer's expectation. The risk-aversion and the fear to make an error is working paralyzing for the administration staff. The system does not allow the administrator to take initiatives. This leads towards delay, and administrative overwork without real added value for the staff. The panel recommends that a more entrepreneurial culture would be introduced in the Commission in order to promote service and to reward initiative. Therefore the selection system and the evaluation system should be reviewed. Managerial capacity and experience from private companies should be taken into account. In all modern management literature, empowerment is the message. *The panel recommends a joint training program in service management for the programme management including participants from the budget department and from the Cour des Comptes.* Job-rotation or at least stages between operational services and budget department should help in understanding the mutual problems.

5. Pragmatic result above formality

The panel recommends a more pragmatic approach in the follow up of projects, with more attention to result, rather than pure conformity to the contract's specification. 'The time spent on complying with internal procedures reduces the time available for effective supervision and contract management on the part of the Commission. Effective management should prioritise quality of results over compliance with administrative procedures' (2001 Monitoring Report in the field of Innovation and SMEs).

Where necessary to improve the quality of the result, flexibility of the administrator should allow adjustments or adaptations. This approach would also contribute to reduce the work overload and understaffing problems of many units.

6. Simplification of documents

The panels recommend simplification of the documents and rationalisation for the proposals of directorate innovation. Information from the definition phase in 'Innovation and SME' proposals should be transferable to the implementation phase. A lot of editing work is needed. This administrative burden works as an entrance barrier without added value. If participants need a consultant to fill in the documents, there is a big chance that the funds are not efficiently used.

7. Financial evaluation and insurance

Innovation remains a risky business. Not all research leads to successful new products. Failure is inherent to research and innovation. While acknowledging the need for control and to ensure that the Community money is spent efficiently and to avoid misuse of funds by not serious companies, the bureaucratic approach to have bank guarantees to start-up companies, is burdensome. *The panel recommends an efficient but entrepreneurial oriented financial evaluation to replace the existing constraints.* This financial evaluation could be outsourced. Given the present difficulties in bank financing for SMEs, the financial risk should be guaranteed on a national or regional level, following some examples, where the region takes up its responsibilities with local partners. An alternative is a global insurance or bank guarantee at the Commission's level.

In this respect the present (indirect) support from the European Investment Bank is not effective for the majority of SMEs. The co-operation agreement between the EIB and the European Commission - DG Research - (Joint Memorandum - FP-Innovation 2000 Initiative) has apparently not yet lead to practical results.

8. Efficient diffusion of information

The task of exploiting the results of research is difficult and complex. The diffusion of the results by organising conferences or seminars, editing brochures or publishing on web-sites may not be the best way to reach SMEs where time and manpower are limited. The pro-active approach of technology transfer specialists with the ability to adapt to the SMEs practical level has shown good results. *The panel recommends that the Commission farther encourages such practical and customer oriented initiatives to enhance an efficient diffusion of information.* Technology transfer actors, as IRCs and other liaison agents, should play this active role on a local level. Given the positive results of the Transpacc project, the panel recommends that all NCPs would be integrated in the Transpacc project.

9. Continuity of IPR Helpdesk

The IPR helpdesk has been interrupted for a short period. After 6 months already, the problem was not solved; reasons were internal co-ordination problems within the DG Enterprise and problems of the transfer of administration of the domain by the previous contractor. This lack of continuity is unacceptable for projects that had good evaluations. *The panel recommends appropriate action to avoid similar problems of discontinuity of major services in the future.*

10. Continuous improvement in CORDIS

The panel has noticed the improvement of CORDIS and encourages further incremental improvements. The panel recommends a move to a more interactive site design for CORDIS.

11. Publication via classical scientific channels

The impressive list of interesting studies in the field of innovation policy and management of innovation is published by the Commission in papers or booklets. They are disseminated to a number of policy makers, officials, journalists, etc. by the Commission's own distribution, some free of charge, some for payment.

Surprisingly, however, the classical distribution channels of the academic world seem not to be used. The expertise of the Commission's team can compete with many business schools, while the critical mass is surely present. The level of many studies is probably more than acceptable for publication of a synthesis in the leading journals on Innovation and R&D.

The panel recommends that the Commission utilise these channels in addition to the existing channels so as to ensure the widest possible dissemination of research in these areas. In case of publication by the Commission, the lead-time should be shortened drastically.

12. Added value analysis of reports

A lot of workload is created by the administrative imperatives. Requests for additional information or statistics from National Members States, Commissioners, Members of Parliament or monitoring panels, lead to new reports. Regarding the reduction of staff, one should question the added value of some of these occasional reports, that create additional overhead and tons of papers that nobody reads. The panel recommends that a value analysis should be carried out in this additional internal administration, by keeping the needs of the customer in mind. The database and the new MIS should be a valuable instrument for this objective.

13. A qualitative analysis of the benefits of participation of SMEs

The panel recommends a qualitative analysis of the benefits of participation of SMEs, in European research programmes, besides the existing quantitative approach, in order to design adequate programmes corresponding to the needs of the SMEs.

14. Study on the added value of the intermediary organisations in the formation of partnerships

The panel suggests that the role of intermediary organisations should be studied, and especially their added value and their contribution in the assistance to companies and the formation of partnerships.

A special study should be carried out with applicants of recent research projects, that were successful and not successful. The study should find out best practices for intermediary organisations and a measurement system for the cost-benefit of their actions.

5.5 GENERAL RECOMMENDATIONS CONCERNING THE MONITORING PANEL

The panel makes the following general recommendations and suggests their immediate adoption so as to improve the efficiency of future FPs:

1. Inclusion of the customers at the monitoring stages

The inclusion at the monitoring stage of the customers of the FP activities must be a priority for future FPs. This can be done either on a random sampling basis or other such method but should seek representatives of each activity line across regions, sectors, project size and scope, etc. Non-customers, i.e. those unsuccessful in receiving funding or those not taking part in FP activities, should also be consulted in a comprehensive customer relationship management exercise which should become a central element in future FPs.

2. An introduction/information CD-Rom

*The preparation for an effective monitoring process by the Commission via the provision of an **Induction/Information CD-Rom** for all monitoring panel members, containing:*

- (i). a synthesis of each directorate's activities, staffing, etc
 - (ii). all relevant documents pertaining to their tasks;
 - (iii). organisation chart of the commission structure;
 - (iv). copies of prior years' monitoring reports;
 - (v). copies of unit self-assessments;
 - (vi). relevant information pertaining to the monitoring task,
 - (vii). appropriate statistics
- etc.

Such a technologically-friendly move should reduce the volume of paper being ferried to and from Brussels and to and from the various homes of the panel members and permit also the creation of documents *enroute*, i.e. as the panels meet and from the date of their initial meeting. The synthetic overview of the year's programme would also allow a better preparation of the interviews by the panel. It would also facilitate the preparation of the report, reducing the time spent by the panel on the collection of facts and figures, and consequently allowing more time for analysis.

3. A Developmental Evaluation Scoreboard Europe DESE

Evaluation mechanisms should be based on an appropriate set of performance indicators, of all activities within Innovation/SME, and should be consistently followed throughout each programme. The successful development of the European Innovation Scoreboard suggests that, for monitoring purposes, the creation of a similar approach could prove useful in increasing the clarity, effectiveness and comparability across the SP's in the annual monitoring exercise.

*The panel suggests, therefore, **the development and adoption of DESE – the Developmental Evaluation Scoreboard Europe**, to act as the measurement template for future monitoring exercises.* A brief explanation of the proposed method is found in annex 4. DESE is built around four key measures of unit/DG/SP/FP performance: budget, customer, process and learning/innovation, linked to the overall vision, mission and objectives of each specific work programme. It attempts to 'keep score' as the various levels of activity progress. The scoreboard can also act as an input-output measurement system in the more traditional sense.

The panel recommends a pilot DESE project in one of the units of the Commission to be undertaken by the end of 2002 and a DESE workshop series to introduce the DESE concept be introduced in 2003 for all units of the Commission. The Commission should use the scoreboard framework for all activities in the 6th FP.

6. CONCLUSIONS

6.1 STRENGTHS AND WEAKNESSES

The 2001 activities of the Commission Services in INNOVATION AND SMEs have mainly built on the previous experience and expertise, with respect for continuity.

The participation level of the SMEs surpassed the objective of 10 %. The Single Entry Point has been a very effective tool for SMEs to introduce proposals for the Exploratory Award and for CRAFT projects.

The various programmes of Directorate Innovation have farther contributed to reach the objectives of

- information collection and dissemination, with the series of studies on innovation, publications and the online CORDIS-database
- sensibilisation with a number of instruments, with special mention of the European Innovation Scoreboard as a tool of high visibility and political importance
- establishing networks and improving the efficiency of these networks, especially the IRC and IRE networks
- the laboratory activity to carry out pilot actions to test new ideas and to transfer those ideas to other units

Weaknesses are the too long time for implementation, consequence of the administrative burden, and the work overload of the staff of the units.

The cost-benefit of some actions can be questioned. There is little evaluation of the output of programmes compared to the input, including overhead.

6.2 KEY RECOMMENDATIONS

Based upon its analysis, the panel formulates a number of key recommendations.

The **reduction of the administrative burden** should be *the absolute priority* with focus on *simplification and reduction of the time to contract*.

A *focus towards the customer* should transform the Commission from an internal-oriented administration into **a service-oriented organisation**. An inter-departmental training program and change management would help in this respect.

A **value chain analysis** of the projects and directorates, together with a *qualitative analysis of the needs of the customer* will ensure a more effective use of the means of the Commission. These actions on value chain analysis and simplification of administration would also help to solve the problem of work overload and understaffing of many units.

A *qualitative analysis of the benefits of participation of SMEs* in European research programmes, besides the existing quantitative approach, should help to design adequate programmes corresponding to the needs of the SMEs.

Finally, the panel recommends *to integrate the concept of a European Research Area* in a broader concept of a **European Research and Innovation Area (ERIA)**, more attractive for industrial companies.

ERA + EIA = ERIA.

7. ANNEXES

ANNEX 1 - Budget Innovation and SME Programme 1999-2001

ANNEX 2 - NCP questionnaire and synthesis of answers

ANNEX 3 - Time to contract for innovation projects 2000-2001

ANNEX 4 - DESE - A Developmental Evaluation Scoreboard Europe

ANNEX 1 - Budget Innovation and SME Programme 1999-2001

"Innovation and SME Programme"

BUDGET
Commitments 1999 - 2000 - 2001 and forecast 2002
(in ME)

		1999	2000	Total COMMITTED 1999-2000	2001	Forecast 2002	TOTAL committed and forecast 1999 - 2002	Budget FP V 1999- 2002 (*)
A.	PROMOTING INNOVATION							
A.1	Studies and Good Practices	3,185	1,118	4,303	4,603	1,550	10,456	
A.2	New approaches to technology transfer	16,642	11,180	27,822	24,496	20,876	73,194	
<i>Total A.</i>		19,827	12,298	32,125	29,099	22,426	83,650	110,000
B.	ENCOURAGING SME PARTICIPATION							
B.1	Single complementary entry point	0,289	0,480	0,769	0,000	1,774	2,543	
B.2	Joint support and assistance instruments		3,707	3,707	0,000	0,000	3,707	
B.3	Economic and technological intelligence	6,538	22,402	28,940	0,375	0,000	29,315	
B.4	Pilot Action on Collective Research SME				0,051	5,443	5,494	
<i>Total B.</i>		6,827	26,589	33,416	0,426	7,217	41,059	41,000
C.	JOINT INNOVATION AND SME PARTICIPATION							
C.1	European support network for the promotion of research, technology transfer and innovation	15,112	22,987	38,099	8,897	28,300	75,296	
C.2	Electronic information services and other means of dissemination	3,710	17,146	20,856	4,423	15,042	40,321	
C.3	Intellectual property	1,100	4,315	5,415	10,332	1,250	16,997	
C.4	Access to Private Innovation Financing	0,868	3,595	4,463	12,827	0,000	17,290	
C.5	Mechanisms to Facilitate the Setting-up and Development of Innovative Firms	0,190	14,422	14,612	13,966	16,700	45,278	
<i>Total C.</i>		20,980	62,465	83,445	50,445	61,292	195,182	185,000
IV	COORDINATION AND SUPPORT ACTIVITIES	0,307	0,065	0,372	0,065	0,065	0,502	
TOTAL A+B+C+IV		47,941	101,417	149,358	80,035	91,000	320,393	336,000

(*) Budget adopted by Council Decision 1999/172/EC of 25 January 1999; Excluding administrative credits, AELE/PECO and ISRAEL credits (aprox. 13 MEUR)

ANNEX 2- NCP questionnaire and synthesis of answers

The panel wished to follow-up on some of the recommendations of the 2000 Monitoring Report. A questionnaire containing five important issues was sent to the NCP representatives.

We received 8 answers in a first attempt. Curiously the first responses came from new countries and from the northern countries. A reminder produced 7 additional responses. Total number of responses was 15, which is more than 50 %.

Our present report contains a synthesis of the answers.

1. One of the recommendations of the 2000 FP Monitoring Report was that the efficiency of the NCP network should be improved.

Have you witnessed any attempts of such improvement?

Although a minority of respondents has not really witnessed improvement, a small majority has noticed some improvement and is generally satisfied with the functioning of the SME-NCPs network considered perhaps better than other NCP networks.

In general the efficiency of the NCP network has been improved continuously during the FP's. This is mainly due to the growing amount of experience amongst the NCP staff and the organisations hosting them, and a better confidence amongst the Commission Officials that the NCPs possess relevant qualification and knowledge.

The transparency and information flow has improved. The Commission's new intranet service has been appreciated. The creation of SME.NCP; net website is a new tool to improve the efficiency of the NCP network but its possibilities have not fully been exploited yet by the NCPs.

The training of at least some thematic NCPs was intensified. The ETI initiatives have contributed to the functioning of the network. Especially the Transtracc project was regarded as an example of success. In Transtracc the work was done by people with knowledge of working with SMEs and having helpdesk functions etc.

The frequency of the NCP meetings is regarded as a positive element in the networking and information transfer.

2. How, in your view, can the NCP network be improved?

There is still room for improving the NCP network in terms of e.g. visibility. Improvements in this area are, however, closely linked to resource allocations of the NCPs and to the coherence of the objectives of the NCP network and the organisations hosting them.

The NCP network can be improved with a faster information flow, a strong communication flow between the actors, between the NCPs, and a general support of the network (incl. Informatics) by the EC. As the network is a transnational component, this is responsibility of the EC.

The training of the NCP from the Commission has not yet functioned perfectly. There has been training but within ETIs and by NCPs or other experts. Some members request more workshops among the NCPs, especially on the implementation of the new instruments on the SME "tools" (i.e. CRAFT and Collective Research). Another suggestion is a special training program for newly appointed personnel in NCPs, for instance by developing best practices and training modules for those who are new by the most senior ones who have acted in this capacity for a long time.

Projects as Transtracc are important for the know-how exchange and the improvement of the collaboration in networks. A certain overlapping in information collection with other actions such as STEP should be avoided.

The NCP Network could be improved in the partner search service. The NCP Network should in particular be able to give an added value to the partner searches, for example with a certain quality guarantee of the projects disseminated through it. A good example seems to be the Network Idealist.

Finally, a closing remark concerning the profile of NCP organisations. They should be an organisation closed to the field, which is in daily contact with FP players. As far as Sme are concerned it would be appropriate to have one single NCP organisation for all FP instruments.

It is felt that the network is very much people based, rather than system based. The performance, efficiency and hence the utility of the network depends to a large extent on the personal involvement and commitment of the NCP's and to their local regional network. Technology parks and technology centres are privileged partners in these local networks.

3. *A further FP 2000 recommendation was the greater co-operation between the different services and functions focused on helping SMEs should be encouraged (NCPs, IRSs, SEP, etc).*

What efforts are visible to you that help realise this recommendation?

Do you agree with the recommendation?

How might such co-operation best be achieved, in your view?

During 2000 and 2001 attempts have been made to co-ordinate the work of IRC's, EIC's and OPET network. Some regret that this has only been an attempt on paper. For unknown reasons the NCP network was excluded from this exercise at an early stage. Presently the only obligation is to signpost request to the other networks.

It is an advantage for the SMEs if the NCP network and in particular the IRC network has an integrated service platform. SMEs usually do not have a clear idea whether their project is in the area of research, technology development, technology transfer or product development.

The best way such co-operation could be achieved is through co-ordination at the level of appointed organisations. In practice this means that an organisation should be a one-stop shop including both NCP, IRC, EIC etc. Although this approach has to be adapted to the local organisation of services to the SMEs. In some cases it can be the same dynamic organisation; in other cases an umbrella network between the organisations will offer the integration.

If well conceived and structured, in the right dynamic environment, a concentration of activities like NCP and IRC could generate more efficiency and permit a better penetration of the SME Market.

In most countries IRCs and NCP are two functions cumulated within a same organisation which is a sane initiative since you can go to local R&D players offering the largest range of services possible from R&D project structuralisation to technology transfer, it is up to the client to chose the instrument appropriate to his/her own strategy. But it certainly makes sense to cumulate those initiatives (NCPs IRCS) within a same structure, as long as nothing is too rigidly imposed from ivory tower administrative staff without enough knowledge of the needs from the field and without enough knowledge of the local R&D organisations. In some cases, the more differentiated the EU networks are from each other the better.

It is sometimes very difficult to have overview of all Networks who are active in the field of the 5th Framework programme, in particular the Networks encouraged in the programme Innovation: IRC's, LIFT, Innovative Regions, Paxis, ...

The integration should be more operational with specialisation of each network and clear-cut signposting between each other.

For SMEs, its more difficult as for professionals from the IRCs and NCPs. So the accent should be on solving the SMEs problems. Nothing beats the one-to-one direct contact.

One member remarks that the new IRCs role (not focused on the assistance) has been a penalty for SMEs.

4. *The FP 2000 Monitoring Report further suggested that there needs to be greater coherence between the various DGs that support SMEs.*

i. *Have you seen any such initiatives?*

The respondents' answers on this important issue are unanimous negative going from an encouraging mention 'nothing in particular but I greatly encourage such an initiative' over 'it might be but we have not noticed' to a complete 'no, on the contrary'.

The complex situation of decisions in two different DGs has made the decisions difficult and non-transparent.

The feeling exists within some NCPs that one hand of the commission doesn't ever know what the other hand is doing. In particular in the Programme Innovation and SMEs, located by the DG Research and the DG Enterprise. Also between the different thematic programs of FP5 it's not always clear how it works for SMEs. Who is responsible, who is executing, who is diffusing the information.

If those are questions raised by NCPs who are supposed specialists in European programmes, one should realise what SMEs have to think about this crucial issue.

ii. *How might such coherence best be achieved?*

The NCPs plead unanimously for a better co-ordination between the DGs. One respondent realises that 'It's a Commission dilemma!', but several propositions are formulated. They reach from co-ordination, matrix organisation to merger of the Directorate Innovation & SME within DG Research.

The problems of different DGs create confusion and delays. To day the evaluation of e.g. CRAFT proposals is administered by the SME-unit. However, the budget for the approved projects is provided from different DGs. This has on several occasions lead to extreme delays (more than a year) even though all the paperwork was done properly. To the SMEs this is not acceptable. It is recommended that the responsibilities for the evaluations and for the budgets are placed in the same DG.

In fact an internal problem of organisation should not be visible for the customer outside. In this mater, the Commission needs a better customer and service-oriented approach. This will result in a better marketing towards SMEs.

A majority of respondents suggest a reorganisation of the actual structure with an integration of the SME unit with CRAFT within DG research and some go farther with the integration of the Innovation directorate within DG research. Others suggest to leave Directorate Innovation in DG Enterprise, but with a better implementation of the matrix organisation structure, and assigning responsibility for budget and evaluation within the same DG.

We realise that those answers are only suggestions that going beyond the scope of our questionnaire and not substantiated by enough analysis. But the actual rather negative impact on the image of the DGs and marketing outside, especially towards the SME as a customer of the DGs, proves that this issue has to be analysed in depth and improved drastically in a near future.

One suggestion was to start with one graphical presentation (map) where the instruments and the supporting DG's are identified, this with the aim make the coherence visible.

5. *What ONE recommendation could you make to the current 2001 review panel, which would lead to significant performance improvement in the NCPs?*

The main recommendation from the NCPs, which would lead, to significant improvement in the NCPs concerns the improvement of the information flow, especially the response time and feedback.

The NCPs want a faster information flow, a quick information distribution (especially about evaluation results), equal access to information for all NCPs and programme committees.

One specific recommendation proposed by one respondent could be an improved service to NCP's concerning questions on eligibility criteria, model contract etc. The SME hotline is quite often very difficult to reach. Since the NCP's are information multipliers it is very important that they can have their questions answered in a short time frame. Information is the key to the quality of the assistance of the NCPs in order to fulfil their role and to add value.

Another specific recommendation suggests improvement by defining clear objectives (quality), by asking host organisation to comply to some quality certification process (like EFQM or ISO), by clearly keeping an instrument such as ETI for NCP organisation.

6. *As a SME NCP, what did you do in your own country to enhance the SME participation in EC RTD programmes.*

Establishing closer relations to SMEs and the right distribution of information about the programmes are the keys to the success.

Direct contacts with SMEs aiming to start an R&D project with regional support indirectly via intermediary organisations, making use of the regionally funded projects.

EuroCentre has participated in a number of ETIs to stimulate SME participation in EC RTD programmes, e.g. Partners for Life, Minatech, SeSME, Etienne and Etismar.

i. *Which tools were useful?*

Information distribution and specific marketing tools are useful.

General information distribution through articles in specialised and general local publications to a broad public creates awareness and leaves the address of the support organisation.

This can be done through the writing of articles, through presentations in all kind of meetings of professional organisations, chamber of commerce, and federations of industries.

The publishing of relevant information on the local web-site is an additional tool.

Some more specific and focused events can add value. This can be achieved through thematic brokerage events, workshops, info days, etc.

A more active method is the information meeting specifically targeted towards the SMEs.

It is also important to find out the best target group. This can be achieved through various info including the SMEs website. A visit to a company can be an efficient tool.

Direct information from the national committee member has also been useful.

Finally are mentioned: ETIs, training opportunities, web solutions for partner searches.

ii. *Which guidelines of best practice in this matter could be to your colleagues?*

The experiences of the Transtracc project offers excellent guidelines of best practice for NCP SME. A special mention goes to the presentation of English, at the NCP meeting last fall.

An example of good practice was illustrated by a member:

Start the information meeting with a short presentation to provide an overview of FP5.

Afterwards, 1 to 1 meetings with the individual SMEs to screen their project ideas. To evaluate if the idea can fit into a CRAFT or RTD proposal can normally be done in 20 minutes. The SMEs get a straight answer to their main question: "Is it worthwhile to continue, yes or no". The SMEs with relevant project ideas will then get more help and consultation at a latter stage.

Our general experience from 6 information meetings is that only 1 out of 10 project ideas will fit into FP5. Still, the SMEs are very satisfied to get a clear answer within 20 minutes, even though it might be negative. Several rejected SMEs have returned at a later stage with new project ideas, which have lead to both Exploratory Awards and CRAFT proposals.

All NCP's from all thematic programmes work in the same organisation, in the same building. This gives a possibility of synergies.

Some countries have worked out a booklet with national guide with translated information on all programmes and guidelines and past experiences from local companies. One country introduced preproject financing as national exploratory awards.

ANNEX 3 - Time to contract for innovation projects 2000-2001

TIME TO CONTRACT FOR PROJECTS INNOVATION 2000-2001										
	n° proposals/ accepted		Months	6	7,5	9	12	15	18	not yet signed on 20/3/02
INN-00-01		30	Sep-00		1	15	9	5		
INN-00-02	62	30	Sep-00			0	3	25		2
INN-00-03	8	8	Dec-00					1		7
INN-00-04	13	4	mar/01			1				3
INN-01-01		39	Sep-01	0						39
		111		0	1	16	12	31	0	51
	total 01-05 cumulative	111	%	0	1	14	11	28	0	46
	total 01-04 cumulative	72	%	0	1	22	17	43		17

Annex 4 - A Developmental Evaluation Scoreboard Europe - DESE

*Adoption of a clear understanding in defining the monitoring exercise and informing the incoming panels of the distinction between summary evaluation – i.e. the type of evaluation usually carried out at the conclusion of a programme, when results can be expected; and formative evaluation – i.e. evaluation work carried out during the lifetime of a programme, when work-is-in-progress and it is *progress* which can best be measured, not final achievement or longer-term impact.*

It is clear, for example, that the monitoring work of the INNOV/SME panel is imprecisely defined along this important dimension, resulting in confusion in understanding exactly what was attempted by different units during the monitoring year, how these actions related to the overall objectives of the SP and FP5, and what actions-results links could reasonably have been expected and which then could be effectively monitored during 2001. This is the case, notwithstanding the important achievements of each of the units assessed by the panel in the continuing work they do in what is effectively Year 4 of a 5-year programme.

As has been suggested previously, evaluation mechanisms based on an appropriate set of performance indicators, of all activities within Innovation/SME should be developed and consistently followed throughout each programme [cf. p. 37 of The Five-Year Assessment (1998-1999), Mandel, May 2000].

The successful development of the European Innovation Scoreboard suggests that, for monitoring purposes, the creation of a similar approach could prove useful in increasing the clarity, effectiveness and comparability across the SP's in the annual monitoring exercise. This is especially urgent in the context both of (i). the stated requirements that the monitoring exercise help promote the development of the European Research Area, where such virtues help us 'see' more clearly how this important strategic goal of the EU can be steadily achieved; and (ii). in relation to the need for greater effectiveness in the monitoring process itself, especially given the challenges which enlargement will bring.

*The panel suggests, therefore, **the development and adoption of DESE – the Developmental Evaluation Scoreboard Europe, to act as the measurement template for future monitoring exercises.***

A brief explanation of these terms follows:

Developmental – because the nature of the work of the Framework Programmes is inherently *developmental*, i.e. work which stresses the *long-term*, and which is concerned with enhancing the continued *capability* of the Union and its associated states in terms of economic, social and political growth. NB – I am aware of no evidence in Management which suggests that capability building is anything other than a long-term process – cf. Michael Beer, 2001, Harvard Business School Working Paper].

Evaluation – because no matter how long-term a project may be, value-for-money and effectiveness generally must be monitored carefully, allowing for the variations in objectives, resources and actions available and required for each of the distinct specific programmes of the FP process.

Scoreboard – because unless some overall clarity is urgently brought to the monitoring process, then, and notwithstanding the difficulties inherent in the 'scoreboard' aggregation approach, the FP's will not benefit from even the minimum degree of comparison across activities which is

necessary to determine progress. Each SP area should be free to develop its own version of DESE, taking into account the unique features of the different SP areas. A suggested generic outline for DESE is provided below.

Europe – because the creation of the ERA requires a focus on the entirety of the task in the overall EU context, built upon the individual measures relevant in each area of FP activity.

DESE – Developmental Evaluation Scoreboard Europe

[A generic schema, influenced by the *European Innovation Scoreboard* and *The Balanced Scorecard*, Kaplan & Norton, 1996].

DESE is built around four key measures of unit/DG/SP/FP performance and attempts to ‘keep score’ as the various levels of activity progress. The four commonly accepted, international measures of operational performance are:

Budget

Customer

Vision-Mission-Objectives

Process

Learning/Innovation

Linking these four key dimensions is the overall vision, mission and overarching objectives of each specific work programme – a number of which make up the responsibility of each DG/Unit/Panel.

Budget – the monies committed and spent each year by each unit, in each work programme or area of activity.

Customer – internal customers include the internal units of the commission with which each unit interacts in achieving its objectives; external customers include experts, contractors, consortia, etc – in each area of unit activity.

Process – the leadership and management processes by which the unit attempts to achieve its objectives and progress its annual work programmes.

Learning/Innovation – unit achievements in innovation, change, simplification, time reduction, etc – for each of its work programmes and in overall terms.

The key idea behind DESE is that each DG/unit develops its own version of the generic template outline above and that this ‘scoreboard’ can then be used by monitoring panels to assess progress against objectives and budget, in a developmental manner and as part of the formative evaluation procedure during the lifetime of a FP. The scoreboard can also act as an input-output measurement system in the more traditional sense.

PART B:

**Responses of the Programme Management to the
external Monitoring Report**

**External Monitoring 2001 for
Promotion of Innovation and Encouragement of Participation of SMEs
Response of the Commission Services to the Recommendations of the Monitoring Panel**

MANAGEMENT ISSUES:

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
1	<p><u>A customer-orientation:</u> The various activities of the directorate seem to be rather production-oriented. This is somewhat ironic, given that research in innovation suggests that a customer-focus is crucial for maintaining leadership in innovation policy and practice. <i>The panel therefore recommends that the schemes should be customer-oriented.</i> The panel recommends that the technological needs of SMEs should be assessed by industrial sector or geographic region. The Commission should focus on the customer, more particularly the final customer, i.e. the SMEs, the companies and the research institutes and universities that benefit from its financial support.</p> <p><i>In this respect, the panel recommends that a value chain analysis should be carried out in order to see what added value the various projects can offer. This analysis should include a cost-benefit analysis of the outputs compared to the inputs. This together with a qualitative analysis of the needs of the customer will ensure a more effective use of the means of the Commission.</i></p>	<p>There are many players contributing to the innovation system and the interpretation of the programme involves different categories of actions: enterprises, universities, intermediaries, venture capitalists etc. The Community added value is also one of the main criteria of evaluation, therefore the Commission services share the views expressed by the panel and will increase its efforts to better involve users in the definition and implementation of the activities.</p>	FP6

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
2	<p><u>Rationalising and streamlining the existing Community business support networks:</u></p> <p>In this regard, the panel supports the initiative to rationalise and streamline the existing Community business support networks, an initiative designed to eliminate the potential for overlapping, risk of duplication and reduce costs of support infrastructures. More integrated innovation policies are needed which link RTD policy directly with policies in other areas. (Report Majo, Five Year Assessment RTD Projects, July 2000). This should also help improve a situation, which currently can be a source of confusion to the enterprises they are destined to serve (cf. Communication from Mr. Liikanen to the Commission). <i>The panel urges the implementation of this initiative.</i></p>	<p>The current situation as discussed with the Steering Group for this rationalisation exercise is to promote closer co-operation and rationalisation of the Commission-supported networks by introducing the following package of measures:</p> <p>1/ A common name for the network system to be used in conjunction with the existing name of each network. This would allow each current network to keep its individual identity built up over many years but, at the same time, giving a common name to the system thus distinguishing the Commission supported networks from other service providers present in the marketplace.</p> <p>2/ A range of common services, supported by appropriate tools. In particular:</p> <ul style="list-style-type: none"> - Provision of common basic information by all networks, especially a comprehensive knowledge of all EU business support networks. - Initial diagnosis of any incoming client request in order to clarify the client's need/problem. - Effective signposting to ensure that the client is led to the correct service provider. <p>3/ A common IT platform comprising various tools in order to enhance co-operation and communication between the various Commission-supported networks.</p>	<p>Ongoing activities.</p>

POLICY ISSUES:

	<p>Expert Group recommendation</p>	<p>Commission Services' Response</p>	<p>Services' commitment (if any)</p>
<p>3</p>	<p><u>Co-ordination and coherence between DG Research and DG Enterprise</u> Based upon the reactions of the NCPs and customers, <i>the panel recommends a debate on the organisation of the research and innovation activities of the Commission, in particular in order to achieve coherence and encourage co-operation between the DG Research and DG Enterprise</i>. The dual reporting structure to two different Commissioners and the geographical location of DG Innovation leads towards a split: the Innovation Directorate in Luxembourg sometimes has the impression of being isolated. This isolation is increased in regard to the budget involved.</p> <p>Suggestions for a reorganisation of the actual structure should be studied. Different alternatives include: an integration of the SME unit with CRAFT within DG Enterprise; the integration of the Innovation directorate within DG research; or a status quo situation with Directorate Innovation in DG Enterprise, but with a better implementation of the matrix organisation structure, and assigning responsibility for budget and evaluation within the same DG.</p>	<p>The Commission services recognise the importance of a good co-ordination between the research and innovation actions of the Framework Programme, but considers the way and structure in which this is organised as an internal management matter of the Commission.</p> <p>Following the White Paper on Commission reform, the location of some of the Commission services in Luxembourg may be re-examined to maximise the operational efficiency of the Commission's departments.</p> <p>The implementation of the 6th Framework Programme prepares the foundation for better co-ordination of the innovation and research activities, by directly involving innovation in the various activities of Research DG. It should be stressed that "innovation" remains one of the major concerns of the 6th Framework Programme.</p>	<p>Ongoing activities.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
4	<p><u>Clear communication of the objectives:</u> Some users pointed out the contradiction between the overall economic objective – increase the level of European research by developing centres of excellence – and the political objective – integrate the NAS countries. Some experiences of participants have proven – or at least have given the impression – that in order to be selected a contract better includes a university of a new country rather than the best university in Europe. This double objective is fine, but criteria should be clear in advance. <i>The panel recommends a clear communication of the objectives and the selection criteria</i></p>	<p>Objectives and selection criteria are defined in the work programme adopted by the Commission. While excellence should remain the main criteria of the evaluation activities, they should also contribute to the implementation of other political priorities such as cohesion and enlargement of the Union.</p>	<p>FP6 Workprogrammes</p>
5	<p><u>European Research and Innovation Area – ERIA</u> The ERA (European Research Area) concept is focusing on Research. Research has a primary rather academic connotation. This could be a reason why the concept of ERA has not been well introduced yet in the economic environment. Innovation is the complement to research with a more applied focus and is more widespread amongst the industrial companies and dynamic SMEs. In order to have a broader support from the industrial world to the rather academic notion of ERA, <i>the panel recommends to extend the concept of a European Research Area towards a European Innovation Area, or better to integrate both in a European Research and Innovation Area (ERIA) : ERA + EIA = ERIA.</i></p>	<p>The Commission services share the view that research activities and instruments should better integrate the innovation dimension. A dedicated part of the 6th Framework Programme has even been devoted to explore further this issue. It is well recognised that there is a strong relationship between research and technological innovation. However, innovation should be considered in its broadest sense including also business and societal innovation. The extended concept of “European Research and Innovation Area” was discussed in the context of the adoption of the 6th Framework Programme. Finally, the term adopted by the European Parliament and the Commission is the “European Research Area”. It is stated in its title that the 6th Framework Programme shall contribute to the creation of the European Research Area and innovation.</p>	<p>FP 6</p>

RECOMMENDATIONS TOWARDS FP6:

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
6	<p><u>The importance of the co-ordination and of the management of research projects</u></p> <p>The proposed change in FP6 towards larger projects does not appear to the panel to be based on unambiguous research results suggesting such a direction and can be considered worrying, especially for SMEs. For a company, the actual costs for preparation of a project are estimated around 25.000 Euros. In the foreseen scheme of integrated projects, the preparation costs will increase, while the chances for success should diminish. The panel fears that it may be more difficult to motivate companies to introduce projects. Especially the leader of a project will have a more difficult task in co-ordination with more partners, co-ordination work that is not decently reimbursed by the commission. <i>The panel suggests that the Commission includes a decent incentive for the co-ordination job of the project leader.</i> The qualitative results of the research projects are in a substantial way dependent from the project leader and his co-ordination and project manager capabilities. Some good experience with hands-on independent consultants have given good results. The panel suggest to launch a study on the importance of the project leader and co-ordination in the Research programmes. The use of specialised consultants as independent project co-ordinator should be envisaged.</p>	<p>The Commission services have launched a study on the qualitative and quantitative aspects of the SME participation in FP V. This includes the role of SMEs as project leaders and co-ordinators.</p>	<p>SME study completed by end 2003.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
7	<p><u>Training during transition period</u></p> <p>The phasing out of FP5 and launch of FP6 will create an interruption of 8 to 10 months. The practical result is that intermediaries and the networks that have been set up in the past year will be without work. <i>The panel recommends that the Commission transform this situation into an opportunity. It is important that the networks do not interrupt their activities. The training efforts could be done in this quieter period. More emphasis should be accorded to the active dissemination of the results, in place of motivation for new projects.</i> This effort will avoid demotivation of the intermediaries and disintegration of the existing networks.</p>	<p>The Commission services welcome the panel recommendation. They intend to use this transition period between FP V and FP VI for presenting the new FP and training the new SME NCP network in order to ensure the most efficient help to SMEs under the new FP.</p> <p>The Innovation Relay Centre network is the main network managed by the Innovation and SME Specific Programme. The other thematic networks are actions of a more temporary nature, subject to specific programme requirements. Following a mid-term evaluation by external experts, the great majority of IRCs have been subject to contract renewals till April 2004. As soon as the 6th Framework Programme and the specific programmes are adopted by the Council and the European Parliament, a new call for proposals will be launched. The timing of the action will not entail any interruption of the activities for technology transfer.</p> <p>The current SME National Contact Points (NCPs) are already receiving information about the new features of FP6.</p> <p>Once the new SME NCPs have been nominated (expected for September 2002) more detailed training seminars will be organised. The first of these is foreseen to take place on 25-27 September 2002 during the Fourth SME Technology Days in Leeds.</p>	<p>Training seminar September 2002</p> <p>Launch of call for proposals in September 2002.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
8	<p><u>Exploitation rights and SMEs</u> FP6 will give more flexibility to make agreements concerning the commercial rights of the results of the project. As SMEs will not be project leaders but more subcontractors, the fear for SMEs is that the bigger companies will impose their demands, and will take the exploitation rights for them, while until now all participants have equal access to the results. The panel recommends that the Commission takes care that the projects have a fair agreement on exploitation rights, in particular that the big companies do not use their power to impose their unilateral views.</p>	<p>The role of SMEs in EU research projects is not confined to being subcontractor only. Many SMEs are actual contractors with the Commission and as such have full access to results.</p>	
9	<p><u>Special attention towards quality proposals from young researchers and women scientists</u> The research projects often tend to go to the well-known university research centres, with the well-known senior professors. It is probably more difficult for a younger researcher to have access to research funds. The move towards centres of excellence could emphasise this tendency. The panel recommends that the selection process should also select quality proposals from young researchers with high potential, with particular attention for women scientists.</p>	<p>The selection process is primarily based on the quality of the proposals and in most cases the proposals do not contain any information on the age of the participants. The Commission attaches great importance to the gender balance.</p>	

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
10	<p><u>Management issues regarding FP6</u></p> <p>The panel suggests that the following recommendations are appropriate:</p> <ul style="list-style-type: none"> – to organise the harmonisation of innovation resources within the proposed FP6 – and, a recommendation which will be a big challenge: the integration of projects in the whole FP with the provision of the adequate quantity and quality of human resources. <p>The panel recommends taking advantage of the FP's catalytic effects in the decision-making process in companies – much of this could be written up as best-practice case studies and there should be a series of 'best-practice' conferences in order to disseminate the beneficial results of such effects. The time to FP project decision must more closely match the time it takes a company to reach a decision – i.e. more closely match 'real-time' decision making processes.</p>	<p>The Commission Services will proceed with an analysis of events and procedures involved in the time to contract process identifying the responsibilities of the actors involved in this process. It is hoped to complete this review by the end of 2002.</p> <p>It is the intention under the 6th Framework Programme to include more information in the calls for proposals relating to the timetable up to the first payments which successful applicants would receive. This could include, for example, the procedural milestones from the call's closing date.</p>	<p>Review completed by end 2002.</p>

RECOMMENDATIONS SPECIFIC TO THE PROGRAMME:

	<p>Expert Group recommendation</p>	<p>Commission Services' Response</p>	<p>Services' commitment (if any)</p>
<p>11</p>	<p><u>Programmes based on customer's needs</u> <i>The panel recommends that the research programmes be based on needs of customers.</i> Some rejected SMEs have the impression that they were either too small or too big, but never the right size. An improved feedback system can help to avoid frustration and encourage further applications. For projects in operation the administrators should give a quick response to interims report, in order to be able to adjust where necessary as soon as possible. The Commission's services should understand the practical problems of contractors regarding co-ordination and timing of projects. In times of quick turnover due to staff shortage in the companies, it is not easy to have the right co-incidence between the availability of researcher and the timing of start of the project. Unnecessary delay can result in the loss of the intended researcher who maybe assigned in the meanwhile to another contract, or may have changed jobs.</p>	<p>SMEs' proposals have never been, are not and will never be rejected because of the size of the enterprise. Statistics show that 40% of the CRAFT contractors have less than 10 employees, which means that even the smallest companies can and may participate. However, it may of course occur that SMEs propose to carry out certain tasks in the context of an EU RTD project, which outweigh their capabilities.</p>	
<p>12</p>	<p><u>Reduction of the administrative burden and reduction of the time to contract</u> The complexity of internal regulations and the rigidity of the procedures have been pointed out in previous monitoring reports and by the industrial federations. This seems to be a continuous problem, where no significant progress has been made from a customer point of view. Time to contract has been reduced in some cases, but some seems to be inappropriate in fast evolving areas as technology. As pointed out in our analysis, in some contracts from DG Enterprise (Innovation) a period of more than one year between the close of a call and the signature of the contract is not an exception. In a field of innovation with need to fast adaptation to the changing</p>	<p>See point 10.</p>	<p>Ongoing activities.</p>

	<p>environment this is unacceptable. Again, the tendency towards bigger projects, raises the justified fear that this all will lead to bigger delays. <i>The panel recommends a constant attention for reducing the administrative burden and reducing time to contract. Simplification of administration and procedures should be a constant concern for every organisation. The proposed simplifications in DG Research seem to go into the right direction.</i></p> <p><i>The panel urges the Commission to reduce the time to contract.</i></p> <p>The panel has two suggestions in this respect. As the evaluation phase seems under control, focus should be on the negotiation phase and on the officialisation phase. The panel recommends that the complete roadmap of a project should be followed up with the registration of the critical dates of the successive steps in the programme evaluation advancement. This time between phases should be monitored on a continuous base. The panel recommends to use this roadmap list as a management tool. The cause of the delay – a consequence of negotiation or an internal administrative problem – should be registered. In these cases, <i>adequate feedback to all proposers of the consortium should be given on a regular basis.</i></p>		
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	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
13	<p>Review of the <u>procedure without official approval of the Committee of Member States</u></p> <p><i>The panel recommends to review the official procedure especially the approval by the Committee of Member States.</i></p> <p>The panel acknowledges the importance of the decision of the programme by the Committee of Member States, but question the utility of having this Committee approve the awarding of the individual contracts. The past has proven that the proposals of the Commission were always followed. The proposed procedure could be to delegate the decision to the Commission, and requesting the Committee decision only by exception in cases of doubt or for special cases.</p> <p><i>The panel recommends to the Member States to review their position in this issue, in the interest of their own participants, of their own research centres and companies.</i></p>	<p>The Commission services share the view of the Expert Group. However, the determination of the tasks assigned to Programme Committees are set out in the Specific Programmes Decisions, decided by the Council.</p>	
14	<p><u>Joint training program in service management</u></p> <p><i>The panel urges for simplification of administrative procedures</i></p> <p>In spite of the high quality and technical education level of the administrators, the service level is beneath the customer's expectation. The risk-aversion and the fear to make an error is working paralysing for the administration staff. The system does not allow the administrator to take initiatives. This leads towards delay, and administrative overwork without real added value for the staff. The panel recommends that a more entrepreneurial culture would be introduced in the Commission in order to promote service and to reward initiative. Therefore the selection system and the evaluation system should be reviewed. Managerial capacity and experience from private</p>	<p>The White Paper on Commission reform states that a service-based culture should be introduced, which should be based on the following principles: independence, responsibility, accountability, efficiency and transparency. To prepare for the implementation of FP6, procedural and contractual simplifications are foreseen to reduce the administrative burden with the aim of enabling resources to reinforce an effective follow-up of research projects and their results, without affecting the quality of the Commission's operations. The procedural simplifications and an increase of the Commission officials' responsibility should allow decisions to be taken at appropriate levels.</p>	FP 6

	<p>companies should be taken into account. In all modern management literature, empowerment is the message. <i>The panel recommends a joint training program in service management for the programme management and from the Cour des Comptes. Job-rotation or at least stages between operational services and budget department should help in understanding the mutual problems.</i></p>	
15	<p><u>Pragmatic result above formality</u> The panel recommends a more pragmatic approach in the follow up of projects, with more attention to result, rather than pure conformity to the contract's specification. The time spent on complying with internal procedures reduces the time available for effective supervision and contract management on the part of the Commission. Effective management should prioritise quality of results over compliance with administrative procedures' (2001 Monitoring Report in the field of Innovation and SMEs).</p> <p>Where necessary to improve the quality of the result, flexibility of the administrator should allow adjustments or adaptations. This approach would also contribute to reduce the work overload and understaffing problems of many units.</p>	<p>In their day-to-day management of the contracts, Commission officials are requested to strictly comply with the legal requirements while managing the contracts efficiently and with a great sense of responsibility to maximise the allocation of European funds.</p> <p>The relationship between European officials and contractors is governed by the contract.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
16	<p><u>Simplification of documents</u></p> <p><i>The panels recommend simplification of the documents and rationalisation for the proposals of directorate innovation.</i></p> <p>Information from the definition phase in 'Innovation and SME' proposals should be transferable to the implementation phase. A lot of editing work is needed. This administrative burden works as an entrance barrier without added value. If participants need a consultant to fill in the documents, there is a big chance that the funds are not efficiently used.</p>	<p>The Commission services fully agree with this recommendation. Indeed, simplifying rules and procedures is one of the Commission's main objectives for the 6th Framework Programme, and one of our major concerns in order to offer a friendly legislative environment to the SMEs and to facilitate their participation in the EU programmes.</p> <p>Guidelines and documentation necessary to submit proposals and to draft project work programmes are standard for all the FP5 Specific Programmes. For the Innovation Projects, the Innovation and SME Programme has a tool available (Project Management System/PMS Tool) that consortia can (optionally) use. This facilitates the drafting of work programmes and later on the submission of reports. Consortia are using the initial proposal as a basis that has sometimes to be modified to take into account the evaluators' comments. Following a "go/no go" review, consortia may have to modify the project's work programme according to the review results.</p>	FP6

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
17	<p><u>Financial evaluation and insurance</u></p> <p>Innovation remains a risky business. Not all research leads to successful new products. Failure is inherent to research and innovation. While acknowledging the need for control and to ensure that the Community money is spent efficiently and to avoid misuse of funds by not serious companies, the bureaucratic approach to have bank guarantees to start-up companies, is burdensome. <i>The panel recommends an efficient but entrepreneurial oriented financial evaluation to replace the existing constraints.</i> This financial evaluation could be outsourced. Given the present difficulties in bank financing for SMEs, the financial risk should be guaranteed on a national or regional level, following some examples, where the region takes up its responsibilities with local partners. An alternative is a global insurance or bank guarantee at the Commission's level.</p> <p>In this respect the present (indirect) support from the European Investment Bank is not effective for the majority of SMEs. The co-operation agreement between the EIB and the European Commission - DG Research - (Joint Memorandum - FP-Innovation 2000 Initiative) has apparently not yet lead to practical results.</p>	<p>In implementing the rules laid down by the Council and exercising the powers of execution conferred to it, the Commission executes the budget of the European Community, in accordance with the Financial Regulation and having regard to the principles of sound financial management. For the 6th Framework Programme, the Commission wishes to simplify rules and procedures responding to the strongly expressed wish of the other institutions and researchers, and taking into account the specific needs of the new instruments as well as the conditions for their successful implementation. It is therefore proposing a radical shift of the current management model. However, this has to coincide with safeguards as regards the protection of the financial interests of the Community, in accordance with the Treaty and with the numerous demands by other institutions and Member States.</p> <p>Under this new approach, consortia will be granted as much autonomy as possible for implementing indirect actions through flexible rules and contracts and a substantive reduction of administrative red tape.</p> <p>Such a new approach, based on mutual trust between the Commission and participants, however, requires the latter to be aware of the necessities relating to the protection of the financial interests of the Community and to act accordingly through an efficient management of indirect actions.</p> <p>One of the main targets for Research DG unit B3 under FP6 will be to increase the co-ordination and harmonisation between the Framework Programme activities and those of</p>	FP6

the EIB and EUREKA.		Services' commitment (if any)
Expert Group recommendation		Commission Services' Response
18	<p>8. <u>Efficient diffusion of information</u></p> <p>The task of exploiting the results of research is difficult and complex. The diffusion of the results by organising conferences or seminars, editing brochures or publishing on web-sites may not be the best way to reach SMEs where time and manpower are limited. The pro-active approach of technology transfer specialists with the ability to adapt to the SMEs practical level has shown good results. <i>The panel recommends that the Commission farther encourages such practical and customer oriented initiatives to enhance an efficient diffusion of information.</i> Technology transfer actors, as IRCs and other liaison agents, should play this active role on a local level. Given the positive results of the Transpacc project, the panel recommends that all NCPs would be integrated in the Transpacc project.</p>	<p>This recommendation of the Panel coincides with the intentions of the Commission. The re-launch of the Technology Market Place based on the usage of the eTIP in the beginning of 2002 was a first step. Further upgrades are planned with the introduction of FP 6.</p> <p>The results of the Transtracc project have been disseminated widely to all NCPs. The aim of this project was to encourage the support activities and to generate a best practice guide. This has benefited standardisation of working practices, the improvements of skills, the development of networking methods and closer contacts with other NCPs.</p>
19	<p>9. <u>Continuity of IPR Helpdesk</u></p> <p>The IPR helpdesk has been interrupted for a short period. After 6 months already, the problem was not solved; reasons were internal co-ordination problems within the DG Enterprise and problems of the transfer of administration of the domain by the previous contractor. This lack of continuity is unacceptable for projects that had good evaluations. <i>The panel recommends appropriate action to avoid similar problems of discontinuity of major services in the future.</i></p>	<p>The move from the pilot to the main phase made that the IPR helpdesk was interrupted for a short period, mainly due to the time required to launch the new call and to complete the standard administrative procedures for the signature of the new contract.</p> <p>To cover the estimated 6 months gap, a contract was signed to maintain a temporary hosting of the IPR web but finally this did not become possible because of a delay in the transfer of the administration of the domain by the previous contractor to the Commission.</p> <p>The Commission cannot guarantee back-up measures should problems of discontinuity occur which are beyond its control.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
20	<p><u>10. Continuous improvement in CORDIS</u> The panel has noticed the improvement of CORDIS and encourages further incremental improvements. The panel recommends a move to a more interactive site design for CORDIS.</p>	<p>CORDIS is the subject of continuous improvement at all levels and in particular for hosting, security, base of navigation and content. A major overhaul of the presentation of all innovation activities on the CORDIS server has already started and a new 'Innovation Policy Portal' is planned to be implemented in the course of 2002/03.</p>	<p>Development of CORDIS Innovation Policy Portal.</p>
21	<p><u>Publication via classical scientific channels</u> The impressive list of interesting studies in the field of innovation policy and management of innovation is published by the Commission in papers or booklets. They are disseminated to a number of policy makers, officials, journalists, etc. by the Commission's own distribution, some free of charge, some for payment. Surprisingly, however, the classical distribution channels of the academic world seem not to be used. The expertise of the Commission's team can compete with many business schools, while the critical mass is surely present. The level of many studies is probably more than acceptable for publication of a synthesis in the leading journals on Innovation and R&D. <i>The panel recommends that the Commission utilise these channels in addition to the existing channels so as to ensure the widest possible dissemination of research in these areas. In case of publication by the Commission, the lead-time should be shortened drastically.</i></p>	<p>The recommendation of the Panel will be taken into consideration. It will be studied how this recommendation can best be implemented, however the web is being considered to function as the basic communication tool in the academic world. Through periodicals such as <i>Euroabstracts, Innovation Technology Transfer</i> and <i>Cordis Focus</i> the Commission prepares the ground for multipliers and journalists who receive this information and address it to the public. The Commission will approach some of the major journals actively.</p>	<p>The number of publication licences is increasing.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
22	<p><u>Added value analysis of reports</u> A lot of workload is created by the administrative imperatives. Requests for additional information or statistics from National Members States, Commissioners, Members of Parliament or monitoring panels, lead to new reports. Regarding the reduction of staff, one should question the added value of some of these occasional reports, that create additional overhead and tons of papers that nobody reads. The panel recommends that a value analysis should be carried out in this additional internal administration, by keeping the needs of the customer in mind. The database and the new MIS should be a valuable instrument for this objective.</p>	<p>The setting-up of a common data warehouse will simplify the production of the various reports which are requested by the various stakeholders of the European research policy. According to the principle of transparency, requests for information have to be answered.</p>	FP6
23	<p>A qualitative analysis of the benefits of participation of SMEs <i>The panel recommends a qualitative analysis of the benefits of participation of SMEs, in European research programmes, besides the existing quantitative approach, in order to design adequate programmes corresponding to the needs of the SMEs.</i></p>	<p>The Commission Services have launched a study on the qualitative and quantitative aspects of SME participation in the 5th Framework Programme. This includes the role of SMEs as project leaders and co-ordinators. New approaches for SME involvement in the 6th Framework Programme will be developed after taking careful note of the results of the study and the policy for their participation will be set out clearly in relation to the legal instruments.</p>	SME study completed by end 2003.

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
24	<p>Study on the added value of the intermediary organisations in the <u>formation of partnerships</u></p> <p><i>The panel suggests that the role of intermediary organisations should be studied, and especially their added value and their contribution in the assistance to companies and the formation of partnerships.</i></p> <p>A special study should be carried out with applicants of recent research projects, that were successful and not successful. The study should find out best practices for intermediary organisations and a measurement system for the cost-benefit of their actions.</p>	<p>The Services take note and agree with the recommendation. The Services will first make an internal assessment (e.g. the Innovation Projects may be well suited for this) and envisage the launch of a special study.</p> <p>Our current experience indicates that:</p> <ul style="list-style-type: none"> - A first set of indications can be extracted from the participation of intermediary organisations in the setting-up of consortia and in the implementation of projects dealing with innovation. - Intermediary organisations can act as catalysts during the formation of consortia and help to find the correct mix of skills including technology, market and management skills. During the implementation of innovation projects, they can function as facilitating mechanisms to encourage exchange of knowledge. But the role of intermediary organisations is to be found in the dissemination of results and even more in the identification of the real need for an innovation. Their role, as being less dependent on the technology push, needs to be at the level of anticipated strategies of the consortia in a successful implementation of the innovation. - A more detailed assessment would add value to the implementation of the action line in relation to the multidisciplinary aspects of the partners. 	<p>Launch of internal assessment beginning of 2003.</p> <p>Launch of special study by mid 2003.</p>

GENERAL RECOMMENDATIONS CONCERNING THE MONITORING PANEL:

The panel makes the following general recommendations and suggests their immediate adoption so as to improve the efficiency of future FPs:

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
25	<p>1. <u>Inclusion of the customers at the monitoring stages</u> <i>The inclusion at the monitoring stage of the customers of the FP activities must be a priority for future FPs.</i> This can be done either on a random sampling basis or other such method but should seek representatives of each activity line across regions, sectors, project size and scope, etc. Non-customers, i.e. those unsuccessful in receiving funding or those not taking part in FP activities, should also be consulted in a comprehensive customer relationship management exercise which should become a central element in future FPs.</p>	<p>The current mandate of the monitoring panel stipulates that the monitoring panel should base its report on sources in the form of decisions and other documents underlying the European research area, Framework programmes and specific programmes; on factual information provided by the Commission and on interviews with stakeholders such as programme management, members of Programme Committees, Advisory Groups and user communities. The monitoring panel is therefore free to consult the end users when preparing its report. However, the monitoring exercise is designed to provide information on the progress and the direction of ongoing RTD actions and is generated mainly for management purposes rather than policy development or the examination of the target relevance of the programme. Further interaction with the end users would therefore be more appropriate in the more in depth analysis of programme evaluation and Five Year Assessment.</p>	

Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
<p>26</p> <p><u>An introduction/information CD-Rom</u></p> <p><i>The preparation for an effective monitoring process by the Commission via the provision of an Induction/Information CD-Rom for all monitoring panel members, containing:</i></p> <ul style="list-style-type: none"> (i). a synthesis of each directorate's activities, staffing, etc (ii). all relevant documents pertaining to their tasks; (iii). organisation chart of the commission structure; (iv). copies of prior years' monitoring reports; (v). copies of unit self-assessments; (vi). relevant information pertaining to the monitoring task, (vii). appropriate statistics etc. <p>Such a technologically-friendly move should reduce the volume of paper being ferried to and from Brussels and to and from the various homes of the panel members and permit also the creation of documents <i>enroute</i>, i.e. as the panels meet and from the date of their initial meeting. The synthetic overview of the year's programme would also allow a better preparation of the interviews by the panel. It would also facilitate the preparation of the report, reducing the time spent by the panel on the collection of facts and figures, and consequently allowing more time for analysis.</p>	<p>The Commission services welcome this suggestion and proposes the use of CIRCA, an intranet for expert groups, in the context of monitoring</p>	<p>Monitoring exercise 2002.</p>

	Expert Group recommendation	Commission Services' Response	Services' commitment (if any)
27	<p>A <u>Developmental Evaluation Scoreboard Europe DESE</u> Evaluation mechanisms should be based on an appropriate set of performance indicators, of all activities within Innovation/SME, and should be consistently followed throughout each programme. The successful development of the European Innovation Scoreboard suggests that, for monitoring purposes, the creation of a similar approach could prove useful in increasing the clarity, effectiveness and comparability across the SP's in the annual monitoring exercise.</p> <p><i>The panel suggests, therefore, the development and adoption of DESE – the <u>Developmental Evaluation Scoreboard Europe</u>, to act as the measurement template for future monitoring exercises.</i> A brief explanation of the proposed method is found in annex 4. DESE is built around four key measures of unit/DG/SP/FP performance: budget, customer, process and learning/innovation, linked to the overall vision, mission and objectives of each specific work programme. It attempts to 'keep score' as the various levels of activity progress. The scoreboard can also act as an input-output measurement system in the more traditional sense.</p> <p><i>The panel recommends a pilot DESE project in one of the units of the Commission to be undertaken by the end of 2002 and a DESE workshop series to introduce the DESE concept be introduced in 2003 for all units of the Commission. The Commission should use the scoreboard framework for all activities in the 6th FP</i></p>	<p>The suggestion will be analysed together with all DGs involved in research.</p>	