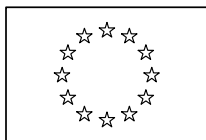


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**COMMUNICATION FROM THE COMMISSION TO THE COUNCIL AND THE
EUROPEAN PARLIAMENT**

**THE EUROPEAN RESEARCH COUNCIL - MEETING THE CHALLENGE OF
WORLD CLASS EXCELLENCE**

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INTRODUCTION

The European Research Council (ERC) is an ambitious new component of the EU's research policy, introduced under the provisions of the European Community's Seventh Framework Programme for Research (FP7)¹. It is the means for implementing the Specific Programme "Ideas", which is endowed with a substantial budget (€7.51 billion over the period 2007-2013). The ERC's architecture comprises an independent Scientific Council, composed of 22 eminent researchers, supported by a Dedicated Implementation Structure (DIS) in the form of an Executive Agency of the Commission².

Creating the ERC was a pioneering step for the European Union³. Set up as a brand new entity to fund investigator-driven frontier research of world class quality at European level, with the aim to advance Europe's scientific performance at the highest levels of excellence, the ERC is establishing new parameters for research activity at Community level. For the first time, a Community research programme is operating on the basis of open European competition between individual research teams, independent scientific governance, and autonomous execution via an executive agency. The ERC has already become a highly visible and influential component of the European Research Area.

Two and a half years from the start of FP7 and the implementation of the "Ideas" programme, it is an opportune time to take stock of progress:

- Four "Ideas" annual work programmes have been adopted and four calls for proposals have been completed since the formal start in 2007. This has provided considerable experience of the implementation of the "Ideas" programme with its particular operational features, including the independent Scientific Council, the peer review and granting methods associated with frontier research.
- After an intensive period of planning and development, and following the Establishment Act adopted by the Commission in December 2007⁴, the ERC Dedicated Implementation Structure (DIS), in the form of a specific ERC Executive Agency (ERCEA), has been declared administratively autonomous from the Commission on 15 July 2009.
- Against this background, the independent "Review of the ERC's structures and mechanisms", mandated by FP7 and its Specific Programme "Ideas", has now been completed, providing detailed conclusions and recommendations on the way forward.

¹ OJ L 412, 30.12.2006, p1

² The ERC Executive Agency is managed by a Director and a Steering Committee, both nominated by the Commission.

³ OJ L57 of 24.2.2007, p14

⁴ 2008/37/EC; OJ L 9, 12.1.2008, p.15

Like other innovative structures, such as the Joint Technology Initiatives (JTIs), the European Institute of Innovation and Technology (EIT) or the European Research Infrastructure Consortia (ERICs), the ERC offers a new model for implementing Community research and technological development policy. First experience has shown certain obstacles to their full development, which is only natural when new structures are being created. Some of the problems which have come to the surface have been solved - or are being addressed - pragmatically within the current legal framework, but others may necessitate deeper changes.

It is clear that the stakes go well beyond the ERC itself. This Communication, which builds on the experience gained so far by the Commission in implementing the "Ideas" programme and on the results of the independent Review, has therefore to be seen within the broader context of a more global reflexion on the evolution of the Community's policies and programmes in the fields of research and technological development and innovation. The Commission's main concern is twofold: maintaining, a consistent and transparent approach, while at the same time ensuring that initiatives have the necessary means and tools to reach their specific objectives within these policy domains. The overall challenge for Europe is clear: boosting research and innovation for a sustainable knowledge-based society.

As concerns the ERC, the Commission's initial objective and determination remain unchanged: to bring a world class frontier research funding organisation into maturity, in order to harness and harvest Europe's scientific excellence, with the scientific community driving the frontier research agenda. The launch and initial years have been clearly recognized as a good start. Now the Commission wants to take advantage of the lessons learnt from this first phase of the ERC's life. This Communication therefore sets out a package of concrete measures which can be implemented by the Commission in the short term. It also identifies medium term challenges that will need to be addressed together with other institutions in the broader context of a reflection on how Community instruments and the Community's administrative and financial control framework can be best used to boost new sources of sustainable growth. This should ensure the ERC's durable success as one of the most important components of the European Research Area, recognising two key features: (i) the Community nature of the ERC; (ii) the importance of scientific excellence for Europe.

THE ERC REVIEW: TOWARDS A WORLD-CLASS FRONTIER RESEARCH ORGANISATION

In conformity with the Specific Programme "Ideas", and in order to settle on an agreed and stable structure for the ERC as soon as possible, the independent Review of the ERC's Structures and Mechanisms was set up by the Commission at a relatively early stage of the ERC's operations⁵. The objectives of the Review were to:

- *Analyse the ERC's structures and mechanisms against criteria of scientific excellence, autonomy, efficiency and transparency, and with the full involvement of the Scientific Council;*
- *Consider the process and criteria for the selection of the members of the Scientific Council;*
- *Consider the advantages and disadvantages of a structure based on an Executive Agency and a structure based on Article 171 of the Treaty.*

⁵ COM(2008) 526 final

The Panel of six eminent experts led by Professor Vaira Vike-Freiberga presented its report to the Commission on 23 July 2009⁶. The Commission extends its appreciation to the members of the ERC Review Panel for their energy and diligence in carrying out this demanding task.

The Panel's analysis was based on substantial input from stakeholders within the scientific community, including a detailed hearing of the ERC Scientific Council, an extensive questionnaire survey of applicants and peer reviewers, and reports on operational experience as well as legal and budgetary advice from the Commission services.

The ERC Review confirms that the first two years of the ERC's operation have been, overall, a considerable success. Its scientific strategy, the design of its grant schemes and the quality of its peer review has been widely recognised by the research community, as illustrated by the results of the questionnaire survey carried out for the Review.

From the operational perspective, the ERC has been able, from a "standing start", to design and put into effect novel implementing arrangements for the "Ideas" programme, rapidly build up staff and resources, and create an autonomous operating structure in the form of an executive agency, while meeting an unprecedented and unexpected level of demand from applicants.

Having considered the opportunities and potential risks associated with the two types of structure, the Review comes to the position that while the Executive Agency model, in its current standard form, involves a number of constraints, the difficulties and risks associated with moving to a new structure based on Article 171 of the Treaty, including the possibility of political interference with the ERC's scientific independence, would not justify a change of structure - at least until the prospects for developing and refining the Executive Agency to meet the ambitions of the ERC are exhausted. The Panel recommends a further independent review in 2 years.

Nevertheless, as the Review points out, if the ERC is to cement its early success and become a truly world-class frontier research organisation - a continental leader in promoting breakthrough science and technology needed to sustain the creativity of European economies and societies - further attention must urgently be given to the refinement of its structure and modes of operation. For its success to be sustainable in the long term, the ERC requires dedicated and enlightened leadership, and rapid consolidation of its activities at all levels, and a culture of flexibility and trust which allows frontier research to thrive. These are the essential principles which permeate the short-term and medium term actions set out below. All proposed actions in this Communication will be implemented within the financial envelope of the existing FP7 and no additional budgetary impact is foreseen.

DEVELOPING THE ERC INTO A MATURE, WORLD-CLASS RESEARCH FUNDING ORGANISATION

With the ERCEA now autonomous and the Review completed, the Commission has ambitious aims for this second phase of the ERC's development. Whilst the Scientific Council defines the scientific strategy of the programme and the ERCEA executes the budget, the Commission ensures the autonomy of the ERC and retains a political and financial responsibility including accountability for implementing the Specific Programme "Ideas".

⁶ The report, and further details on the evidence and the method used by the ERC Review Panel can be found on the ERC website: <http://erc.europa.eu/index.cfm?fuseaction=page.display&topicID=158>

Therefore the Commission intends to put into effect a two-fold strategy to address not only the classical teething problems associated with any new organisation but also the underlying causes of administrative inefficiencies and structural problems identified in the first period of the ERC's operations:

- (i) Take immediate and short term actions to implement those recommendations of the Review and other necessary technical improvements to the ERC's operating methods which can be achieved within the framework of its own competences, be these at Commission or Agency level.
- (ii) Address, in a medium term perspective, concerns associated with the underlying rules and regulations, by bringing forward proposals to Council and Parliament to modify the financial and administrative rules and make them more consistent with the needs of frontier research.

That the ERC must be a "learning organisation" is encapsulated in the words of the Specific Programme "Ideas": "...*The implementation and management of the activity will be reviewed and evaluated on an ongoing basis to assess its achievements and to adjust and improve procedures on the basis of experience*".

(i) Immediate and short term actions

The following actions, with indicative timescales for their implementation, fall within the competence of the Commission and/or ERCEA. To clarify and reinforce the legal base, they will be reflected, as appropriate, in adjustments to the Commission Decision establishing the ERC⁷, and the ERCEA establishment⁸ and delegation Decisions⁹.

Integrate scientific and administrative governance

The Review Panel acknowledged that the Commission, as foreseen in the Specific Programme "Ideas", has been an effective "guarantor" of the ERC's autonomy and integrity and has fully respected the independence of the Scientific Council in setting the ERC's scientific strategy. However, the Review finds that the current ERC structure, which involves separation of scientific and financial/administrative responsibilities, creates unnecessary complexities and frustrations. The Review Panel makes recommendations for remedial measures, including combining the roles of the ERCEA Director and ERC Secretary General into a single post, subject to the identification of a distinguished scientist with robust administrative experience. Other recommendations are that the Director should report directly and regularly to the Commissioner for research and that the membership of the ERCEA Steering Committee should be adapted to include two members of the Scientific Council as well as an outside distinguished scientist.

Within the current financial and regulatory framework, the Commission intends to implement the following actions which aim at bringing the scientific and administrative aspects of governance into closer alignment and simplify and streamline the structure:

⁷ 2007/134/EC; OJ L 57, 24.02.2007, p.14

⁸ 2008/37/EC; OJ L 9, 12.1.2008, p.15

⁹ C (2008)5694 final (unpublished).

- a. Establish the post of the ERCEA Director with the profile of a distinguished scientist with robust administrative and managerial experience. The Scientific Council will be involved in the subsequent selection process as foreseen in the legal and regulatory ERC framework and the Guidelines for Appointing Directors of Executive Agencies¹⁰. ***Timescale: Q2/2010***
- b. Following the successful appointment of the Director with such a profile, and with the prior agreement of the Scientific Council, it is anticipated that the post of the ERC Secretary General would not be maintained, taking into account the term of the incumbent. ***Timescale: Q2/2011***
- c. Consider the adjustment of the composition of the ERCEA Steering Committee¹¹ membership and of its operating modalities, subject to ensuring that the Commission is able to exercise at all times its functions of control and supervision of the ERCEA by keeping the majority of votes. ***Timescale: Q1/2010***
- d. Develop and implement a coherent and integrated communication strategy, including a unified web-site which gives to the external stakeholders a single clear vision and seamless coverage of the ERC's strategy and operational implementation, reflecting the activities of both the ERCEA and Scientific Council. This improved communication strategy will also contribute to reinforce the transparency of the ERC operations and alleviate the risk of conflict of interest. ***Timescale: Q1/2010***

The Scientific Council and the ERCEA Director will be invited to meet the Commissioner responsible for research, whenever appropriate, to discuss progress in the achievement of ERC's objectives.

Improved administrative procedures

It is evident that the quality of the ERC's funding schemes – and, beyond this, the ERC's reputation - depends directly on the quality and capabilities of its peer reviewers – panellists and referees. The Review concludes that to assure the continuing availability of such high quality reviewers and panellists contributing to the programme, management procedures for their appointment and reimbursement must be drastically simplified and made as user friendly as possible.

The ERCEA, in agreement with the Commission and within the existing legal framework, will, therefore, in a progressive approach:

- a. Start developing and implementing lighter and more functional "ERC-specific" administrative procedures covering the critical processes of appointing and reimbursing peer reviewers (panellists and referees) and managing grants. ***Timescale: Q4/2009***

¹⁰ SEC(2009)27.

¹¹ C(2008) 5132 (unpublished). The ERCEA Steering Committee is presently composed of 3 Commission officials, 2 scientists and the ERC Secretary General as observer.

- b. Experiment and, if successful, fully deploy lighter authentication procedures for experts using website and other professional data, compatible with best scientific practice. **Timescale: Q4/2009**
- c. Further optimize, with the aim to implement, efficient procedures for expert appointments, which may cover the whole of the FP7 period, rather than individual years. **Timescale: Q2/2010**

Consolidation of activities at all levels

The ERC's operations demand a high level of professionalism at all levels: in the selection of Scientific Council members and peer reviewers and in associated management operations, for example as regards conflict of interest provisions, applying both to selection of projects and the work of seconded national experts. These operations should be implemented rigorously but with greater flexibility.

The Review endorses the criteria established and the selection methodology for the selection of Scientific Council members, and advocates the establishment of a standing Identification Committee for this purpose. It also suggests that more transparency is needed, for example in the selection of Scientific Council members and peer reviewers, and as regards the strategy discussions of the Scientific Council.

The Commission and ERCEA will take steps to secure high standards of professionalism and transparency while guaranteeing independence and quality in the ERC operations:

- a. Clarify the relations and modus operandi between the ERCEA and the Scientific Council in their respective roles in the ERC operations and if necessary revise the ERC Decision. **Timescale: Q2/2010**
- b. Establish a standing, independent, Identification Committee, in line with the recommendations made by the ERC Scientific Council Identification Committee 2009¹² to assure the staged renewal of the Scientific Council, which will work in consultation with the Scientific Council and on the basis of the criteria and methodology already established and endorsed by the Panel. **Timescale: Q1/2010**
- c. Encourage the Scientific Council to consider the creation of a sub-committee tasked with broadening the basis for the search for experts for the peer review evaluation. **Timescale: Q1/2010**
- d. Explore the possibilities to provide, in recognition of the personal commitment of the members of the Scientific Council, and especially the Chair and Vice-Chairs, an honorarium for attendance at the Scientific Council plenary meetings¹³, and continue the arrangement for the local support to the Chair and Vice-Chairs of the Scientific Council, using the "Co-ordination and Support Action" grant funding instrument of FP7. **Timescale: Q2/2010**

¹² ERC Scientific Council Identification Committee, Final Report, 19 January 2009, http://erc.europa.eu/pdf/ERC_Id_Final_Report_2009-01-19.pdf

¹³ Along the lines of those established for the European Institute of Technology, Regulation EC/294/2008, OJ L97, 09.04, 2008, p1

- e. Work with the Scientific Council in making the ERC's operations more transparent to external stakeholders, including publication of relevant codes of conduct and conflict of interest provisions, and minutes of Scientific Council meetings. *Timescale: Q4/2009*
- f. Introduce in liaison with the Scientific Council and under the authority of the ERCEA Director a committee to provide guidance on conflicts of interest, fraud and ethical issues, according to the legal provisions and international good practice to ensure the ERC's operations are irreproachable from the perspective of quality and fairness especially during the peer review evaluation process. *Timescale: Q2/2010*

(ii) Medium term actions

The operational implementation of the Ideas programme has led to a number of concerns being expressed by researchers and their host organisations, demonstrating that issues of administrative efficiency are critical in the implementation of frontier research projects.

The ERC Review Panel, furthermore, considers that operational efficiency cannot be divorced from scientific management as clearly as is suggested by the current ERC model. The issues of administrative efficiency must be improved, but the Review recognises that the ERC's problems, in many respects, are linked to the deeper regulatory environment and "culture of control" which results from it, in the Community system. It suggests a need to move to a system of "lump sums" rather than grants based on contracts and considers that the philosophy of the Financial Regulation and associated control processes should be rethought, to restore an approach built on trust, combined with strong sanctions in the case of guilt.

A number of issues may not be solved in the current framework and require longer-term actions or changes. The upcoming triennial review of the Financial Regulation provides a timely opportunity for examining these issues, as this regulation has a broad scope, covering not only financial operations as such but also the framework in which Executive Agencies operate. As regards, research policies, the central element will be to determine the precise nature and scope of specific adjustments to be made to the benefit of research, technological development and innovation, and specifically frontier research, so that high levels of creativity can be supported without inducing undue financial risk. The appropriate balance between risks, which are inevitable in the conduct of cutting-edge research, and the protection of the financial interests of the Community through the Financial Regulation indeed has to be found.

The Commission will take the opportunity of the forthcoming review of the Financial Regulation to assess the situation, draw the lessons learned and formulate possible responses to the specific administrative and financial shortcomings concerning research, technological development and innovation in general and frontier research in particular. With the global aim of simplification and better governance in mind, the objective would be to build an approach to financial management for research which puts emphasis on the function of frontier research grants as an investment in high quality researchers, as is understood to be good practice in all successful research systems world-wide.

These issues should be seen in a broader context of reflection on how the future Community financial and administrative framework can be best used to serve the policies aimed at boosting new sources of sustainable growth.

CONCLUSIONS AND NEXT STEPS

After a successful “pioneering phase”, the ERC is now entering with confidence the second stage of its development. On the basis of early evidence, the ERC is set to become an important and stable part of the European research landscape and in order to reach its full potential, it will also need the support of the other institutions and stakeholders.

In many respects, by testing new ways for research to be carried out in the Community context, the ERC actually stimulates a broader process of learning and adaptation and constitutes a true "agent of change" in the European Research Area.

Whether this concerns management of the interface between the Scientific Council and the ERCEA, procedures for handling frontier research peer review, new types of interactions between national and Community funding activities – this learning process is involving stakeholders across the whole research community. If the strategy and actions set out by the Commission is to achieve its aims, the continued and full support and engagement of these stakeholders will likewise be critical in this next phase.

This Communication sets out a series of actions which meet Europe's ambitions for the ERC, takes duly into account the recommendations of the Review panel and accommodates the Commission's own assessment of experience.

Starting immediately, the Commission and the ERCEA will take initiatives under their respective competences to ameliorate the governance and administrative flexibility of the ERC within the current regulatory framework. The Commission will also actively work with other stakeholders, including the Scientific Council, to ensure their continued support on the way forward and the parallel improvement and "professionalization" of activities under their own responsibility.

The Commission will engage in due course, and within the review of the Financial Regulation, into a broader and substantial debate with the European Parliament and Council on the regulatory framework for research and technological development. It will aim at ensuring that the appropriate balance is found between the risks inherent to research activities and the efficient use of EU funds, and that also appropriate structures and mechanisms can be provided for externalised research management. The overall aim is that Community financial and administrative framework can be best used to serve the policies aimed at boosting new sources of sustainable growth.