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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

On the Response to the Report of the Expert Group on the Interim Evaluation of the Seventh Framework Programme for Research, Technological Development and Demonstration Activities and to the Report of the Expert Group on the Interim Evaluation of the Risk-Sharing Finance Facility

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**1. CONTEXT**

Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (FP7)<sup>1</sup> provides in Article 7(2) the legal basis for an evidence-based Interim Evaluation of FP7 to be carried out with the assistance of independent experts no later than 2010. It stipulates that this evaluation shall cover the quality of the research activities under way, as well as the quality of implementation and management, and progress towards the objectives set. The evaluation was able to draw on a number of complementary assessments including the interim evaluation of the Information and Communication Technologies (ICT) subtheme.<sup>2</sup>

Based on a Commission Decision<sup>3</sup> specifying the Terms of Reference, a group of 10 experts was appointed to carry out this Interim Evaluation. The group was chaired by Rolf Annerberg, Director General of the Swedish Research Council for Environment, Agricultural Research and Spatial Planning. The report was submitted on 12 November 2010 and is available online<sup>4</sup>.

The Decision No 1982/2006/EC<sup>5</sup> and those of its Specific Programmes 'Cooperation'<sup>6</sup> and 'Capacities'<sup>7</sup>, also required that by 2010 an evaluation of the Risk-Sharing Finance Facility's (RSFF) implementation should be carried out by a group of independent experts. The results of the RSFF interim-evaluation have to be presented by the Commission in the form of a report to the Council and the European Parliament, on the basis of which they may decide to release the earmarked second tranche of the EU financial contribution to the RSFF (up to EUR 500 million) for the period 2011-2013<sup>8</sup>. The report of the Independent Experts Group (IEG), composed of 6 members and chaired by Mrs Erika Mann, former MEP, was submitted on 1 August 2010 and is available online<sup>9</sup>.

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<sup>1</sup> OJ L 412, 30.12.2006, p.1

<sup>2</sup> "Catalysing European Competitiveness in a Globalising World" – Panel report of the FP7 ICT interim evaluation; other relevant evaluations in the domain of ICT include the interim assessments of the ARTEMIS and ENIAC Joint Technology Initiatives (JTIs) and interim evaluation of the Ambient-Assisted Living Joint Programme  
[http://ec.europa.eu/dgs/information\\_society/evaluation/rtd/index\\_en.htm](http://ec.europa.eu/dgs/information_society/evaluation/rtd/index_en.htm)

<sup>3</sup> C/2009/8412-1

<sup>4</sup> <http://ec.europa.eu/research/evaluations>

<sup>5</sup> Decision 1982/2006/EC of the European Parliament and of the Council – 18 December 2006 – Annex II

<sup>6</sup> Decision 2006/971/EC of the Council – 19 December 2006 – Annex III

<sup>7</sup> Decision 2006/974/EC of the Council – 19 December 2006 – Annex III

<sup>8</sup> Annex II to Decision No 1982/2006/EC, p38

<sup>9</sup> <http://ec.europa.eu/research/evaluations>

This Communication responds to the recommendations<sup>10</sup> in these evaluations by outlining which actions the Commission intends to take or has already taken, but also indicating where no obvious or immediate solution exists.

It is clear that a number of the issues raised, in particular regarding the design and content of the Framework Programmes (FPs) and financial rules which govern their implementation, cannot be addressed by the Commission alone, but will need the engagement of a wider group of actors including the Member States, the Council and the European Parliament working together.

## **2. RESPONSE TO THE SPECIFIC RECOMMENDATIONS IN THE FP7 INTERIM EVALUATION**

### **2.1. To advance the European Research Area (ERA) and Innovation Union objectives, integrating the research base....**

The need to overcome research fragmentation and build critical mass in research, both public and private, are still major issues despite the many achievements such as JTIs, ERA-NETS, article 185 activities, co-funding mechanism in the Marie Curie training activities and now first steps towards Joint Programming.

Future EU research programmes must provide a clearer focus on the major research items for science, technological leadership and industrial competitiveness and focus on the large societal challenges. In turn this will provide multiple benefits, including more coherent priority setting, a better capacity to leverage private sector investments, enhanced European added-value and a stronger base for measuring impact.

Such an approach needs to be developed within the framework of the European Research Area, identifying areas of common or convergent interest, while ensuring better alignment of research capacities.

The Innovation Union sets out how the Europe 2020 objectives of smart, sustainable and inclusive growth can be achieved through a strategic and integrated approach to research and innovation. The forthcoming Green Paper on a Common Strategic Framework for EU Research and Innovation funding will launch a wide public debate on the key issues to be taken into account in future programmes.

### **2.2. To develop and implement high quality research infrastructures.....**

The Commission recognises that infrastructure funding will be improved through better alignment of the FP, with funding from the European Investment Bank and Structural Funds.

FP7 support for new research infrastructures targets the preparatory phase for projects in the ESFRI Roadmap and for some of these projects possible synergies with Cohesion Policy have been worked out and information disseminated to project consortia. The Commission is confident that synergies should bring results before the end of FP7.

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<sup>10</sup> The headline from each recommendation is reproduced here, although the full text can be consulted in the relevant evaluation reports.

Support for Integrating Activities (I3) will continue to be provided for the last years of FP7. The reinforcement of training related to research infrastructures in the People programme is an interesting possibility to be considered.

Following the Europe 2020 Strategy a work package on innovation could be included in all research infrastructure projects thereby favouring greater involvement of industry. The work programme 2012 will better highlight the possibility for researchers from third countries to benefit from access to European research infrastructures.

The development of e-Infrastructures will connect researchers, instruments, data and computation resources throughout Europe, creating a seamless "online ERA". As an integral part of the Digital Agenda flagship initiative, this work will continue in the second half of FP7 including development of online services for computation and data-intensive research, the upgrade of the GÉANT network and further development of the PRACE supercomputing infrastructure.<sup>11</sup>

### **2.3. The level of funding should, at least, be maintained.....**

The Europe 2020 strategy acknowledges very clearly that research and innovation are the key engines of societal progress and economic prosperity. In order to meet the objectives of this strategy, the key challenges which need to be addressed at EU level and the challenge laid down by our competitors planning huge and ambitious investments for Research, Development and Innovation (RDI), there must be a credible funding level provided to the research and innovation framework.

As proposed in the Budget Review, a common strategic framework will ensure a more efficient use of the EU's research and innovation funding by enhancing its EU added value, making it more results oriented, and by leveraging other public and private sources of funding.

### **2.4. A well-articulated innovation strategy is needed....**

The Commission agrees with the recommendation which is convergent with the orientations provided in the Communication on Innovation Union within the context of the Europe 2020 Strategy.

In recent years, the approach to align FP funding priorities with the technology needs of industry, namely through encouraging European Technology Platforms and the support to Joint Technology Initiatives and Public-Private Partnerships, have not only increased the industrial relevance of FP research but also, more fundamentally, have helped whole industry sectors to align behind shared research strategies. As set out in the Innovation Union, future EU programmes should strengthen this, along with stronger knowledge transfer mechanisms and the launch of European Innovation Partnerships to bridge the gap with demand-side measures (such as standard setting, procurement and regulatory frameworks).

While Innovation Union commitments will only be fully implemented in the next generation of spending programmes, the Commission is already investing significant effort in enhancing the innovation impact of the current Framework Programme. This will be achieved in the remaining FP7 work programmes, including through funding for projects which take research

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<sup>11</sup> [http://ec.europa.eu/information\\_society/digital-agenda/index\\_en.htm](http://ec.europa.eu/information_society/digital-agenda/index_en.htm)

results closer to market (e.g. demonstration projects) and additional emphasis on innovation impacts in evaluating proposals. In addition, further funding will be provided for both SME specific projects and topics which are attractive to SMEs or organisations that are 'new comers' to FP7.

## **2.5. Simplification needs a quantum leap....**

The Commission has acknowledged the need for further simplification. The Commission Communication<sup>12</sup> on simplifying the implementation of the FPs, presenting a set of short term and longer term options, has triggered an intensive inter-institutional debate. While there is also a strong plea for stability and continuity as regards the applicable rules for FP7, a broad consensus emerges that fast progress should be made on three potential wins already on FP7:

- A re-definition of the criteria for the acceptance of average personnel cost methodologies, removing the criteria for acceptable deviations between average costs in a personnel category and the actual costs related to the individual persons working in the projects. This would allow for the acceptability of majority of average personnel cost methodology actually applied as usual accounting practice by beneficiaries, in particular in industry, including the cost-centre based methods;
- Provision of a possibility for owners of SMEs and natural persons not receiving a salary registered in the accounts to reimburse the value of their work brought into FP7 projects by way of a flat rate based on the allowances for Marie Curie fellowships in the People specific programme;
- Establishment of a clearing committee between the Directorates-General in the Commission implementing the research framework programmes, in order to achieve a uniform interpretation and application of the rules and procedures for implementing research grants;

The Commission has on 24 January 2011 adopted the required implementing decisions to set the above simplification measures in operation without further delay and with retroactive effect for ongoing FP7 grants. The issue of interest on pre-financing is addressed in the Commission proposal COM(2010)815 for the revision of the Financial Regulation. The revision of the Financial Regulation, as proposed by the Commission, is also essential for achieving more radical simplification ('quantum leap') in the next research and innovation funding programmes.

## **2.6. The mix of funding measures in FP7 and successor programmes should strike a different balance between bottom-up and top-down approaches to research....**

Significant parts of FP7 already provide bottom-up approaches to research. These include the Marie Curie Actions (MCA) for researcher training and mobility and the European Research Council (ERC) for curiosity-driven research. Also noteworthy is the Future and Emerging Technology (FET) scheme which, through top-down thematic calls combined with bottom-up open calls is supporting multidisciplinary exploratory research in ICT.

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<sup>12</sup> COM(2010)187 of 29.4.2010

The move towards more bottom-up funding is set to continue, with the Commission proposal for further open, challenge-driven calls for proposals in the final years of FP7. Beyond this, the Innovation Union has committed to strengthen the role of the ERC and the issue of bottom-up versus top-down approaches will feature strongly in the orientation debate on the next FP.

What is most important for the FP as a whole however is to ensure a proper balance between bottom-up and top-down approaches. Further to the comments above (2.1 and 2.4) concerning future activity strongly focused on major challenges, it is important to remember that this will only succeed if it allows creativity and ingenuity to flourish at the projects' and researchers' levels.

The Commission reaffirms its support for the knowledge triangle concept and points to the ongoing work under the European Institute of Technology as also providing a major boost for the education component. Also, important will be the 'university-industry' forum and the 'knowledge alliances' announced in the Innovation Union Communication, as well as the development of appropriate skills for researchers to innovate as provided by the MCA.

## **2.7. A moratorium on new instruments should be considered....**

The remainder of FP7 will continue to work with the current legal base and the existing set of instruments.

However, the Commission will examine the current portfolio of instruments to identify areas for simplification, possible redundancy and potential gaps. Novel approaches such as prizes or innovative procurement schemes should also be considered.

This work will be supported in a number of ways including discussions within the European Research Area Committee (ERAC) and the forthcoming 'Communication on Partnerships'. The resulting ideas will be reflected in the Commission's proposals for the next FP.

Making the best possible use of the EU budget will require gearing funding towards more European added value, stronger impact and enhanced leveraging. A common strategic framework as mentioned earlier will aim to ensure that all EU research and innovation funding works towards common goals and according to a shared strategy. This will in itself necessitate a development of a coherent and streamlined portfolio of instruments.

## **2.8. Further steps to increase female participation in FP7 should be taken in its remaining years...**

The Commission attaches great importance to this issue although notes, since the FP is only a small part of total European research activity, the limits to what it can achieve on its own. Real progress necessitates a common approach actively supported by funding agencies and researchers across the European Research Area. In this context, the Commission accepts the challenge of taking a leading role.

Further to the current activities - notably the 40% target; monitoring, awareness and promotion activities; and successes under the Marie Curie Actions - a series of additional activities are proposed. The Commission will:

- fully implement the target to achieve 40% female participation in all evaluation and advisory committees – it will also seek the support of Member States to achieve this target for Programme Committees;
- launch new analyses with the support of Member States and research institutions to identify, by end 2011, the cultural and situational factors which help shape female researcher participation, as well as measures to overcome these;
- reinforce monitoring in all stages of the project life-cycle;
- under the Marie Curie Actions, reinforce the role of a dedicated Career Restart Panel, helping those who wish to resume a career in research after a break, for example due to maternity leave.

## **2.9. To pave the way for increased participation from Member States that are under-represented (through) improved connections between the Structural Funds and the FP....**

A specific example of progress already being made is the Synergies Expert Group (SEG), set up to find synergies between FP7, the Structural Funds and the Competitiveness and Innovation Framework Programme. With members from academic, policy and practical backgrounds, as well as the education corner of the knowledge triangle it will advise on both the current programming period (2011-2013) and into the next one, as well as on the future of FP7 regional actions. The SEG will benefit from recent analysis of synergies undertaken by the ERAC (European Research Area Committee).

The Europe 2020 flagship initiatives on Innovation Union and the Digital Agenda have significant implications for achieving a better alignment of EU policies and activities, including research, innovation and cohesion funding.

The Structural Funds should provide support for capacity building, such as for research infrastructures and actions to deploy high-speed internet across Europe, thereby broadening the base of EU research and innovation and building capacities for a knowledge-based society.

## **2.10. Opening of the FP7 to international cooperation....**

FP7 is already very open to international collaboration and involves participants from more than 160 countries. But both in finance and total numbers of participants the scale of this collaboration is relatively small, notably with the leading and emerging research nations. This is a serious missed opportunity which must be addressed.

Building on the experience of existing initiatives such as EU bilateral S&T agreements and coordinated calls there is an urgent need for a more strategic approach.

To this end the Commission will carry out a major review - to report by the end of 2011 - of its strategy for international collaboration. This will examine how to build critical mass and specialisation, in areas of European need and comparative advantage, taking into account the proposal above (2.1) for a future focus on major challenges. In this context, it will also be essential to better define the common and respective roles of Member States and the

Framework Programme as well as the means, such as through the Strategic Forum for International S&T Cooperation, to identify areas of common interest and approaches.

### **3. OUTLOOK**

In the final chapter of its report, the FP7 Interim evaluation Expert Group discusses the implications of its findings and evidence, for the goals and implementation of future funding programmes. It underlines that this will need to support the implementation of the Europe 2020 strategy, including the ambitious objectives in the Innovation Union and related flagship initiatives.

The Expert Group puts forward the three issues of excellence, competitiveness and societal objectives as key to the research agenda and priorities for the next FP. These coincide strongly with the broad orientations put forward by the Innovation Union.

The results of this evaluation will have a direct bearing on future research policy, notably in the forthcoming Commission Green Paper, scheduled for adoption early 2011, to launch a wide public debate on the key issues for future research and innovation funding programmes.

### **4. RISK-SHARING FINANCE FACILITY (RSFF)**

#### **4.1. Introduction to the RSFF and context of its Interim Evaluation**

The RSFF was developed at the request of the EU Council in December 2005 which asked the European Commission (EC) and the European Investment Bank (EIB) to propose a financing facility with risk-sharing elements for the support of additional investments in RDI for the period 2007-2013. By pooling up to € 2 billion (up to € 1 billion from FP7; up to € 1 billion from EIB's own resources) in order to cover potential losses on loans provided by EIB and/or its financial intermediaries, the RSFF objective is to leverage around € 10 billion of loans for RDI activities implemented by private companies or public institutions with a higher financial risk profile.

In accordance with Annex II of FP7, the EU financial contribution is broken-down in two parts: a first tranche of € 500 million for the period 2007-2010; and a possible second tranche of € 500 million for the period 2011-2013, subject to an Interim Evaluation.

#### **4.2. RSFF Interim Evaluation**

Implementing its work in the first half of 2010, the Independent Experts Group (IEG) appointed to carry out this Interim Evaluation concludes in its report<sup>13</sup> that the RSFF appears as an innovative, anti-cyclical demand driven financial instrument successfully introduced into the European Union's research funding scheme that helped drastically to expand the financing for RDI. Highlighting that very considerable results on an EU-wide scale have been achieved since its launch, even above initial expectations<sup>14</sup>, the IEG also underlined that the

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<sup>13</sup> The IEG report has been presented by Mrs Erika MANN (IEG Chair) and Mr Luc SOETE (IEG Rapporteur) to the ITRE Committee of the European Parliament, to the Research Working Party of the Council, as well as to the relevant FP7 Programme Committees.

<sup>14</sup> By end 2009, RSFF loans of € 6.3 billion were approved and total investments in RTDI of € 16.2 billion supported, thus achieving a significant leverage effect of 15 (EU/EIB budget sources vs total



implementation of the RSFF has been carried out in a highly efficient and effective way, building enormous knowledge inside the EIB and the EC in managing such a new and commonly assessed financial instrument, and serves as a powerful lesson and encouragement to what can be achieved by the judicious combination of risk-based capital from the EU's budget and EIB's financial resources and expertise.

Considering that RSFF is a model example to be further developed and intensified, the IEG made 10 recommendations that can be regrouped as follows:

- Current programming period 2011-2013:
  - Immediate release of the EU contribution of up to € 500 million to the RSFF under the conditions foreseen in the EC FP7 legal basis – (*Recommendation 1*);
  - Additional EU contribution of up to € 500 million to RSFF for 2011-2013 coming from EC FP7 Specific Programme 'Cooperation' and/or non-FP7 resources – (*Recommendation 5*);
  - Revolving nature of the EU financial contribution to meet the level of demand until the end of 2013 – (*Recommendation 7*);
  - Improvements possible to be implemented for some already supported target groups (in particular SMEs, Research Infrastructures) through introduction of specific approaches and change of risk-sharing – (*Recommendations 2, 3 & 4*).
- Next programming period post 2013:
  - Continuation and expansion of the scale and the scope of the RSFF ('renewed RSFF') with a dedicated revolving EU financial contribution of no less than € 5 billion – (*Recommendations 7, 9 and 10*);
  - A certain degree of rationalisation of existing/future EU financial instruments should be targeted (avoiding duplication of efforts and ensuring synergies) – (*Recommendation 6*);
  - Regular monitoring to be ensured – (*Recommendation 8*).

#### **4.3. The Commission's response**

The Commission welcomes the detailed and thorough analysis of the IEG.

As a positive interim evaluation of the RSFF is a prerequisite for the release of the second tranche of € 500 million of FP7 funding to the RSFF for the period from 2011 to 2013, the Commission notes that this release is strongly recommended by both the RSFF IEG (recommendation 1) and the FP7 Interim Evaluation Expert Group. By voting the EU Budget 2011, the Council and the European Parliament have already provided their agreement of principle on the release of the second tranche (budget of Euro 250 million for 2011). The

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investments in R&D and Innovation supported); RSFF projects are located in 18 EU Member States and 2 Associated Countries. Figures for RSFF until September 2010 are: EUR 8.1 billion of approved loans for 82 projects; EUR 5.3 billion of signed loans for 54 projects.

Commission however invites them to provide a more formal answer later in 2011, on the whole period (2011-2013), if they deemed it appropriate.

The Commission fully endorses the recommendations 2, 3 and 4 of the IEG to address the needs of currently underrepresented groups in RSFF (i.e. SMEs, universities/research organisations and research infrastructures). Technical negotiations between the Commission and the EIB are already taking place on finding concrete solutions and new approaches on how to achieve these objectives, including in particular changes of risk-sharing, portfolio approaches, increase of risk levels, and introduction of equity funding. This work will lead to an amendment of the EC/EIB agreement on RSFF implementation already in the first half of 2011.

The Commission welcomes the objectives of the recommendations of the IEG regarding the next programming period (post-2013). It notes that they are in compliance with the objectives of the Innovation Union Communication<sup>15</sup> to enhance access to finance; attract a major increase in private finance; and make more extensive use of financial engineering instruments in support of innovation<sup>16</sup>. Analysis is ongoing on how to concretely fund an expansion of the scope of the RSFF to allow for an increase of risk sharing for both R&D and innovation projects and how the EU shall be able to finance and support the implementation of ambitious new objectives (like the SET Plan), including Europe 2020 Flagship Initiatives like Digital Agenda or Resource efficient Europe. The Commission and the EIB Group are currently working on the design of an effective, efficient and rational use of financial instruments, in particular in the area of RDI, with a cross policies perspective.

Finally, the Commission agrees with the recommendation of the IEG on a regular monitoring of the implementation of the RSFF and will undertake concrete action in 2011.

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<sup>15</sup> COM (2010)546 of 6.10.2010.

<sup>16</sup> As also highlighted in the Communication "Regional Policy contributing to smart growth in Europe 2020" COM (2010)553 of 6.10.2010.