



POSITION PAPER

ON THE FUTURE OF EU RESEARCH AND INNOVATION FUNDING

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Executive Summary

The purpose of this Position Paper is to provide opinion and suggestions on the key issues to be taken into account for future EU research and innovation funding programmes.

This Position Paper was prepared by ICEG European Center, an independent economic research institute based in Budapest, Hungary. ICEG European Center focuses its activities on research, macroeconomic and sectoral analyses and forecasts, policy advice and the dissemination of its research output through conferences and publications. ICEG European Center conducts research besides other topics on the main trends of research and development (R&D) and innovation.



Introduction

Fostering research and innovation is a key element of the Europe 2020 Strategy. Innovation in products, services and business models will contribute to Europe's future economic growth and jobs (http://ec.europa.eu/research/innovation-union/index_en.cfm).

The future EU research and innovation funding instruments have to take into account the objectives of the Innovation Union (key flagship for Europe 2020) and the needs of different stakeholders, and it should be expressed in the Framework Programme, in the Competitiveness and Innovation Framework Programme and in the Cohesion Funds.

Henceforward research and innovation can play a major role in the growth and competitiveness of the European economy worldwide.

Based on the Innovation Union Scoreboard 2010, the US and Japan are holding their lead in innovation performance over the EU27 (The Innovation Union's performance scoreboard for Research and Innovation 1 February 2011). In Europe a significant innovation gap exists. The EU research and innovation funding is crucial to increase the competitiveness and innovation performance of Europe.

In this Position Paper ICEG European Center would like to provide Opinion on "GREEN PAPER – From Challenges to Opportunities: Towards a Common Strategic Framework for EU Research and Innovation funding" Brussels, 9.2.2011, COM(2011) 48.



1. Working together to deliver on Europe 2020

In order to make EU research and innovation funding more attractive and easy to access for participants by Common Strategic Framework it is important to speed up the whole procedure, especially the evaluation part, which is a relatively slow process. We suggest the two-stages proposals, which can accelerate the submission and evaluation process as well.

The two-stages proposals should include:

- first a short, anonymous proposal with few pages, describing the main methodology, outputs and impacts, required funding and a short cost-benefit analysis, which will be evaluated anonymously.
- second a full proposal, which will be evaluated non-anonymously.

This type of procedure has a lot of advantage regarding the effectiveness and quickness of the proposals submission and evaluation.

Regarding the question how should EU funding best cover the full innovation cycle from research to market uptake, not only the EU funding, but the administrative rules can contribute to cover the full innovation cycle from research to market uptake. The internal administrative rules of FP7/FP8 can help to demonstrate market uptake. The FP7, CIP and other sources each have their specific rules on the required level of co-financing, and sometimes the rate can be 100%. The lower EU contribution and higher funding from own resources from the applicant to the R&D researches contribute to foster to go for market deployment.

Another important aspect is the role of cost effectiveness in the research and innovation funding. In the Eastern European countries expert fees are lower which can be resulted in lower prices. In the framework of the evaluation procedures the price should have a greater importance when the offered quality is the same.

In Europe various programmes support research and innovation, but often operating independently of each other, which result in parallel developments and researches. In order to maximise the benefit of acting at the EU level, EU funding should avoid parallel investments, an overall database on research activities is essential with some relevant information such as:



- the amount of the project
- name, address of the consortium leader
- abstract about the project with the relevant details

Another solution is the support of expert discussions, platforms on the ongoing research and innovation projects in order to filter out parallel developments.

There are smaller and larger projects, and the balance between smaller, targeted projects and larger, strategic is crucial.

“Grand challenges” are of key importance for the European Union. It is clear that such issues as e.g. climate change should be dealt with in international cooperation. However, this approach should be based on thematically oriented, targeted research projects going into the details of the different fields belonging to the given „grand challenge”. Based on this, we would emphasise the importance of big and (relatively) small projects. The number of larger strategic projects should be lower and these projects should finance important researches with great publicity and involve a large number of participants. Contrary we need a lot of smaller projects with lower co-financing rates.

The targeted research funding would be important in order to could support the researches of smaller groups of a country. The smaller projects could match better to the necessity of these groups.

Regarding the funding schemes, the PHARE ACE programmes were effective tools in the past, they facilitated efficient work on the economic research fields. The framework programmes are larger than the PHARE ACE programmes were.

Regarding the question “How could the Commission ensure the balance between a unique set of rules allowing for radical simplification and the necessity to keep a certain degree of flexibility and diversity to achieve objectives of different instruments, and respond to the needs of different beneficiaries, in particular SMEs?” we think that the (often) missing links between research and industry constitute an important problem. The importance of the problem is different in the Member States; this calls for an increased degree of flexibility and diversity. Specific measures can be of geographical nature (e.g. specific conditions for SMEs



from regions/countries with certain characteristics such as low GDP/capita, low level of employment, high level of unemployment, etc.).

Regarding the different research and innovation funding (FP, national research grants, CIP, Structural Funds) the submission and settlement system is variable. To ensure a balance between a unique set of rules allowing for radical simplification and the necessity to keep a certain degree of flexibility and diversity to achieve objectives of different instruments can be based on similar rules in the submission and settlement system according to the needs of SMEs and potential applicants.

General measures should include better funding possibilities for SMEs in order to improve their participation.

Regarding the measures of success for EU research and innovation funding we suggest to measure the economic utility of the project outputs, which is very complicated because of different types of developments, market circumstances etc. The proposed indicators should be different according to the theme, to the discipline.

It is also an important question, how should the FP funding complement funds from the future Cohesion policy, designed to help the less developed regions of the EU, and the rural development programmes. In our opinion it should be the task of the national/regional authorities to use part of these funds to support the preparation of R&D actors to benefiting the FP funds.



2. Tackling societal challenges

EU funding programmes have a stronger focus on tackling societal challenges. Connected to the question “how should a stronger focus on societal challenges affect the balance between curiosity-driven research and agenda-driven activities?” we think so that the stronger focus on societal challenges will be resulted in the rise of the number of agenda-driven activities. In contrary we would like to emphasize the importance of curiosity-driven researches, which can contribute to the improvement of innovation and to the increase of competitiveness. It can be influence positively the societal problems.

Regarding the relevance of bottom-up activities, we emphasize the importance of the framework conditions (e.g. legal, economic, business etc.). The most important challenge is to create the good framework conditions. These can serve as a substrate for the accelerated evolvement of the bottom up initiatives without any directly imposed stimulating policy measures. In an effort to reach higher rate of involvement – e.g. in the form of increased employment rate – EU should envisage the enhancement of human capital. In Europe, there is much room for improvement regarding the job creation potential of services sector. Even if the EU aspires to foster innovation in service sector, the policies should not neglect the fact that services – both upstream and downstream – are especially associated with goods through linkages, thus promoting the exports of goods by dampening the existing barriers will have positive impetus on the employment-creating potential of services due to the forward and backward linkages. Services exporters also face barriers as well, for example, requirements about local presence and nationality, limited recognition of foreign qualifications, and restrictions on direct investment.

The EU research and innovation funding should consider the posterior societal (and economic) impact of the developments (technological) financed from EU research and innovation funds in order to could best support policy making and forward-looking activities.



The impact assessments of these projects would be necessary. It should be appear already at the project proposals phase and the Commission should evaluate this.

The Commission's Joint Research Center should assist in the scientific evaluation of impact assessments of technological projects.

Regarding the question "how could EU research and innovation activities attract greater interest and involvement of citizens and civil society", we thought that the citizens and civil societies can be involved better to the EU research and innovation activities through the societal impact assessment, already at the proposal phase in the projects. It can be resulted in efficient bottom-up solutions.



3. Strengthening competitiveness

The third field of this joint research paper is dealing with strengthening competitiveness. The EU funding can best take account of the broad nature of innovation, including non technological innovation, eco-innovation and social innovation if it gives more spaces to them in the financing schemes. The reform of legal framework is also important in order to be in line with the main aims of EU 2020.

We think so that the EU should consider better the demand of industrial participants in order to be strengthened the industrial participation in EU research and innovation programmes.

Regarding the question “how and what types of SMEs should be supported at EU level; how should this complement national and regional level schemes; what kind of measures should be taken to decisively facilitate the participation of SMEs in EU research and innovation programmes” we suggest the differentiated subvention, which would be a good tool to facilitate the participation of SMEs in EU research and innovation programmes. For example the fast growing, little start ups need assistance at the beginning of their activity, but there are other types of SMEs, who need assistance because of the economic crisis or the difficult economic situations. These SMEs are very important to the economy regarding the employment possibilities etc.

The EU level financial instruments efficiency is relevant, it is need to improve the efficiency. The differentiate method could distinguish countries, because of variable sizes, thresholds, and other numbers.

New approaches to supporting research and innovation should be introduced, in the future. It is important to simplify the public procurement procedure. In case of new approaches the cost efficiency and the transparency are elemental.



Connected to the question “how should intellectual property rules governing EU funding strike the right balance between competitiveness aspects and the need for access to and dissemination of scientific results” we emphasize that the EU should force that after a certain period the applicants could make public their scientific results, if it was financed from public funds.



4. Strengthening Europe's science base and the European Research Area

In order to strengthen Europe's science base and the European Research Area European Union has to support Member States in building excellence. It has to be kept in mind that excellence is not important per se: but it should be used as a tool to achieve the objectives of the European Research Area. However, putting emphasis only on the already existing institutions/research centres of excellence would be harmful for the future, more even development of the ERA. This is why the issue of capacity building and cohesion remains crucial, as well. In our opinion regarding the EU support to assist Member States in building up excellence, the most important issue, that the subvention should be based on the excellence, not on the Member States. The quality is the most important.

Regarding the support of the research infrastructures (including EU-wide e-Infrastructures) at EU level, we distinguish three situations:

- if there is a need an infrastructure and it can be operated at market base
- if there is no need for an infrastructure
- there is a need for an infrastructure, but it cannot be operated at market base.

In the third situation, the research infrastructure should be supported by credit, or by pre-financing possibilities in case of e.g. basic research with special needs.