

Joint Hearing BUDG – CONT on “A sustainable review of the Financial Regulation – boosting Europe’s progress 2020”

Tuesday, 1 June 2010

9h00–12h30

Brussels, PHS 3C50

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The EU’s financial rules from the point of view of the research community

The UK Royal Society, as it celebrates its 350th anniversary, recently published an excellent report entitled *The scientific century – securing our future prosperity*. In this report, the Royal Society recommends the UK Government – and this applies to the whole of Europe – **“to put science and innovation at the heart of a strategy for long-term economic growth”**. It also recommends **“prioritising investment in excellent people and to better align science and innovation with global challenges”**. These are recommendations that all research actors in Europe and globally can get behind.

Why are science and innovation so important to the economy and in responding to financial crises?

There are several reasons. First of all, science and innovation create NEW knowledge. They transform the way we live. They change attitudes and habits, create new industries and jobs, they enable us to tackle social and environmental challenges and problems. As the Royal Society report reminds us “we cannot predict this century’s counterparts of quantum theory, the double helix and the computer – nor where the next generation of innovators will be trained and inspired. But one thing seems certain: **unless we get smarter, we’ll get poorer**”.

Another excellent paper, written by the Reflection Group on the Future of the EU 2030 (chaired by Felipe González Márquez, and vice-chaired by Vaira Vike-Freiberga), claims that, looking to the 2030 horizon, Europe will need a highly competitive and sustainable social market economy in order to maintain social cohesion and combat climate change. In this context, the Group claims, **human capital is the key strategic instrument for ensuring success in the global economy**. And yet, the report continues, Europe has lost considerable ground in the race to become a knowledge

economy. Here, we again come to the investments in R&D&I, professional training, partnerships between public and private actors, and industry-academia cooperation.

The Commission's communication *Europe 2020 – A European strategy for smart, sustainable and inclusive growth* puts forward three mutually reinforcing priorities:

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource-efficient, greener and competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion

One of the proposed flagship initiatives is the 'Innovation Union', which is designed to improve framework conditions and access to finance for research and innovation so as to ensure that innovative ideas can be turned into products and services that create growth and jobs. Also in the other flagship initiatives, knowledge is a significant element. This is the right direction.

What are we talking about when we talk about financial regulations?

We are talking about the attractiveness of the European Research Area and its main concrete form of implementation, the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007–2013), in other words FP7. The Commission is working to simplify the implementation of the research framework programmes. It has just published a communication on the subject (29.4.2010 COM(2010)187) and the Council is also discussing it at the same time. The Commission has suggested a number of interesting and important tools and mechanisms for this simplification, and we can endorse most of them. At present, national discussions are underway to address these issues.

Science, technology and innovation communities – universities, research-performing agencies and funding agencies, SMEs, large-scale enterprises – all claim that, at the present moment, EU research, technology and innovation funding is less attractive than national funding or funding from other sources. It is less attractive because of the enormous bureaucracy it involves. This message from the research community could not be clearer.

Why is this?

This is a quote from *Nature* (Vol 463 | Issue no. 7284 | 25 February 2010): “**New EU financial guidelines were introduced in 2004, requiring the sort of detailed accounting that leaves no room for corruption. As a consequence, every cent in a research project has to be justified and accounted for both before and after it has been spent.**”

This brings us to a situation where European funding and interesting research questions and challenges no longer are attractive to those who should be most interested in EU funding: top-level researchers from Europe and third countries. *The complexity of European funding gives a clear competitive advantage to our global competitors, says a Finnish researcher involved in EU projects.*

What is needed?

What we need is a simplification of the financial and administrative provisions related to the Framework Programme and other European funding instruments, considering their important leverage effect for the competitiveness of the European Research Area and the whole of Europe.

Research should be funded based on the nature of the research, meaning concentrating on output. Excellence and high quality must be the sole criteria in science, research and innovation.

The European Research Area would benefit from a consistent vision shared by all research funding actors throughout the different programmes that avoids all unnecessary technical and administrative details, and instead promotes key funding principles based on an appropriate level of accountability.

Research and innovation are risk-taking activities. An appropriate level of tolerable risks is vital for success and should be supported by European research programmes. The funding schemes of the European Research Council are a step in the right direction. ERC funding is attractive, but it also needs further simplification with regard to reporting processes.

The ERC is an excellent example of how to support basic research and researcher mobility in Europe. However, the ERC could consider shifting the focus from senior to young scientists. This would underpin the tenure track system in Member States. This would enable us to encourage young scientists to choose Europe instead of the USA, and to strengthen Europe’s competitiveness.

The Trust Researchers declaration (www.trust-researchers.eu), signed by more than 12 700 researchers, also claims that at present the financial regulations – the relevant legal funding framework – treats research as if it were similar to a procurement process for goods. This is quite unsatisfactory for researchers, research organisations and the European Community as a whole. Ineffective research funding hinders the development of ground-breaking results.

From the perspective of a national research funding agency, we would need a balance between trust and accountability, in national research and innovation funding and also at the community level.

I would like to conclude with the words of a Finnish scientist:

- The (EU) administrative burden is so well-known that a common joke among US researchers is that their biggest competitive advance is the bureaucracy of EU research funding!*