# Cost effectiveness of the 7th Research Programme

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The European Parliament adopted by 573 votes to 28, with 18 abstentions, a resolution on cost effectiveness of the 7th Research Programme.

Members recalled that although the multiannual financial framework (MFF) 2007-2013 has come to an end, the implementation of the Seventh Framework Programme for research and innovation (FP7) is still ongoing.

However, no comprehensive cost effectiveness analysis exists concerning FP7.

**FP7**: FP7 represented a total voted budget of **EUR 55 billion**, accounting for an estimated 3 % of total research and technological development (RTD) expenditure in Europe, or 25 % of competitive funding.

The **main recipients** among the 29 000 organisations participating in FP7 were, inter alia, universities (44 % of FP7 funding), research and technology organisations (27 %), large private companies (11 %) and SMEs (13 %), while the public sector (3 %) and civil society organisations (2 %) represented a less significant share.

Although considered to be a success, **weaknesses were highlighted** such as: (i) high administrative burden and cumbersome legal and financial rules, (ii) insufficient focus on industry participation and societal impact, (iii) high threshold for newcomers; low average success rate for proposals and applicants.

Members are concerned that FP7 will not be fully executed and evaluated before 2020, which could cause delays in future follow-up programmes. The Commission is urged to publish an evaluation report as soon as possible and at the latest before it presents the post-Horizon-2020 research programme.

The Court of Auditors expressed concerns about the high level of error regarding research, development and innovation (RDI).

In 2015, of the 150 transactions that the Court audited, 72 (48 %) were affected by error.

**Cost effectiveness under FP7**: Members stressed that cost effectiveness should be measured against **economy, efficiency and effectiveness (sound financial management)** in achieving the policy objectives. They observed that:

- FP7 rules were not sufficiently compatible with general business practices;
- the control system needed to have a better balance between risk and control;
- beneficiaries needed better guidance to cope with the complexity of the scheme;
- the reimbursement methods needed to be more efficient.

In this regard, Parliament expressed concern that the annual activity report of DG RTD indicated that, by the end of 2015, 1 915 FP7 projects worth EUR 1.63 billion had **still not been completed**, which could delay the implementation of Horizon 2020.

Members insisted on the need to:

- ensure that FP7 and national research funding is coherent with EU rules on **state aid** so as to avoid inconsistencies and duplications of funding;
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**better target** FP7 financial instruments so as to ensure that newcomers with limited access to finance in the research and innovation field are supported.

**Future prospects under Horizon 2020**: by the end of 2015, 198 calls with a submission deadline by that date had been published for Horizon 2020. In response to these calls, a total of 78 268 proposals were received, 10 658 of which were put on the main or reserve list. This means a success rate of around 14 %, taking into account only the eligible proposals.

The report noted that cost savings of EUR 551 million in FP7 were made compared with FP6. The Commission also endeavoured to further simplify the implementation of Horizon 2020 compared with FP7 and DG RTD is trying to further reduce overhead costs by outsourcing contract management to executive agencies and other bodies. Under Horizon 2020, 55 % of the budget will be managed by executive agencies.

Parliament concluded that the Commission – overall – **managed the FP7 cost effectively** and that the programme also improved its efficiency despite the delays and repeated error rates in its implementation.

It welcomed the fact that under Horizon 2020:

- the programme structure is less complex;
- a single set of rules now applies;
- there is now one funding rate per project;
- indirect costs are covered by a flat rate (25 %);
- only the financial viability of project coordinators is checked;
- a single participant portal was created for managing grants and experts;
- grants, expert contracts and archiving are managed electronically.

Members welcomed the creation of a Common Support Centre (CSC), which will help to coordinate and deliver the programme in an efficient and harmonised manner. The role for the National Contact Points (NCP) should be increased in order to provide quality technical support on the ground. Annual assessment of results, training and rewarding NCPs that perform effectively will increase the success rate of the Horizon 2020 programme.

The share of Horizon 2020 funds allocated to **small and medium sized enterprises** increased from 19.4 % in 2014 to 23.4 % in 2015 and Members recommended that this trend be encouraged.

Members underlined the need to ensure that Horizon 2020's best practices are used in defining the programme. They suggested **more funding for innovation** and increasing flexibility between budgets of the different sub-programmes so as to avoid a lack of funding for those qualified as ‘excellent’.

Lastly, Member States are called on to make an extra effort to **meet the target of 3 % of GDP** being invested in research considering that this would boost excellence and innovation. Members called on the Commission to examine the possibility of proposing a **Science Covenant** at local, regional and national level, building on the dynamic already created by the Covenant of Mayors.