

# Opportunities and challenges in the use of structural funds

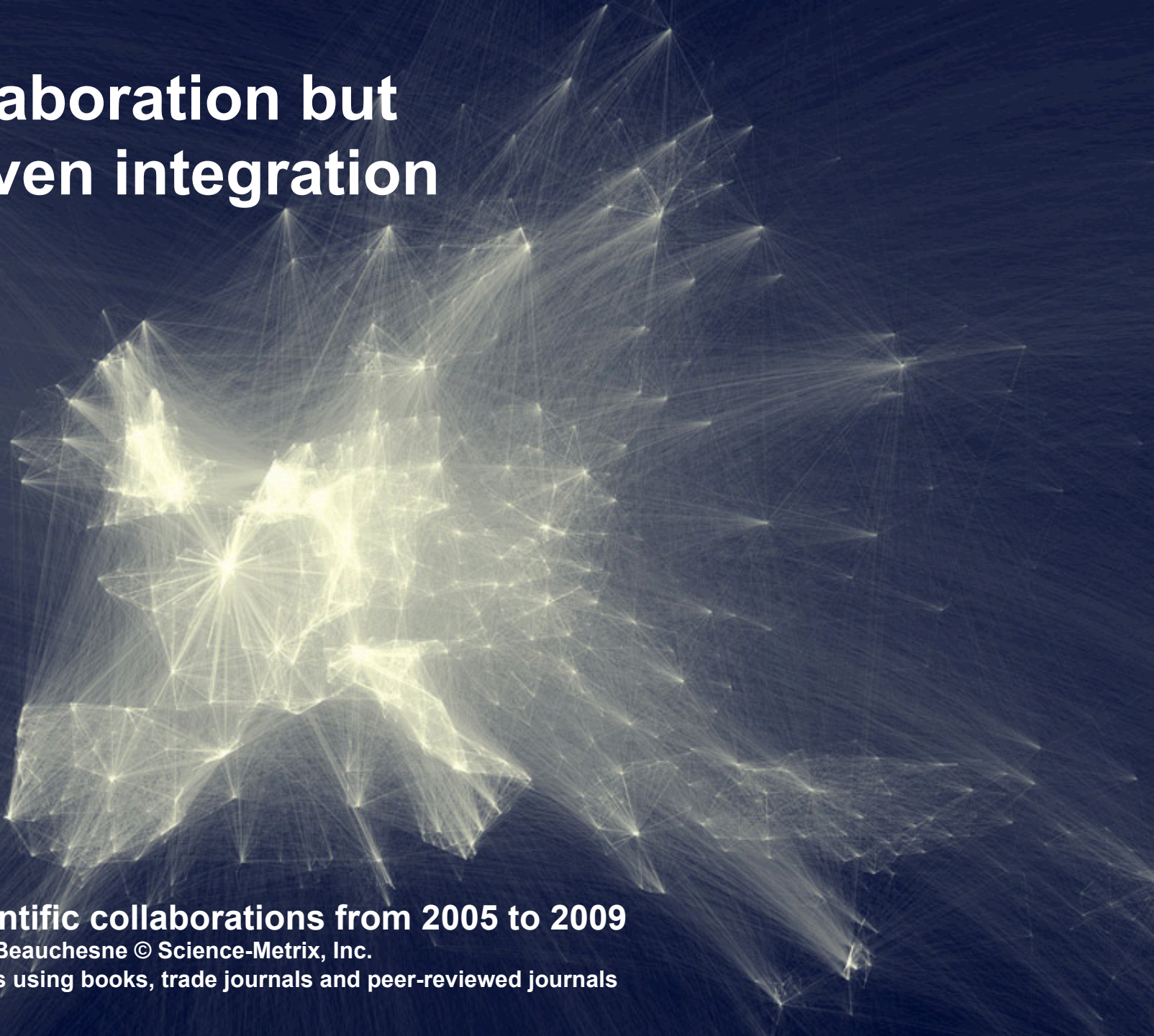
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# Introduction

- Both the objective of **cohesion** and the **development of the European Research Area** build on the recognition of the knowledge economy as the best means of achieving sustainable growth and social protection
- RIs and regional partner facilities have a crucial role to play as **instruments of integration** at the local, regional and European level
- Integration is indeed one of the challenges of Europe, with respect to economic and social development, but also in the field of research

# Collaboration but uneven integration

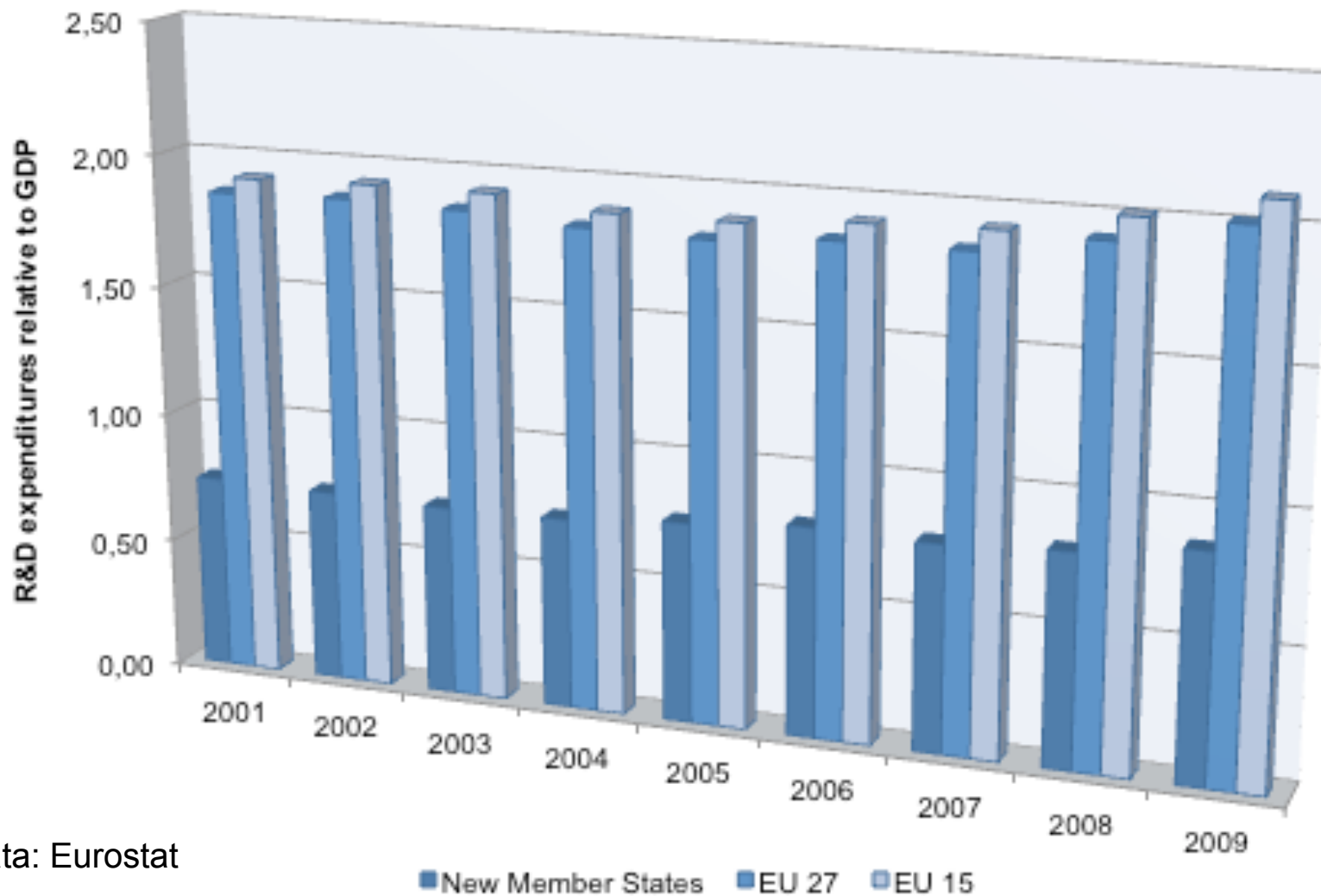


**Map of scientific collaborations from 2005 to 2009**

Computed by H. Beauchesne © Science-Metrix, Inc.

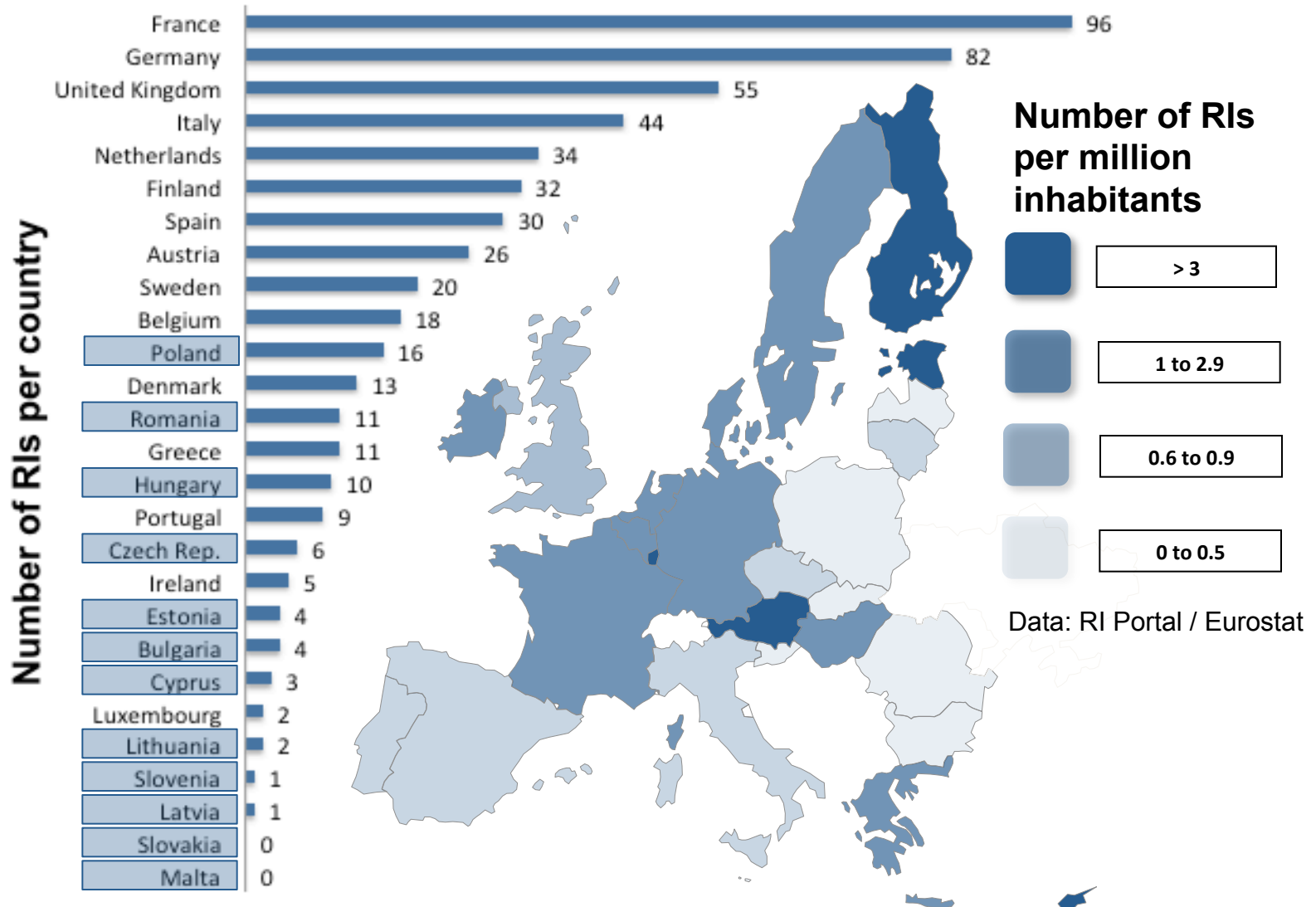
Data from Scopus using books, trade journals and peer-reviewed journals

# Discrepancies in R&D spending



Data: Eurostat

# Imbalanced distribution of RIs

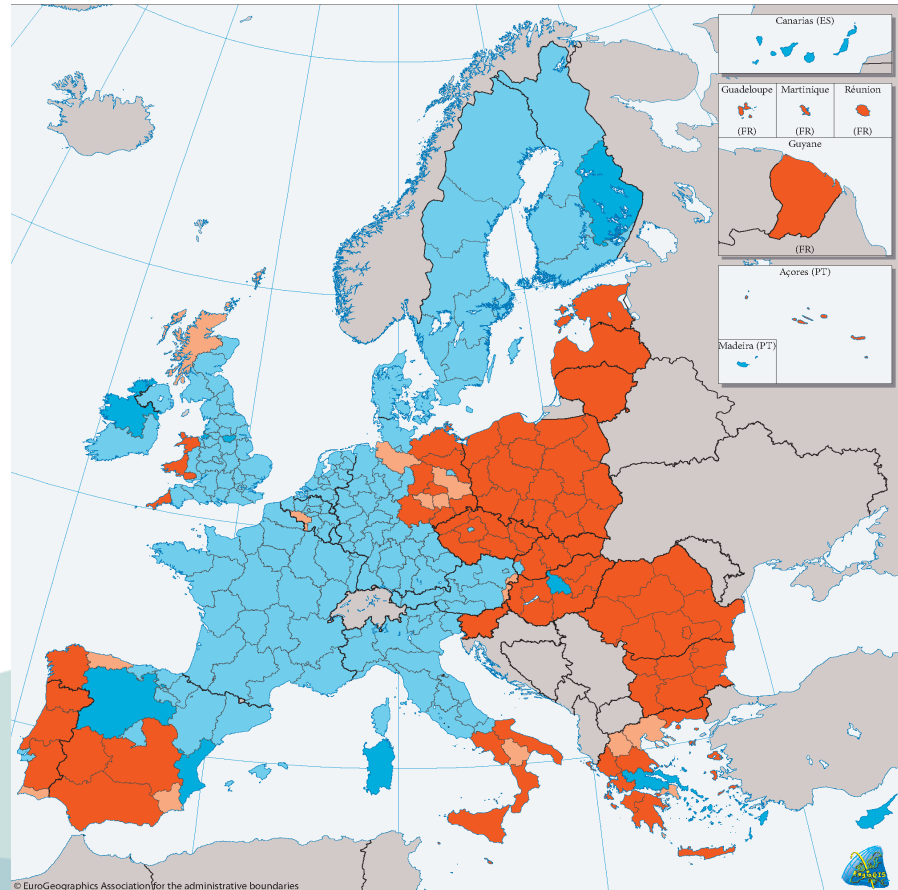


# Structural funds, an opportunity for the development of RIs?

- The funding of RIs has to be approached comprehensively, from the point of view of their whole lifecycle; consequently, structural funds represent only one of the many financial instruments that should be considered
- In the current programming period (2007-2013), €10 billion out of €86 billion are dedicated to the funding of research infrastructures and centres of excellence (75% of which is reserved for convergence regions)
- The use of structural funds is a remarkable opportunity for the development of RIs, but it is not without some challenging aspects related to the difficult adaptation of structural funds to the particular nature of RI projects

# EU Cohesion Policy – 2007-2013

-  Convergence Regions
-  Phasing-out Regions
-  Phasing-in Regions
-  Competitiveness and Employment Regions



# EU cohesion policy and RIs

- **Fields of intervention of Cohesion Policy:** transport, environment, energy, tourism, culture, education, health, RTD, innovation and entrepreneurship, information society
- In 2007-2013, **EU Cohesion Policy** devotes
  - € 86 billion (=25% of its overall budget) to RTDI (broadly defined), € 50 billion: RTD and innovative capacity of businesses
  - € 26 billion: ICTs, support for business start-ups, skills development etc
  - **€ 10 billion: Research Infrastructures and centres of competence, 75% of which in Convergence Regions**
- Focus on Convergence Regions is essential for Cohesion Policy: the aim is to contain regional disparities in general, but in particular also regarding research infrastructures and centres of excellence



# EU cohesion policy and RIs

- **1989 -1993: 4% for R&D&I (2 billion out of 50)**  
(Community initiatives)
- **1994-1999: 7% for R&D&I (7,6 billion out of 110)** (Pilot Projects)
- **2000-2006: 11% for R&D&I (20 billion out of 195)**  
(Regional Programs of Innovative Actions)
- **2007-2013: 25% for R&D&I (86 billion out of 345)**  
(Regions for Economic Change, Article 5 of the ERDF: innovation as a priority for the “Competitiveness” objective  
-31.000 R&TD projects identified in only 95 ERDF Programs (40% of total budget)

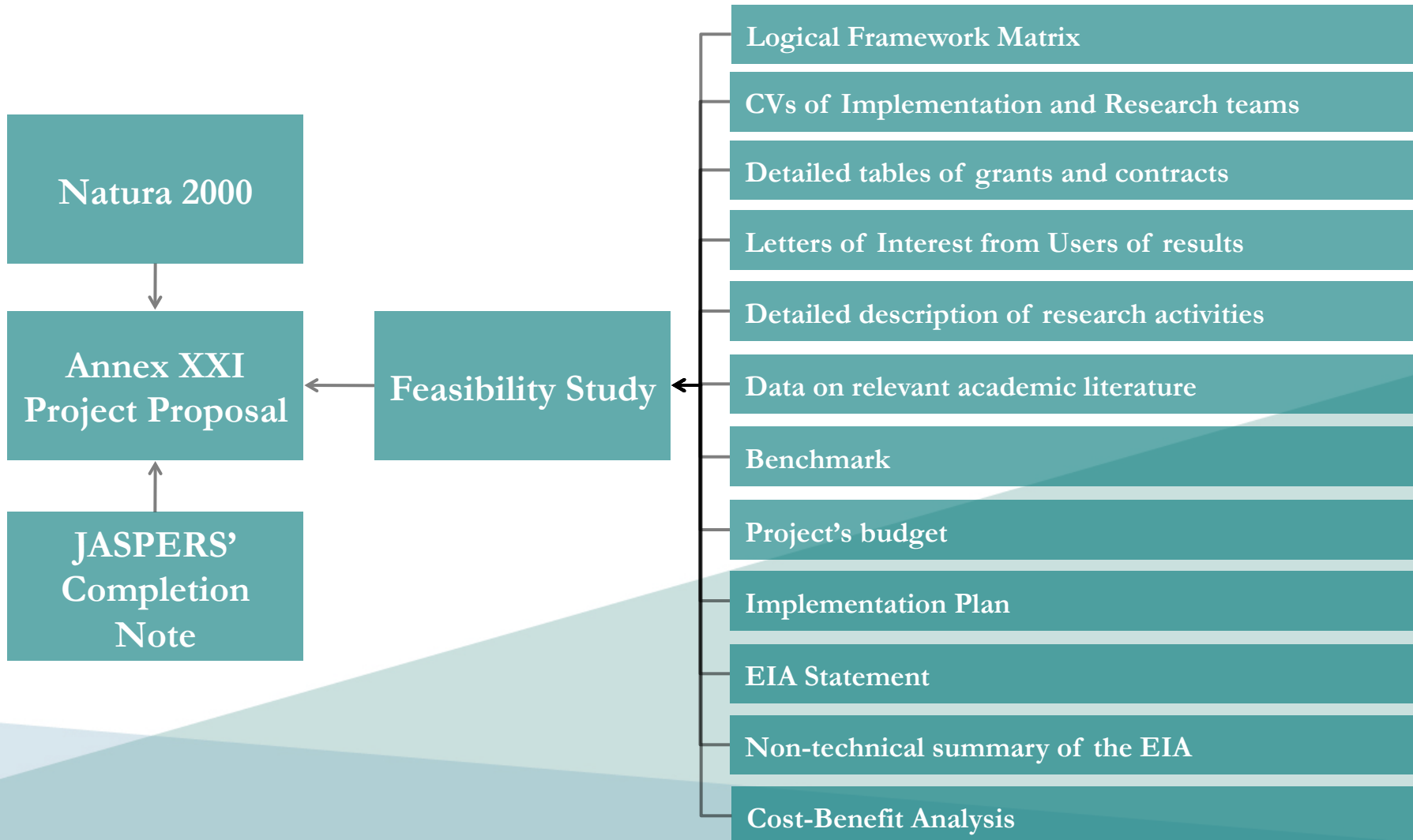
# Basics

- Global amount of structural funds allocated to each eligible country for the programming period
- Definition of Operational Programmes divided in Priority Axis according to national and regional strategies
- Selection organised by Managing Authorities at the national level (or by intermediate bodies)
- Above €50 million, the European Commission has to approve the investment project
- Projects are co-funded (ERDF + national funding)

# Basics

- Limits imposed by EU rules (applicable SFs Regulations) and national eligibility rules
- Eligible beneficiaries: virtually all RI actors (public institutions, SPVs....)
- Eligibility of activities/investments related to RIs: preparatory activities, construction, equipment
- Eligibility period: not beyond 31/12/2015
- SF support (payments) not directly paid to beneficiaries: support paid by MS to beneficiaries, MS reimbursed by COM (certified expenditure)
- Interruptions in case of deficiencies, irregularities...

# Example of structure of an application



# Challenges in the grant application

The application should demonstrate in particular that the project requesting funding is:

1

An **excellent** scientific project...

... attracting users and satisfying their needs

3

... based on conditions ensuring its delivery on **time**, to budget and within acceptable **risk** ...

... and generating a sufficient level of socio-economic **impact**

2

4

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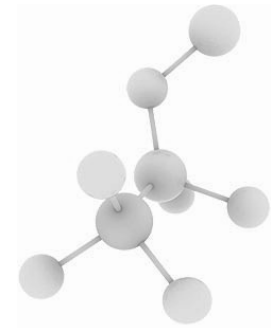
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# Challenges in the grant application



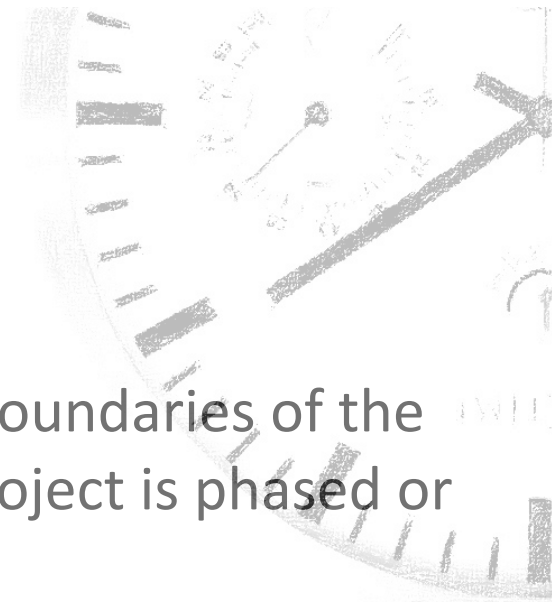
## Excellence

- The application process is very demanding and covers all the dimensions of the project (scientific, technical, financial, legal, organisational, HR, etc.)
- It is better suited to projects that have reached a mature state of definition; for less mature projects, the requirements and schedule of the application process are likely to prevail over the traditional exercise of project definition
- The authorities involved in the evaluation process are not necessarily familiar with RI and R&D projects; evaluation may consequently focus on economic, financial and legal aspects rather than on the relevance of the scientific and technical choices

# Challenges in the grant application

## Time & Risk

- Cost eligibility is strictly limited to the time boundaries of the programming period (whether the overall project is phased or not)
- This leaves little room to flexibility and adjustments, especially for projects involving risky technological developments
- In practice, this strict limitation of eligibility in time poses more constraints than in the case of RI projects funded with national resources
- Excellent financial planning and project management are therefore required, which is challenging for countries that have little experience in these areas





# Challenges in the grant application



## Impact & Risk

- The demonstration of a sufficiently high economic rate of return is an essential part of the application for funds.
- This requires the quantification of economic impacts through the definition of indicators in the CBA. Some of them represent legally-binding commitments included in the grant agreement
- CBA are a well-established tool for investment decisions; indicators have to be grounded on a “business case” detailing the conditions for attracting users and delivering impact
- However, this quantitative approach is not fully satisfactory for R&D and RI projects, the outcomes of which (in terms of knowledge production) are necessarily partly unforeseeable

# Challenges – Legal aspects

## Geographic “anchoring” of structural funds

- Distributed RI: possibility to fund a constituent facility of the RI in an eligible region (provided the schedule of the Operational Programme is compatible with the time constraint of the RI project)
- Single-site RI: structural funds may be used for regional partner facilities or to cover part of the investment cost of the RI, provided that the other sources or contributions are secured at the time the application is submitted to ensure financial self-sufficiency

# Challenges – Legal aspects

## How to negotiate the setting-up of RI consortia when structural funds are involved

- Having the RI consortium as the direct beneficiary of the fund is almost impossible from a practical point of view as grant application and political negotiations have different timelines
- The legal conditions of the transfer of ownership from the grant beneficiary to the consortium would need to be clarified
- The capacity to attract contributors to the operational costs is difficult as investment costs are generally fully covered by structural funds; contributions from partners to the implementation of the RI should represent an addition to the items and activities funded from the grant