

Deputy First Minister  
and Cabinet Secretary for Finance, Constitution and Economy  
John Swinney MSP



T: 0300 244 4000  
E: dfm@scotland.gsi.gov.uk

Christina McKelvie MSP  
Convenor  
European and External Relations Committee  
The Scottish Parliament  
Edinburgh  
EH99 1SP

In 2014 Scotland Welcomes the World



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Dear Convener

I understand that the next meeting of the European and External Relations Committee will take place on 11 December 2014 and I hope that the following update will be of interest to the Committee.

### Framework Programme 7 (FP7)

Although Framework Programme 7 is now closed, we continue to receive updates on Scottish participation in what was the EU's flagship innovation and research excellence competitive financial instrument. As of July 2014, Scottish organisations had been involved in 1,400 projects which have in total secured funding of over €725 million. I believe these results strengthen Scotland's reputation as a place of scientific excellence and provide a strong platform from which to build as we look towards Horizon 2020. A detailed analysis of Scotland's participation in FP7 has been prepared by Scotland Europa and is appended to this letter at Annex A.

### Horizon 2020

Whilst we await first results of the general Horizon 2020 programme, the results of Round 1 of the new SME Instrument have been announced. This programme targets highly innovative SMEs who have a close to market proposition, with up to €50,000 of support. 155 SMEs from 21 countries have been successful including 3 Scottish companies from 15 that submitted proposals. Of this number, 11 had received support through a specifically tailored "Client Journey" developed for this programme by Enterprise Europe Scotland. Although the numbers are small, the success rate across Europe was 6.4% so the Scottish success rate of 20% in what is a highly competitive call is encouraging.



Additionally, Enterprise Europe Scotland has been selected as a consortium member to implement CoachCom2020, the new programme providing business innovation coaches to support the SME Instrument beneficiaries. Scotland's involvement as a key partner in the development of this international coaching best practice platform will benefit not only Scottish SME Instrument beneficiaries but will provide access to international innovation coaches for other high growth companies.

### **European Research and Innovation Steering Group**

The Steering Group continues to meet quarterly to consider the strategic direction and coordination of Scottish participation in the programmes of Horizon 2020 and ensure our links to the EU Coordinating Teams in the UK Government and in the devolved administrations of Northern Ireland and Wales continue to be productive. The Steering Group met in Brussels on 04 December 2014 and used this opportunity to engage with a number of officials from EU organisations including the UK Representative for Research and Innovation and members of the Vanguard Initiative.

### **Knowledge Innovation Communities (KIC)**

The 2014 KIC competition on Active Living and Healthy Ageing has closed, with the LifeKIC consortium led by the University of Edinburgh submitting its bid by the closing date of 10 September 2014. The European Institute of Innovation and Technology is expected to announce the winning bid later this month, which, if successful, would offer unparalleled opportunities for LifeKIC partners to develop new and potentially world-leading healthcare innovations.

The EU Research and Innovation Steering Group hosted an event in October for Scottish Government officials and members of the wider research and industry communities that reviewed the LifeKIC consortium-building experience and considered opportunities for Scottish participation in the 2016 and 2018 KICs calls.

### **Vanguard Initiative**

The Vanguard Initiative has now grown to 21 partners and on 13 November 2014 the annual political meeting was held in Milan, with the Scottish Government represented by the Director General for Enterprise Environment and Innovation, Graeme Dickson. This event culminated in the signing of the 'Milan Declaration' and the renewing of political commitment of the Vanguard members to join forces and play an active role in European innovation and industrial policy.

Looking ahead, the Scottish Government has offered to host the next Vanguard Initiative event with high level officials from the partner regions in spring 2015. Whilst still in the stages of early planning, this would prove a valuable opportunity to demonstrate to our European partners both Scotland's strengths and our commitment to the Vanguard Initiative principles.

I will provide you with a progress report in each of these areas in my next update, but trust that this report will provide you and the Committee members with assurance on our continuing efforts to secure the best possible outcomes for Scotland, through our active engagement in European research and innovation opportunities.



**JOHN SWINNEY**





### Scotland's engagement with the Seventh Framework Programme (FP7): performance monitoring and analysis update (1 July 2014)

#### Background

The Framework Programmes (FP) has been the EU's main instrument for funding research in Europe. It follows the same seven-year programming period as most large, EU funding instruments (such as CAP and Structural Funds), with the current period for FP7 being 2007-2013. However, unlike CAP and Structural Funds, the FP is a competitive funding tool, which is 'geographically blind' – i.e. funding is allocated on the basis of scientific excellence (determined by calls for proposals). The structure, objectives and budget have been refined since their inception in 1984 making each FP different and more aligned with wider EU objectives.

Scientific Excellence is the driver of FP7 with Frontier Research, Mobility, Capacity and trans-national Cooperation in key Thematic areas all having specific sub programmes within the current FP. The current Framework Programme (FP7) has a total budget of €50.5 billion of which €44 billion<sup>1</sup> has been, so far, allocated to successful projects.

#### FP7 funds so far secured for Scotland

- Scotland has secured over €725 million which is 1.6% of the total allocated FP7 budget. The €725 million also represents almost 11% of the UK allocation (€6.8 billion). Secured funds to Wales and Northern Ireland are 2% and 1%, respectively, of the UK allocation.
- Compared to previous FPs, Scotland's FP 7 performance is significantly higher – in FP6, Scotland secured €189 million (1% of available budget) and FP5, Scotland secured €194 million (1.3 % of available budget). While Scotland's financial performance is higher in FP7, it must be noted that previous programmes are only somewhat comparable due to less overall funding allocations and shorter programme periods. However, the percentage comparison detailed above provides a more useful insight into improved financial performance.
- Scottish Higher Education organisations and Research Institutes<sup>2</sup> are the main beneficiaries of Scottish FP7 funding, securing 85% (€620 million) of all the funding secured by Scottish organisations.
- Scottish businesses have secured almost €83 million of Scottish FP7 funding to date, with SMEs accounting for €62.5 million of this.

<sup>1</sup>Figures based on data received by UK Department of Business, Innovation and Skills (BIS) up to 01.07.14 on money awarded across Europe.

<sup>2</sup>Research Institutes are classified by the European Commission as Research Organisations.

- While FP7 consists of five Sub-Programmes, the largest is the Cooperation Sub-Programme against which €32 billion (63%) of the total budget is allocated. It is under this Sub-Programme that Scotland has currently secured the largest funding (over €407 million), which constitutes 56% of overall FP funds which Scotland has secured. The rest of the money secured is divided between the other Sub-programmes: ERC (€171 million /24%), People (€104 million /14%), and Capacities (€40 million /6%) and Eurotom (€1 million / 0.2%).
- The Cooperation programme is split across 10 themes<sup>3</sup>. In terms of Scotland's performance, just 57% of the funds secured in this programme have been across only three themes. These are further broken down as follows:
  - ICT - €104 million (26% of Co-operation programme funding secured in Scotland)
  - Health - €78 million (19% of Co-operation programme funding secured in Scotland)
  - Food, Agriculture and Fisheries, and Biotechnology - €49million (12% of Co-operation programme funding secured in Scotland)
- The European Commission has set a 15% funding target for SMEs within the Cooperation sub-programme. Scotland has currently exceeded this target with 17%<sup>4</sup> of Scotland's secured funds within this sub-programme allocated to SMEs. This figure includes all types of organisations who are classified as SMEs e.g. Research Organisations, Businesses and Other<sup>5</sup>.
- The money secured by Scottish organisations on a project by project basis varies from €1,000 to €19 million.

#### Scottish participation in FP7

- Scottish organisations are involved in 1400 projects holding over 1650 partners' roles<sup>6</sup> within these projects.
- Higher Education organisations represent over 1160 (69%) of the Scottish roles across these 1400 projects. This is based on 19 Higher Education organisations, representing the breadth and intensity of FP engagement which has taken place.
- Business holds 297 roles within projects (18% of the Scottish Total). These positions are held by 179 different Scottish organisations. Of these, 50 businesses are involved in more than 1 project, 13 businesses in more than 3 projects but less than

<sup>3</sup> The Joint Technology Initiatives (JTIs - (IMI), ARTEMIS, CLEAN SKY, ENIAC, FCH) are now included in the BIS report where as previously details if these activities were not available

<sup>4</sup> This figure does not include secured funding via the JTIs.

<sup>5</sup> The European Commission classifies as "Other" those legal entities registered as associations, non-profit organisations, NGOs and any other organisation not falling under the standard categories: Higher Education, Research Organisation, Private Commercial and Public Body.

<sup>6</sup> Project participation is split into two categories (roles), Coordinators and Partners. Each individual organisation can participate in multiple projects.

13. This demonstrates rather limited engagement of Scottish business across FP7 projects and contrasts with the engagement of Higher Education organisations, detailed above.

- Scottish Business participation is dominated by SMEs with 80% (238) of the roles held by businesses classified as SMEs.
- When incorporating all types of SMEs (including Research Institutes and others), Scottish SMEs hold 331 roles (20% of the Scottish total number of roles).
- The Co-ordinator role is an important one because it allows direct contacts with the Commission, increases the opportunity to influence the project management and the potential commercialisation of the project outcomes. EU forecasts suggest that the impact on local growth is 20% higher when participating as a co-ordinator rather than merely as project partner. Scottish Organisations hold over 486 coordinating roles within projects, representing 29% of all Scottish roles. Of these Scottish co-ordinator roles, 89 % are held by Universities. Only 20 of these roles (4%) are held by Businesses.
- Scotland's coordinator roles are distributed across only 40 different organisations: 14 different HEs, 9 Research Organisations, 13 Businesses, 2 Public Body and 2 Others<sup>7</sup>.

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<sup>7</sup> See note N. 2.