

Russell Group briefing note: European Fund for Strategic Investments

February 2015

The Russell Group represents 24 leading UK universities committed to maintaining the very best research, an outstanding teaching and learning experience and unrivalled links with business and the public sector.

Summary

The European Commission is proposing to create a European Fund for Strategic Investments (EFSI) as part of its Investment Plan for Europe. The EFSI will be backed up by a guarantee from existing EU funds, including €2.7 billion from Horizon 2020.

We are extremely concerned that money originally designated for excellent science and research will be diverted to other EU areas and focused on projects perceived to be 'quick wins'. This strategy fails to recognise the substantial economic and social benefits of making sustained investments in basic research.

The UK has out-performed many of its international rivals in winning EU research funds and the Russell Group has been central to that success. The UK would therefore lose out disproportionately if Horizon 2020 funds are not allocated on the basis of excellence. **We hope that protections for Horizon 2020 funding are put in place in the upcoming negotiations to establish the EFSI.**

As well as allowing our researchers to work internationally, EU research funding has a measurable economic impact:

- Russell Group universities secure over £400 million in research funding a year from the EU, which accounts for 11% of the universities' collective research grant income.¹ EU funding is not just an added bonus, but a vital part of university research funding.
- The UK has received more than £5 billion from Framework Programme 7 (FP7) and won more funding in 2012-13 than any other Member State. Based on this success, the former Research Commissioner, Máire Geoghegan-Quinn, predicted the UK could win up to £2 billion in the first two years of Horizon 2020.²
- The long-term impact of FP7 in Europe is estimated at an extra 0.96% of GDP, an extra 1.57% of exports and a reduction of 0.88% in imports. The long-term employment impact is estimated at 900,000 jobs, including 300,000 in the field of research.³ This will be accentuated in the UK given the extent of our success in FP7.
- The annual contribution of FP7 to UK industrial output exceeded £3 billion.⁴

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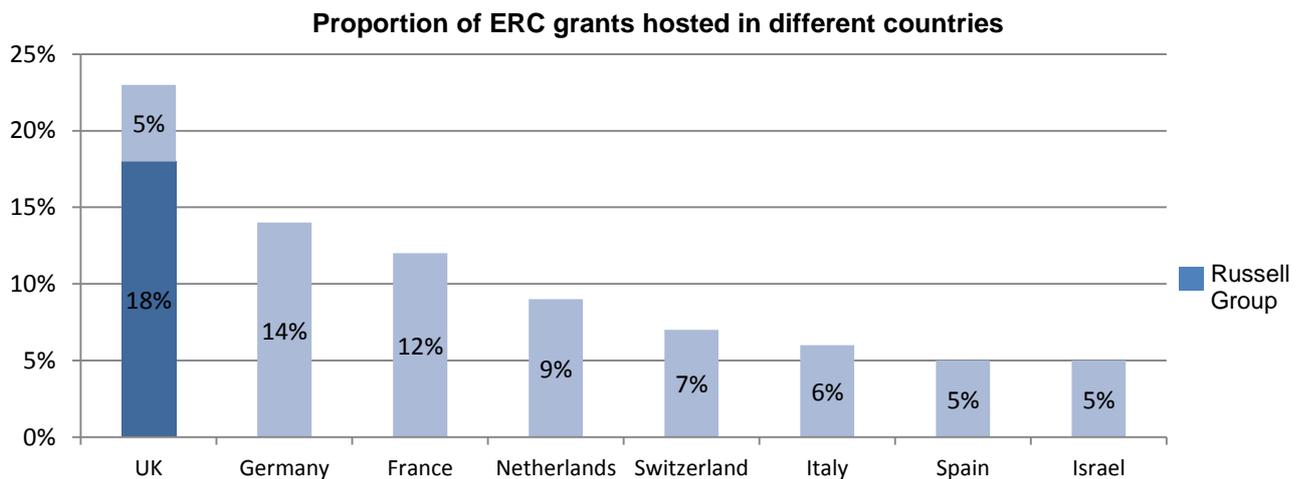
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The UK has had an outstanding level of success in FP7 and this has provided significant value to the UK, on which we can build in Horizon 2020:

- 13 of the top 25 higher education participants in FP7 were Russell Group universities. The 24 Russell Group universities have had the same level of participation in FP7 as all higher and secondary education institutions in both France and Germany together.⁵
- The 24 Russell Group universities alone win 18% of all European Research Council (ERC) grants compared to 14% won in the whole of Germany, the UK's nearest competitor.⁶
- Funding for competitiveness and innovation made up 23% of the UK's receipts from the EU in 2013. In the same year, **the UK received more than twice as much money from the competitiveness budget line as it did from the regional funds budget line**, despite the fact that the budget for regional funding was about four times larger than that for competitiveness in 2013.⁷



As the UK wins such a high proportion of EU research funds, we would be hit disproportionately by any cuts to the budget. The proposal to take €2.7 billion from Horizon 2020 could therefore result in the UK securing a lower proportion of EU funds and undermines the huge potential benefits of the Horizon 2020 programme:

- The Commission has explained that the EFSI should target projects that promote job-creation, long-term growth and competitiveness. However, it is counterintuitive to take money from the one part of the EU budget designed to do this already (Heading 1a of the EU budget under which Horizon 2020 sits is labelled 'Competitiveness for growth and jobs' – and that is exactly what it delivers). If the EFSI initiative is to proceed then it would make more sense to **reallocate money from other budget lines which currently underperform in terms of their impact on growth, jobs and competitiveness**, such as regional or agriculture funding.
- The Commission's proposal includes taking **over €200 million from the European Research Council budget**. This could result in an estimated 35 ERC fellowships not being funded at UK universities (primarily Russell Group universities). The ERC provides vital funding to researchers at all stages of their careers and has had an immense impact on the science base in the UK and in Europe. For example, Manchester University scientist Konstantin Novoselov received one of the first ERC starting grants in 2007 to investigate the 'Physics and Applications of Graphene' and with fellow Manchester professor Andre Geim he went on to win the 2010 Nobel Prize for Physics for his work.

- The Commission is also proposing to take **€350 million from the European Institute of Innovation and Technology (EIT)** (representing a 13% cut to the EIT's budget). This is short-sighted given that the EIT already successfully leverages additional funding: more than 80% of the Knowledge and Innovation Communities' (KICs) overall budget comes from external sources. There are a number of Russell Group and other UK partners involved in the existing and new KICs that form a core of EIT activity, the success of which could be severely jeopardised by this funding cut.
- Although the Commission has said that the EFSI will support research and innovation projects, the fund will also be used to support the development of transport, energy, environmental and digital infrastructures; expansion of renewable energy and resource efficiency; and to provide financial support for companies. **There is no guarantee that the €2.7bn taken from Horizon 2020 would be substantially reinvested into research and innovation and not diverted primarily to other EU political priorities.**

Desired outcome

- **We hope to see protections for the Horizon 2020 budget put in place in the upcoming negotiations on the EFSI Regulation in the European Council and European Parliament.** In particular, cuts to the Excellent Science pillar of the programme should be minimised as basic research supported by these funds is vital for underpinning long-term growth and jobs and driving the UK's and Europe's competitiveness.
- The Special Task Force on Investment in the EU set up jointly by the Member States, European Commission and the EIB has already drawn up an indicative list of projects in each Member State.⁸ We are concerned that there was no evident consultation on the UK list and would like **assurances that all governments would seek thorough consultation with appropriate stakeholders** when making proposals for the pipeline of future investment projects.

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¹ HESA finance data 2012/13.

² Speech given by Commissioner Geoghegan-Quinn at the UK launch of Horizon 2020 (31 January 2014).

³ Impact Assessment Horizon 2020, Annex 0. These are EU-level estimates.

⁴ Impact Assessment Horizon 2020, Annex 0.

⁵ European Commission E-CORDA data extracted February 2014.

⁶ European Commission E-CORDA data extracted February 2014.

⁷ EU Budget 2013 Financial Report.

⁸ http://ec.europa.eu/priorities/jobs-growth-investment/plan/what/index_en.htm