BALANCE OF COMPETENCES REVIEW
SCOTTISH GOVERNMENT RESPONSE

RESEARCH & DEVELOPMENT

1. The Scottish Government welcomes the opportunity to contribute to this call for evidence.

2. In drafting this response, we have consulted with a number of partners including those from our Enterprise Agencies and Scotland Europa.

Development of EU Research and Development Competence

3. Scotland is home to world-class entrepreneurs, scientists and internationally renowned universities. European research and development activities have greatly benefited Scotland and offer significant opportunities towards our aim of securing sustainable economic growth.

4. Through the implementation of the Framework Programmes in 1984, and their subsequent success and additional funding increases, opportunities to participate and direct positive polices towards engagement have increased.

5. Next year will see the introduction of Horizon 2020 and its increased focus on moving research into innovation to help create economic growth. It is anticipated that this change in focus, along with the introduction of simplified application procedures, will help to encourage greater business engagement. This is particularly welcome in Scotland.

6. The launch of the Europe 2020 strategy and Flagship Initiatives has also given Scotland the opportunity to think about national and regional priorities and measures in parallel with those of the EU. As a result, we are developing a refreshed innovation and entrepreneurship framework, which will embed the principles of the EU's Smart Specialisation Strategies within it.

7. The protection of intellectual property arising from research and development activities is of importance. The recent creation of a unitary patent system will assist in making obtaining a European Patent less complex and cheaper for businesses, while ensuring legal certainty throughout the entire single jurisdiction in the participating member states. It will also help to make Europe a more attractive place for investors, boost competitiveness and enhance the Single Market.

8. The main pieces of legislation applicable to this policy area are:

   Research and Innovation - Treaty of EEC, Single European Act, Maastricht Treaty, Treaty of Amsterdam, Treaty of Nice, Treaty of Lisbon, Framework Programme 7, Horizon 2020.

Under the Lisbon Treaty (2009), the wider European Research Area (ERA) will be non-legislative and based upon co-operation and collaboration. As such, we feel this is an entirely appropriate way to encourage cross-border participation and the sharing of ideas. Framework Programme 7 has made inroads into this.

Intellectual Property - Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights. Two regulations with a view to implementing enhanced cooperation in the area of the creation of unitary patent protection (PE-COS 72/11) and its translation arrangements (18855/2/11 REV 2).

Space - The Treaty of Lisbon created the legal basis to enable the EU to conduct a European Space Policy. The Lisbon Treaty of 2009 reinforced the case for space in Europe and strengthened the role of the European Space Agency (ESA) as an R&D space agency. The Treaty also extended qualified majority voting to space policy, when prior to that it required unanimity according to the Treaty of Nice.

9. Article 189 of the TFEU requires the Union to develop European space policy to promote scientific and technical progress, industrial competitiveness and the implementation of the policies. It also stipulates that the EU should establish appropriate relations with ESA. ESA is not an agency or body of the European Union (EU) but they do share common goals.

Advantages of EU Research and Development Competence

10. European activity in research, development and innovation is generally of benefit to Scotland. The aims of the EU's Framework 7 programme, for research and innovation, aligns well with the Government Economic Strategy and initiatives such as the Scottish Funding Council's Innovation Centres.

11. We consider Scotland to be an effective user of EU funding. For example, Framework Programme 7 has seen significant gains for Scotland, with our academic research institutes especially performing extremely well under the programme. To date, almost €505 million has been secured by Scottish organisations since 2007 [source: Scotland Europa, July 2013].

12. There is also demonstrable evidence throughout the Scottish business base and academic institutes to support the view that participation in EU research and innovation programmes can deliver many positive outcomes. This includes the potential to increase scientific and business reputations, as participation in programmes are based on excellence; improve the ability to attract and retain world class researchers and maximise opportunities to access new markets and funding opportunities.

13. Given the international nature of much research and development, the involvement of Scotland in EU programmes has helped to support multi-partnerships with a number of European and non-European organisations. This has also fostered better understanding of the scientific communities in research sectors and shared knowledge across different societal challenges.

14. Programmes also provide opportunities for academia and business to work together more collaboratively. For example, Scotland was particularly successful in the EU Innovative Medicine Initiative European Lead Factory competition which brings together industry and academia with an aim to speed up the discovery and development of new drugs.

15. The more affordable Europe-wide patent protection will encourage EU businesses to increase their innovation activity and is particularly good news for SMEs who have limited resources. It will also help boost business competitiveness and make EU countries more attractive places for investors.

Challenges of EU Research and Development Competence

16. The bureaucracy of EU research and development funding procedures, general regulatory requirements and speed of process can often lead to frustrations and cause delay to funding. Equally, the proliferation of programmes and the overlaps can be confusing. These areas can discourage applicants. However, we recognise that through Horizon 2020's proposed simplified programme structure, single set of rules and simplified reimbursement model that such issues will be addressed.

17. EU funding has in the past focused on research and development rather than its translation into goods and services through innovation and knowledge exchange. Therefore, full economic benefits may not have been realised. However, it is expected that Horizon 2020's stronger focus on innovation and close-to-market activities will address this.

18. The EU has competence in State Aid control over research and development subsidies, and this means that, in theory, EU rules might restrict UK ambitions to subsidise research and development in order to maintain a level playing field between States. There have already been some concerns that, particularly in Scotland, where the number of projects within the renewable energy sector is gathering pace, some of the research and development financial thresholds are potentially too small given the scale and risk involved with many renewable energy projects. With Scotland being a major innovator in wind and wave power, this may have a greater impact than in the rest of the UK. There is also general concern that countries outwith the EEA, such as the USA or Japan, receive much higher levels of funding, thus giving them much better market position as opposed to Scotland, which is generally bound by the limits permitted under EU Regulations.

19. Previous concerns also existed over the approval timescales involved in notifying the European Commission of a State Aid scheme. This introduced a lot of uncertainty, especially to those trying to implement research and development schemes and funding. However, the draft State Aid Research, Development and Innovation Framework is helping reduce these timescales. This should have a positive effect on implementation times in Europe.

20. Finally, the opportunity to directly influence research and development funding calls can present challenges due to Scotland not being a member state. However, being an independent country in the EU would help enable Scotland to have greater influence than we currently do in these calls. Status as a member state would also place Scotland in a more influential position to back Scottish applications bidding for research and development funding.