



EUROPEAN PARLIAMENT

2009 - 2014

Committee on Industry, Research and Energy

9.3.2012

WORKING DOCUMENT

on Amendment of Regulation (EC) No 294/2008 establishing the European
Institute of Innovation and Technology

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Introduction

In the framework of the Lisbon Strategy for Growth and Jobs, the European Institute of Technology (EIT) was established in 2008 by Regulation (EC) 294/2008, with the aim of reinforcing Europe's innovation capacity. It represents the first EU attempt to integrate the three sides of the so-called Knowledge Triangle (higher education, research and innovation).

The EIT with its headquarters located in Budapest, became operational in 2010 with a EU budgetary contribution of 309 m€ for the period 2008-13. It has fully absorbed the amounts allocated in 2009 and 2010 (5,6 m€ and 26 m€ respectively) and is expected to fully commit the 55 m€ allocated in 2011.

Principally through the creation and support to the activities of the so-called Knowledge and Innovation Communities (KICs), the EIT promotes closer interaction between universities, research centres and enterprises activities, with the objective to close the gap between research, education, and the entrepreneurial world to enhance EU's innovation capacity.

Currently three KICs have been up and running since 2010 (Climate-KIC, EIT ICT Labs and the KIC InnoEnergy) through 16 “co-location centres” in 12 EU Countries. In 2 years the number of partners in each KIC has increased 2-3 times fold and engage today more than 200 partners.

Proposal by the Commission

The EIT in Horizon 2020

The Commission is proposing today a further development to the EIT by integrating its scope under the Horizon 2020 Framework Programme 2014-2020, and by backing its activities with a proposed tenfold budget increase (3.194 bn€).

Article 6 of the Horizon 2020 Regulation proposes a first allocation of 1.542 bn€ for the ongoing activities of the 3 established KICs and for the launching of 3 new KICs in 2014: “Innovation for healthy living and active ageing”, “Food4Future-sustainable supply chain from resources to consumers”, “Raw materials – sustainable exploration, extraction, processing and recycling”.

A further financing allocation of 1.652 m€ for the continuation of the activities of the 6 KICs' and the creation of 3 new KICs, would be granted after a review is performed before end 2017. The second wave of new KICs would be launched in 2018 on “Urban Mobility”, “Added Value Manufacturing” and “Secure societies”.

EIT Regulation and the Strategic Innovation Agenda (SIA)

The proposal for Regulation defines the objectives, tasks, activities, financing and governance of the EIT and the KICs. The proposal from the Commission aims in particular at clarifying the scope of EIT contributions to the KICs, the criteria for establishing the KICs and the principles for their evaluation, duration and termination.

Article 17 of the EIT Regulation, requires the Commission to draw a Strategic Innovation Agenda (SIA), for adoption by the European Parliament and the Council, based on a draft proposal from the EIT.

This gives policy makers the possibility to steer the EIT strategic direction but leaving considerable autonomy to the EIT for its implementation. The SIA outlines the EIT priorities for the period 2014-2020, the work programme and the modalities for its operation and funding of the KICs.

Some topics for discussion

General role of the EIT within Horizon 2020

The role of the EIT and its KICs, in relation to Horizon 2020 and its other multiple instruments merits to be discussed in more detail before the ambitious proposal from the Commission is rubberstamped or amended. Although the rationale for establishing the EIT, namely the integration of the Knowledge Triangle, appears very sensible, and while the potential of KICs for enhancing EU's innovation activities seems promising, several aspects still need to be better understood, for instance:

- Budgetary and financing questions: How are EIT/KICs effectively delivering today and is it mature enough to absorb such an increase in funding? How big is the leverage effect and streamlining effect? How to ensure, as foreseen, the sustainability of KICs in the medium term? How will the use of funds be effectively used / monitored / evaluated?
- Objectives, EU Added-Value and Complementarity: What should be the focus of the EIT activities? How are the complementarity/synergies with the other existing activities in Horizon 2020 effectively foreseen, in particular the relation with other forms of PPPs and P2Ps? Although complementarity and synergies are often referred to, the mechanisms foreseen are still unclear.
- Governance and Participation: are the questions of governance and participation sufficiently well addressed to ensure that, beyond the excellence criteria, the EIT/KICs functions in an open, transparent and accountable way and provide for a positive return on investment for society as a whole? Is there sufficient SMEs participation? Are IPR rules appropriate?

Addressing societal challenges

To recover, the European economy must find ways to develop its innovation capacity, towards the delivery of sustainable and efficient solutions to the problems it currently faces, including the societal challenges identified in Horizon 2020, but also employment and value creation. How relevant are the scope of the EIT activities to support the EU to meet its 2020 and long-term objectives and in particular the grand societal challenges?

With its established KICs on energy, climate change, and ICT, the EIT is being already deployed on the basis of societal challenges and it appears like a sensible approach. These are the areas where the EU needs to put its effort together for finding and implementing innovative solutions and promote entrepreneurial initiatives. The "societal challenges" approach further pursued through the 6 new proposed KICs could therefore, in principle, be supported.

In practice, however, the complementarities with the activities under the "societal challenges" of Horizon 2020 still need to be further clarified. There are in addition several questions concerning the specific role of the KIC's in the complex EU Research landscape, in particular

vs. Joint Programming Initiatives, European Technology Platforms, JTI's, ERA-Nets but also with Erasmus for all, Knowledge Alliances & Sector Skills Alliances and with the Marie Curie Actions.

For instance, the coinciding of names of the newly proposed KICs with those of the European Innovation Partnerships (EIPs) being established by the Commission lacks clarity¹. It needs to be better understood if any formal link with the EIPs and other ERA instruments in terms of identification of research priorities or investment is made, or should be made, and if yes how.

Also, the prioritisation of the themes proposed for the new KICs is not clearly justified and a different hierarchy or order of establishment of KIC could be envisaged. A possibility could be to launch in 2014 the six KICs rather than three, and phase-in the budget according to their individual yearly performances and annual business plans. The sectoral landscape in each sector being different, it would seem a healthier approach to base the budgetary decision on each KICs' own merit rather than deciding on new KICs based on the performance of other KICs. In addition, establishing a greater number of KICs vs. concentrating funding on a restricted number is also a topic that should be discussed.

Scope and functioning of KICs

KICs are innovative types and self-organising structures established as long-term partnerships between industrial players, universities and other organizations, which provide the physical infrastructure to bring together individuals from universities, research centres and businesses and implement specific projects, educational programs, funding schemes. The set-up of a KIC as a single legal entity, following a business logic for the planning of their activities, and led by a Chief Executive Officer (CEO), is a clear departure from a traditional multi-beneficiaries approach.

Being financed primarily through public money, the functioning and scope of activities of the KICs should nevertheless be carefully considered by the policy-makers. Although one should avoid being prescriptive on KICs to ensure a market-driven and bottom-up process, guidelines or criteria could be envisaged for the selection and functioning of the KICs. In particular, is the balance between small and large players in the KICs appropriately ensured, in particular SMEs? Does their structure enable KICs to evolve or does their set up lead to lock-in or close-shop effects? How are competition rules effectively ensured? How can new partners join the KIC or participate in the activities? Are IPR rules proposed providing the same opportunities for all players?

Another question is the balance between education, research and innovation activities. Being now embedded in the Horizon 2020 framework, does this make a difference in the balance of priority activities and is there an area where the EIT should be focusing more? Similarly, we should look at the nature of the EIT activities: the proposal envisages that the EIT contribution may cover up to 100% of total eligible costs of KIC added value activities, however those activities are not very clearly defined. Also clarification is needed on what the label of the "EIT labelled degrees" stand for and how they are attributed.

EU-Added Value and "stairway to excellence"

¹ The role of EIPs still being uncertain in the overall ERA landscape further clarification would be needed from the Commission. Proposing separate structures with the same name without explaining the link creates confusion.

Ideally, well functioning KICs should be the catalysts for effective innovation activities linking the research efforts with innovation services and entrepreneurial world, including access to seed funding. These activities are already conducted today in universities, incubators, technology transfer centers and centers of excellence established at the regional level or across the EU.

So what is the EU-Added value of the KICs compared to similar local or international partnerships activities? Is the purpose to breed a limited number of EU excellent players to compete on the world market, or could/should the KICs also be a tool for supporting regions in “smart specialization” and “stairway to excellence” processes? How to make sure that KICs grow in a way that excellence and entrepreneurial activities reach also the more disadvantaged regions in Europe?

Activities that would give the opportunity to actors from all regions of Europe to benefit from and participate in the EIT, in particular those currently in most need of innovating themselves out of the crisis, should be identified. The development of RICs (regional innovation centres) in the Climate-KIC for instance should be further investigated.

Financing of the EIT/KICs and Leverage Effects

The EIT provides 25% of the KIC budget, with 75% to be provided by other public or private partners. These can include KICs partner's own revenues and resources but also public funding from the Member States as well as from EU initiatives such as the FP7 and structural funds and, in the future, Horizon 2020.

If the streamlining effect is more evident, and has been successfully achieved for instance in the KIC-ICTLabs, it is unclear to what extent the leveraging effect is actually happening. More information on the mobilization of resources is needed to assess if the KICs have been successful in particular to leverage additional money from the private sector. Today it appears that the investment of the private sector in the KICs is between 20 to 30% of the total KIC annual budgets, however mostly in kind. Lessons with regards to financing should be learned for the launching of new KICs.

Another question is ensuring sustainability of funding in the long-term. The idea is to envisage self-financing of some KICs in the medium-term, however achieving this financial sustainability might not be very realistic, unless a clearer roadmap is set to ensure that. The role and scope of the EIT foundation and its financing should also be further investigated.

Finally, attention should be paid to developing indicators and evaluation tools for measuring the performance of the EIT activities and those of the KICs. We should ensure that these are put in place and effectively used.