



Brussels, 12.1.2018
C(2018) 61 final

COMMISSION OPINION

of 12.1.2018

on the independent evaluation of the EIT

COMMISSION OPINION

of 12.1.2018

on the independent evaluation of the EIT

BACKGROUND

- (1) The European Institute of Innovation and Technology (EIT) is established by Regulation (EC) No 294/2008 of the European Parliament and of the Council¹. The EIT primarily operates through autonomous, thematic partnerships of higher education institutions, research organisations, companies and other stakeholders. These partnerships take the form of strategic networks engaged in innovation, which are self-sustaining in the long term. They are known as 'Knowledge and Innovation Communities' (KICs).
- (2) Regulation (EU) No 1291/2013 of the European Parliament and of the Council² provides for EIT's general and specific objectives and the financial contribution to the operation and activities of EIT and KICs.
- (3) In accordance with Article 16 (3) of Regulation (EC) No 294/2008 and Article 32 (2) of Regulation (EC) No 1291/2013, the Commission is to adopt an opinion based on the independent evaluation and review of the EIT. The KIC call in 2018 shall be launched subject to a positive outcome of such a review.
- (4) The Commission Staff Working Document on the interim evaluation of the EIT³, summarises and presents the final results of the evaluation. It answers, in a comprehensive manner, the evaluation questions as regards effectiveness, efficiency, relevance, coherence, EU added value and impact of the EIT and KICs and clearly identifies the areas where EIT and KICs need to make improvements.
- (5) The Commission Staff Working Document covers the activities of EIT and KICs in the period 2011-2015 and is mainly based on an independent evaluation report prepared by external experts⁴, as well as on other sources of evidence, including the Special Report produced by the European Court of Auditors (2016)⁵ and the Report of the High Level Group on the EIT set up by Commissioner Tibor Navracsics (2016)⁶. A comprehensive analysis has been made on the basis of various data sources including desk and field research, case studies, interviews, open public consultation and online surveys with KIC partners, graduates from KICs' educational programmes and

¹ Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology (OJ L 97, 9.4.2008, p. 1)

² Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC (OJ L 347, 20.12.2013, p. 104)

³ Commission Staff Working Document Executive Summary of the Interim Evaluation of the European Institute of Innovation and Technology (EIT), SWD(2017) 351 final, 18.10.2017

⁴ Final report: https://ec.europa.eu/education/sites/education/files/2017-eit-interim-evaluation_en.pdf, and annexes: https://ec.europa.eu/education/sites/education/files/2017-eit-interim-evaluation-summary_en.pdf

⁵ https://www.eca.europa.eu/Lists/ECADocuments/SR16_04/SR_EIT_EN.pdf

⁶ https://ec.europa.eu/education/sites/education/files/eit-hlg-final-report_en.pdf

businesses benefiting from KICs' services. Limitations related to the available evidence and the methodology are identified and explained.

- (6) This Commission opinion is structured in four sections including (1) an overview of the evaluation of the EIT and KICs in terms of relevance, effectiveness, impact, coherence, EU added value and efficiency, (2) a review of the EIT as referred to in Article 32(2) of Regulation (EC) No 1291/2013, (3) recommendations arising from the EIT evaluation and the review and (4) future measures. Although the evaluation and the review are closely related and form part of the same process, for the purposes of this opinion they are differentiated in order to associate them with the respective requirements of the Regulation (EC) No 294/2008 and the Regulation (EC) No 1291/2013, as referred to in point 3 above.

COMMISSION REMARKS ON THE EIT INDEPENDENT EVALUATION

- (7) The EIT evaluation has come to the conclusion that the rationale behind the establishment of the EIT is still valid. The EIT/KICs model which aims at contributing to the development of the Community and Member States innovation capacity in order to tackle societal challenges, through the integration of the knowledge triangle⁷, is highly relevant. It targets major structural weaknesses of the innovation capacities in the EU (in key thematic areas) such as the limited entrepreneurial culture, the low level of cooperation between academia and industry and the insufficient development of human potential, and aims to contribute to closing the innovation gap between the EU and its key competitors.
- (8) The Commission acknowledges that following a difficult start-up phase, the EIT-KICs model now starts to deliver concrete results. The first wave KICs⁸ activities are starting to be recognised in the areas of innovation, entrepreneurship and education. The Commission also recognises that the EIT and the KICs add value beyond national initiatives, primarily by focusing on the integration of the knowledge triangle, building new types of cooperation links and facilitating cross-border interactions. The co-location centres represent a key aspect of the KICs' business model needed to deliver concrete results on the local level and have an impact on local innovation ecosystems in thematic areas. KICs cross-border operations give KIC partners and beneficiaries access to peers, investors and customers that they might otherwise find difficult to identify and build links with. The Commission also recognises the importance of the role of the EIT in supporting KICs to implement their innovation model.
- (9) The EIT educational programmes attract high calibre students. Graduates from EIT-labelled courses appreciate the multidisciplinary approach, combining technical knowledge with entrepreneurial and innovation education, the direct access to businesses and the international mobility. However, the Commission notes that their integration in KICs innovation and entrepreneurship activities is still under-exploited and there is room for improvement. Furthermore, KICs' education activities did not generate so far a significant number of student-led start-ups.
- (10) The KIC co-location centre (CLC) model⁹ has been instrumental for widening the KICs' geographical scope to EU's moderate innovation performers. There is some

⁷ Knowledge triangle refers to the interaction between [research](#), [education](#) and [innovation](#) and to an attempt to better link together these key concepts which are key drivers of a [knowledge](#)-based society.

⁸ EIT Climate-KIC, EIT Digital and EIT InnoEnergy.

⁹ Co-location centre means a geographical area where the main knowledge triangle partners are based and can easily interact, providing the focal point for the KICs' activity in that area.

evidence that CLCs have successfully built links with local governments and other institutions or organisations where they are located. However, the Commission notes that further efforts are needed for the KICs to become fully integrated into the local innovation ecosystems. Furthermore, KICs' support to the organisations from EU-13 Member States¹⁰, while better than the average of Horizon 2020, remains limited to a small number of these Member States.

- (11) The Commission acknowledges the efforts made by the EIT in revising the system for the monitoring of KICs performance and impact, and expects that those efforts will bear fruits soon and generate robust evidence of the EIT systemic impact and the KICs' contribution to Horizon 2020 objectives, including societal challenges. Changes introduced from 2016 onwards, following the EIT's review of KPIs, together with the development of an "Impact Framework" by the EIT, are expected to improve the consistency of KPI measurement and the use of the data.
- (12) While taking into account the evidence about the concrete results achieved by the EIT in the past years, the Commission notes that impacts are mainly limited to the partners (especially higher education institutions and companies), graduates and start-ups that have directly cooperated with the KICs. When extending the analysis to the systemic impacts of the EIT, the evidence is less clear.
- (13) The Commission recognises the potential of the EIT and the KICs to contribute to EU policy-making in specific fields and notes that so far this potential has not been utilised at its best. The Commission supports the KICs' co-operation efforts to address national and regional administrations and authorities, in particular those involved in designing and delivering Research and Innovation Strategies for Smart Specialisation (S3).
- (14) The EIT and the KICs show internal coherence with regard to their functioning and activities. They fit well within the EU innovation landscape by providing support to innovation through the integration of the knowledge triangle. However, the Commission notes that the synergies existing at implementation level between the EIT and other EU innovation policy initiatives and instruments are not sufficiently reflected at programming level. At implementation level, the Commission calls on the EIT and the KICs to continue their efforts in disseminating 'what works' between and within KICs, in order to foster learning about best practices for knowledge triangle integration and research and innovation support to deliver on societal challenges. At programming level, the EIT should work in close coordination with research and innovation activities and the financial instruments of Horizon 2020 and COSME, in order to avoid overlaps and develop complementarities and synergies.
- (15) The Commission welcomes that the administrative expenditure of the EIT has been steadily decreasing over time and is significantly below the 5% threshold set out for Horizon 2020. The Commission also recognises that the time required for the EIT to finalise the grant procedure has steadily decreased overtime. In 2016 the average time to grant was five months.
- (16) The Commission acknowledges the KICs' diversified efforts and strategies to achieve financial sustainability and encourages them to continue pursuing this goal. The evaluation highlighted that the strategy of the EIT Climate KIC is still at an early stage of implementation while EIT Digital KIC and EIT InnoEnergy KIC are already pursuing more diversified and comprehensive approaches to financial sustainability.

¹⁰ Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia and Slovenia

So far, KICs' external revenues mostly originate from membership fees but also from sponsorships, educational services, revenue sharing agreements, equity participation, consulting services, third party (mainly national and regional) grants. Though it is too early to draw general conclusions on KICs' capacity to achieve financial sustainability, the Commission notes that it may be challenging for KICs to become fully self-financing after 15 years, while maintaining the full range of knowledge triangle activities. This is also confirmed by the High Level Group report¹¹. Activities which generate less income (e.g. education ones) would be under particular risk as well as other activities with a limited market value.

COMMISSION REVIEW OF THE EIT (ARTICLE 32 (2) OF REGULATION (EC) NO 1291/2013)

- (17) The Commission acknowledges the uniqueness of the EIT model among the EU and Member States innovation support initiatives in tackling relevant societal challenges through the knowledge triangle integration (strengthening cooperation between partners in business, higher education and research). The Commission also notes that more should be done to disseminate information about the knowledge triangle integration model, both within the KICs and beyond, in order to make it better understood and foster the implementation of the model in practice.
- (18) The Commission stresses that the EIT and the KICs also contributed to the Horizon 2020 specific objectives on "societal challenges" and on "Leadership in enabling and industrial technologies". In particular as a result of the strong involvement of industrial participants, KICs innovation activities brought solutions closer to the market and paved the way for industrial and commercial implementation in areas of societal challenges. The KICs innovation projects comprise demonstrators, pilot plants, proofs of concept and help develop solutions in response to a specific business opportunity.
- (19) The KICs started to show their capabilities in triggering external investments through their activities. Between 2011 and 2016, KIC-supported start-ups raised over €600m in private-sector equity funding.
- (20) The KICs have been successful in involving the diversity of actors in the knowledge triangle, thus contributing to reduce the fragmentation in their sectoral ecosystems. KICs are perceived as communities with a fairly balanced representation of all knowledge triangle actors. Furthermore, KICs managed to attract the most relevant European actors in their respective fields. Most KICs have gone beyond the 'classical' actors of the knowledge triangle to also involve other actors such as public authorities (e.g. EIT Climate-KIC) and civil society organisations (e.g. EIT Health) and also actively participated in EU initiatives that promote partnerships among the EC, governments and private actors (e.g. EIT InnoEnergy involvement in the Strategic Energy Technology Plan's various working groups).
- (21) EIT funding breakdown (2014 and 2015) shows that industry accounts for a total of 34% (12% is represented by SMEs), while Higher Education Institutions and Research organisations account accounts for 43% and 19% respectively.
- (22) The KICs have been very successful in integrating new partners over time. In particular, the first wave KICs experienced a remarkable tenfold increase in size after their establishment to reach over 700 partners.

¹¹ Report of the High Level Group on the EIT set up by Commissioner Tibor Navracsics, 2016, pp.8 and 9: https://ec.europa.eu/education/sites/education/files/eit-hlg-final-report_en.pdf

- (23) The flexibility of the EIT model is suitable and allows for testing potential new initiatives in the area of innovation support, e.g. the EIT Regional Innovation Scheme initiative.
- (24) The Commission recognises that the focus of the KICs business model on the integration of the knowledge triangle limits the possibility of an analysis of the KICs expenditure per unit of output.
- (25) The KICs' management costs have been significantly lowered over time, following the EIT's efforts to limit their weight on KICs' accounts.
- (26) The Commission recognises the important improvements undertaken so far by KICs in the central management of their partnerships, even though there is still room for improving efficiency. The cross-KICs interactions, through the active support of the EIT, have been steadily increasing. They have resulted in mutual learning and sound evolution of KICs governance and management model.
- (27) The second wave KICs¹² successfully completed their start-up phase in 2015 and made an effective use of the seed funds granted by the EIT. The annual increase of the funds allocated to the second wave KICs between 2015 and 2016 was proportionally higher than that of the first wave KICs. Seed money has been used in their entirety by KICs to become ready for running their core activities.

RECOMMENDATIONS

- (28) The Commission acknowledges the recommendations arising from the independent evaluation exercise¹³ and calls on the EIT and the KICs to start implementing them, to the possible extent, under the current regulatory and financial framework. The EIT and KICs shall in particular:
- continue to strengthen the EIT/KICs model as a relevant mechanism at EU level in addressing key societal challenges and delivering on Horizon 2020 objectives, in particular, to further improve the linkages between the knowledge triangle activities, especially between innovation and business creation activities;
 - better articulate the EIT model and objectives, and further raise the awareness of the EIT brand through strengthening the EIT/KIC communication efforts with a focus on concrete examples, case studies, success stories, results achieved and impact;
 - take concrete measures to encourage cross-KIC collaboration and ever stronger participation of the private sector, in particular SMEs, in KICs activities;
 - make the selection process (through which KICs provide support to innovation projects) more transparent and communicate the selection results to the wider KIC community more efficiently;
 - ensure synergies and complementarities with other innovation initiatives at EU, national and regional level at both implementation and programming level, to maximise impact;

¹² EIT Health and EIT Raw Materials

¹³ https://ec.europa.eu/education/sites/education/files/2017-eit-interim-evaluation_en.pdf

- increase the dialogue and interaction with policy-makers at EU, national and regional level with a view to better contribute to EU policy-shaping in respective fields of action;
- improve the practical integration of KIC activities within regional and local innovation ecosystems and enhance cooperation with regional and local innovation actors, in particular, through better use of the co-location centres, for inter-regional cooperation;
- increase further the attractiveness and competitiveness of KICs' education programmes by: better monitoring the education offer, in view of improving recruitment procedure and ensuring a high quality, with the goal of increasing KICs' outreach and reduce the drop-out rate at the application stage; fostering and sharing experience across KICs; strengthening the EIT label, and systematically monitoring the skills acquired, and the outcomes and impact of the courses;
- take concrete actions to link KICs and public-private partnerships with similar goals, in order to promote new and emerging curricula in a variety of industrial sectors;
- explore synergies with Commission's skills development policies and further promote the human capital, entrepreneurial and digital skills development in both formal and informal / non-formal contexts as important elements in any successful innovation ecosystems, in particular at the design of KICs educational programmes;
- foster an entrepreneurial mind-set at a broader scale by going beyond formal education and engaging inter alia in executive education, short courses, online learning and vocational training including professional development;
- enhance efforts in making KICs' management structures more efficient and effective.

(29) The Commission, together with the EIT and KICs, will:

- measure and report more extensively on activities and achievements related to EU policy priorities in thematic areas, including the target of 35% climate-related expenditures;
- further improve and review the system for monitoring the implementation of EIT and KICs' activities towards Horizon 2020 objectives in order to better measure and capture their direct and indirect results and impact, as well as adopt a cost categorisation which would allow to better assess the cost effectiveness of KICs in achieving their results;
- explore ways to optimise the administrative procedures and reduce the burden imposed on KICs' operations, while making sure the data to assess the actual performance is collected;
- explore ways to further extend the multi-annuality of the EIT grant agreements in order to consolidate the KICs innovation activities and offer greater legal and financial security;
- reduce the administrative burden for the EIT and KICs by adapting the EIT legal basis and procedures to the needs of innovation ecosystems.

FUTURE MEASURES

- (30) The Commission stresses the need to implement specific measures over different time scales taking into account the diverse nature and urgency of the challenges arising from the independent evaluation and review of the EIT. More specifically, the Commission is planning actions to improve simplifications and flexibility of the EIT operations. In a medium term the Commission will carry out an impact assessment to inform the EIT strategic directions beyond 2020¹⁴, addressing inter alia the delivery mechanism and the EIT funding model, complementarities with other EU instruments as well as priority fields for actions of the EIT and KICs.
- (31) In view of the results of the evaluation and the positive outcome of the review of the EIT, the Commission confirms that the call in 2018 for the designation of two KICs in the fields of Added-value Manufacturing and Urban Mobility shall be launched.

Done at Brussels, 12.1.2018

For the Commission
Tibor Navracsics
Member of the Commission

¹⁴ Article 17 of Regulation (EC) No 294/2008