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| From: | Permanent Representatives Committee (Part 1) |
| To: | Council |
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| Subject: | Decision on Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT) <i>Progress report</i> |

I. INTRODUCTION

1. On 12 July 2019, the European Commission presented, based on Article 173(3) TFEU, its proposals for the Regulation of the European Parliament and of the Council on the European Institute of Innovation and Technology (EIT) and for the Decision on the Strategic Innovation Agenda for the European Institute of Innovation and Technology (EIT) 2021-2027, including their impact assessments¹. A corrigendum to the impact assessments was issued by the Commission on 1 August 2019².

¹ 11227/19 + ADD 1-2, 11228/19 + ADD1-2

² 11227/19 ADD 2 REV 1 and 11228/19 ADD 2 REV 1

2. Also in July, the Finnish Presidency launched the discussion in the Research Working Party. During July and August, the Presidency gathered both general and specific written comments on the proposal from delegations.
3. Based on the comments collected during July and August and the discussions held during September on the Presidency compromise texts on the draft EIT Regulation, the Presidency presented a compromise text on the Annex to the EIT SIA at the Working Party meeting of 2 October 2019. This and a consequent updated Presidency compromise text were discussed intensively in several meetings of the Working Party in October and November.
4. On the basis of these discussions, the Presidency has prepared a compromise text on the Annex to the EIT SIA that reflects the state of discussions. This Presidency compromise text is set out in the Annex to the present note. The Annex is only available in English. Changes to previous Presidency compromise text³ are indicated in ~~strikeout~~ and **bold underlined**. A non-exhaustive overview of the main issues and their status at technical level is set out below.

Main issues

5. Openness of the Knowledge and Innovation Communities (KICs) of the EIT towards new members: Currently, the EIT funding through the KICs is not sufficiently spread across the Union. For several Member States it is therefore highly important that the KICs and their operating model are geared towards more openness to potential new partners that can add value to the partnership. The Presidency compromise text introduces many changes towards this, including reinforced monitoring relating to openness and strengthening of the innovation ecosystems in an open and transparent manner .
6. The Regional Innovation Scheme (RIS): The Presidency has proposed to make the RIS scheme an obligatory scheme and to widen its scope in order to expand the EIT's pan-European coverage. Moreover, the Presidency proposes that the EIT budget devoted to implementing the EIT RIS activities would be at least 10% and maximum 12% of the overall EIT funding for existing and new KICs. Some Member States consider the proposed level too low. It also seems that some Member States hesitate on the proposed way to define the group of target countries for RIS activities on the basis of modest and moderate innovation performance according to the European Innovation Scoreboard.

³ 13723/19

7. KICs funding model, including financial sustainability: The Presidency proposes a lean and simplified funding model for the KICs with four main areas: a) gradual reduction of the EIT funding rate for KIC added value activities in order to increase the levels of private and public investments; b) a competitive and performance-based model for the grant allocation process and increased use of multiannual grants; c) strict rules for reinforcing the assessment mechanism of the KICs prior to the expiry of the first 7 years' initial period of their operations; and d) continuation of the EIT's efforts towards simplification in order to alleviate unnecessary administrative burden of the KIC. For many Member States this model seems acceptable, but the details of the model still need some finetuning, in particular at the implementation level. Some Member States seem unconvinced especially in relation to the gradually decreasing funding rate, as they cannot see how the KICs could sufficiently increase the levels of private and public investments to become financially sustainable after 15 years. Some Member States have also been reluctant to start discussing the launch of any new KICs before the mechanism towards reaching financial sustainability and the funding model have been modified to be more compliant with the European partnership approach.
8. EIT's relation with the KICs after the termination of the framework partnership agreement: This issue is closely linked with the financial sustainability of the KICs and the gradual reduction of the EIT funding rate for KIC added value activities. The Presidency proposes that the EIT may conclude a “Memorandum of Cooperation” with a KIC, if the final assessment of the KIC's performance has a positive outcome. This “Memorandum of Cooperation” will aim at maintaining active cooperation with the KIC after the termination of the framework partnership agreement and includes certain rights and obligations for the KIC. For some Member States, a satisfactory solution on the question of the EIT's relations with older KICs through the "Memorandum of Cooperation" should be found before the question of launching new KICs can be solved.
9. Monitoring and evaluation of the EIT and the KICs: The Presidency compromise proposal introduces a continuous monitoring system of the KICs by the EIT, with focus on inter alia the progress towards the financial sustainability and towards pan-European coverage and openness. Furthermore, each KIC will be subject to a comprehensive assessment by the EIT before the end of the seventh year of the framework partnership agreement and before its end in case of extension. The first assessment will allow the EIT to decide on whether to extend the FPA beyond the first seven years, while the second assessment will be used as a basis to negotiate the possible "Memorandum of Cooperation". In addition, the EIT will prepare

interim reviews of the KICs performance and activities covering their first three years of the framework partnership agreement and, if it is extended, the three years following the extension. These evaluations, assessments and reviews will support the EIT in taking informed decisions on appropriate corrective measures in case the KICs underperform, deliver inadequate results or lack of European added value.

10. Innovation capacity: The Commission proposal contains a new support action for increasing the entrepreneurial and innovation capacity of higher education institutions. While the budget implications of this new action could be significant, there is no clarity yet how the new action would be coordinated with other education activities or with activities in other Programmes, for example the European Universities initiative under the Erasmus+ programme. The Member States are sceptical and have required more information from the Commission. The Presidency has therefore not yet proposed further solutions on this part of the text.

11. Inclusion of a reference to the Forum for European Partnerships: The draft Horizon Europe Regulation⁴ stipulates that the EIT will implement the Horizon Europe Framework Programme in line with its strategic objectives for the period 2021-2027, as laid down in the Strategic Innovation Agenda (SIA) of the EIT, taking into account the strategic planning. The Presidency compromise proposal has duly taken into account this link between the EIT and its SIA and the strategic planning process. Some Member States would however like to include an explicit reference to the Forum for European Partnerships (or the strategic coordinating process, which complements the strategic planning) in some parts of the Regulation. Nevertheless, since there are no provisions in the draft Horizon Europe Regulation stating that the EIT and/or the SIA should take into account this Forum or the strategic coordinating process but only the strategic planning process, the Presidency proposes not to include such a reference. This could nevertheless be further reflected in the Strategic Innovation Agenda.

Way forward

12. Following the Competitiveness Council, the Presidency will continue the discussion on the substance of the Strategic Innovation Agenda with a view to making as much progress as possible in consolidating the Council's position.

⁴ 7942/19 + COR 1

12. The Permanent Representatives Committee of 20 November 2019 took note of progress made and the proposed way forward and decided to submit the progress report to the Council for its meeting on 29 November 2019.
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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**on the Strategic Innovation Agenda of the European Institute of
Innovation and Technology (EIT) 2021-2027:
Boosting the Innovation Talent and Capacity of Europe**

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 173(3) thereof,

Having regard to Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology⁵, and in particular Article 17 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee,

Acting in accordance with the ordinary legislative procedure,

Whereas:

⁵ OJ L 97, 9.4.2008, p. 1.

HAVE ADOPTED THIS DECISION:

Article 1

The Strategic Innovation Agenda of the European Institute of Innovation and Technology for the period from 2021 to 2027 as set out in the Annex is hereby adopted.

Article 2

The SIA shall be implemented in accordance with Regulation (EU) No on the European Institute of Innovation and Technology⁶.

Article 3

This Decision shall enter into force on the day following that of its publication in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

⁶ Reference to the adopted recast EIT Regulation.

**ANNEX TO THE PROPOSAL FOR A DECISION OF THE EUROPEAN PARLIAMENT
AND OF THE COUNCIL ON THE STRATEGIC INNOVATION AGENDA OF THE
EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT) 2021-2027:
BOOSTING THE INNOVATION TALENT AND CAPACITY OF EUROPE**

ANNEX

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1. INTRODUCTION

This Strategic Innovation Agenda (SIA) sets out the priority fields and strategy of the European Institute of Innovation and Technology (EIT) for the period 2021-2027. It defines its objectives, key actions, mode of operation, expected results and resources needed. The SIA ensures the necessary coherence of the EIT with the [Horizon Europe proposal], which is the Union framework programme for research and innovation for the period 2021-2027.

The SIA takes into account the Strategic Planning of Horizon Europe to ensure coherence with the Framework Programme activities, ~~and as well as~~ synergies with other relevant Union programmes and consistency with EU priorities and commitments. **It also aims at** ~~as well as increasing~~ complementarity and synergies **between the EIT activities and** ~~with~~ national and regional funding programmes and priorities.

The SIA 2021-2027 is informed by the impact assessment carried out by the European Commission. It takes into account the draft SIA from the EIT Governing Board submitted to the European Commission on 20 December 2017, in accordance with the EIT Regulation⁷. It also reflects the new [Horizon Europe proposal] of the European Commission of June 2018 and, in particular, the key role of the EIT as part of the [Open Innovation] Pillar (Pillar III), and its contribution to addressing global challenges, including established targets for climate objectives, and European industrial competitiveness (Pillar II) and to excellent science (Pillar I). The SIA builds on the lessons learnt over the last years of operation of the EIT and the results of a wide consultation process with key stakeholders.

⁷ 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). Amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013 (OJ L 347, 11.12.2013, p. 174).

1.1. Background

The EIT was established in 2008 in order to contribute to sustainable economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the European Union. It pioneered the integration of education, business and research (knowledge triangle) together with a strong emphasis on entrepreneurial talent and innovation skills.

With the [Horizon Europe proposal] for a new Framework Programme for research and innovation for the period 2021-2027, the European Commission made a firm commitment to raise further Europe's innovation potential in order to be able to respond to the challenges of the future. The EIT's distinctive role in fostering innovation by bringing together business, education, research, public authorities and civil society is reinforced by its positioning in the [Innovative Europe Pillar] of the [Horizon Europe proposal]. The [Horizon Europe proposal] reflects the growing ambition of the EU on innovation and the necessity to deliver on it.

The EIT operates mainly through Knowledge and Innovation Communities (KICs), which are large-scale European partnerships between education and training, business and research organisations. There are currently eight KICs that operate in the following areas: climate change, digital transformation, energy, food, health, raw materials, urban mobility and added-value manufacturing.

Each KIC ~~is~~ **has been** usually organised around five to ten co-location centres (CLCs⁸) which are intended to act as geographical hubs for the practical integration of the knowledge triangle. They are organised and structured according to their respective national and regional innovation context and build on a pan-European network of existing labs, offices or campuses of a KIC partner.

The KICs aim at running portfolios of knowledge triangle activities through:

- *Education and training activities* with strong entrepreneurship components to train the next generation of talents, including the design and implementation of programmes awarded the EIT Label⁹, in particular at master and doctoral level;
- *Activities supporting innovation* to develop innovative products, processes and services that address a specific business opportunity;
- *Business creation and support activities*, such as accelerator schemes to help entrepreneurs translate their ideas into successful ventures and speed up the growth process.

⁸ A 'Co-location centre' is a geographical area where the main KICs knowledge triangle partners are based and can easily interact, providing the focal point for the KICs' activity in that area.

⁹ The EIT Label is a quality seal awarded by the EIT to a KIC's educational programme which complies with specific quality criteria related inter alia to entrepreneurial education and innovative 'learning-by-doing' curricula.

Education and training, talent and skills development are at the core of the EIT model. ~~No other EU action on innovation integrates higher education activities in the innovation value chain to the extent the EIT does.~~ The EIT's education agenda is key for developing highly entrepreneurial and skilled innovators.

The focus on global challenges through the integration of the knowledge triangle, **in particular integrating higher education activities in the innovation value chain,** is a distinctive feature of the EIT compared to other innovation instruments. The EIT approach contributes to both incremental and disruptive innovations to happen, to effectively address market failures and help transform industries. It enables the creation of long-term business strategies for addressing global challenges and helps creating the framework conditions that are essential for a well-functioning innovation ecosystem to grow and innovation to thrive. The EIT also has set the objective to the KICs to become financially sustainable, which is a unique feature that ~~leads~~ **aims at** to a business and result oriented innovation instrument. In this context, KICs have to develop and implement revenue-creating strategies in order to maintain their innovation ecosystem beyond the period covered by the grant agreements.

The EIT thus offers a dynamic platform for launching, scaling up, monitoring and supporting KICs with strong network effects and ~~positive spill-overs~~ **strengthening the innovation ecosystems**. The first wave of KICs (EIT Digital, EIT Climate-KIC and EIT InnoEnergy), launched in 2009, is established and mature and after 2024 their framework partnership agreements will be terminated, in line with the maximum grant duration. A second and third generation of KICs (EIT Health and EIT Raw Materials (2014), EIT Food (2016)) is maturing. EIT Urban Mobility and EIT Manufacturing, the two KICs designated in December 2018, are starting their operations in 2019.

~~Today, through its eight KICs with more than 1000 partners from business, research and education, the EIT represents the largest EU supported innovation ecosystem. The EIT has supported, through funding or services, more than 1200 start-ups and innovative ventures. More than 50% of KIC partners are from the business sector (industry, SMEs and start-ups) demonstrating the proximity to the market. The increase in number of partners in each KIC shows the attractiveness and long-term potential of the EIT model.~~ By 2019, there are more than 600 businesses, 250 HEIs, 200 research organisations, and more than 50 civil society organisations and authorities participating in EIT KICs.

In the backdrop of persisting regional disparities in innovation performance in Europe, the EIT launched a Regional Innovation Scheme (RIS) in 2014 to widen its regional outreach to modest and moderate innovator countries. Through the RIS, the EIT has expanded its activities across Europe and offers now opportunities for regions with low innovation performance to engage in knowledge triangle activities as part of ~~the~~ a KIC community. This is also reflected in the share of EIT funding allocated to EU-13 partners (8.3% as compared to 4.8% in Horizon 2020 as of 2018).

1.2. Positioning in Horizon Europe

~~The EIT will continue to strengthen innovation ecosystems that help to tackle global challenges, by fostering the integration of the knowledge triangle in the areas of activity of the KICs. The Horizon Europe Strategic Planning process will ensure coherence between the EIT activities and the rest of Horizon Europe. Based on its proven track record~~ **the impact assessments**, the EIT will play an important role in the [Innovative Europe] Pillar. **The EIT will continue to strengthen innovation ecosystems that help to tackle global challenges, by fostering the integration of the knowledge triangle in the areas of activity of the KICs.**

Strong synergies between the EIT and the European Innovation Council (EIC) will be key for the impact of the [Innovative Europe] Pillar. The EIT and the EIC will run complementary activities aiming at streamlining the support provided to innovative ventures, ~~including~~ **including** ~~Based on the expertise of its KICs, the EIT will provide~~ business acceleration services and trainings to beneficiaries **applying or** awarded EIC funding.

The EIC may help start-ups supported by KICs with a high growth potential to rapidly scale-up. In particular, the most innovative KICs'-backed ventures may, if selected under the EIC, benefit from the support offered by the EIC Accelerator and/or by the financial support offered by InvestEU instruments. Furthermore, the EIT will facilitate the access of EIC beneficiaries to KICs' innovation ecosystems and relevant actors of the knowledge triangle. In this way EIC beneficiaries can become actively involved in KICs' activities and benefit from KICs' services.

The EIT will ensure stronger synergies also with programmes and initiatives in the [Excellent Science] Pillar, to accelerate the transfer of knowledge resulting from blue sky research into concrete applications benefiting the society. In particular, with regard to the Marie-Sklódowska-Curie Actions (MSCA), the EIT will collaborate on the development of innovation and entrepreneurial skills of MSCA fellows at all stages of their career.

The EIT will contribute to the [Global Challenges and European Industrial Competitiveness] Pillar and complement relevant activities to tackle global challenges and increase the competitiveness of the EU on a global scale. In particular, through its KICs, the EIT will seek to contribute to relevant missions and thematic clusters and other European Partnerships e.g. by supporting demand-side measures and providing exploitation services to boost technology transfer and accelerate the commercialisation of results achieved.

The EIT will ensure coherence with the European innovation ecosystems strand of Horizon Europe. In particular, the EIT will take an active part in the activities of the EIC Forum and will establish links between the EIT Community and relevant activities supporting innovation ecosystems in order to avoid duplication and ensure coherence and complementarity of actions.

Opportunities for synergies will be also explored between the Widening participation and strengthening the European Research Area part of Horizon Europe and the outreach activities supported by the EIT. In particular, target countries of the Horizon Europe Widening participation and strengthening the European Research Area part will be able to leverage on EIT expertise and support for the development of downstream activities (i.e. close to market), as the target group for EIT outreach activities.

2. RAISING THE BAR: THE EIT STRATEGY IN 2021-2027

2.1 Key challenges

During the past decade, the pace of innovation has accelerated dramatically. Innovation is reshaping economic sectors, disrupting existing businesses and creating unprecedented opportunities. With a shifting global economic order and international competition on the rise, the EU's dependence on talent and its capacity to innovate is growing. Co-design, collaboration and co-creation across disciplines and between education, business and research have never been as important as today to contribute to address global challenges related to climate change and unsustainable use on natural resources, digital transformation, demographic shifts or the future of healthcare and food.

First, today's economies are increasingly driven by the skills and abilities of people and organisations to turn ideas into products and services. Innovation skills and an entrepreneurial culture make all the difference today, in particular in the technological and scientific domains but increasingly also in other disciplines. There is a strong need to further boost the innovation capacity of higher education institutions in Europe. The EIT is in a unique position to deliver on this in the Horizon Europe framework.

Second, physical proximity is one of the key enabling factors for innovation. Initiatives aiming at developing innovation networks and providing services that support the creation, sharing and transfer of knowledge, play a key role in fostering the interactions between business, academia, research organisations, governments and individuals. Still, research and innovation performances across the EU, as reflected in the annual European Innovation Scoreboard, vary considerably. It is of crucial importance that innovation is inclusive and rooted in the local territories. EIT activities are well suited to contribute to strengthening local innovation ecosystems with a strong European dimension.

Finally, vibrant innovation ecosystems require a mix of knowledge, infrastructure and talent. Framework conditions for cooperation between European research, education and innovation along with strong synergies need to be in place to ensure proper and efficient investment of scarce resources into research and innovation. Strengthening the knowledge triangle integration through existing and new KICs is a proven way to foster an environment conducive to innovation and is a guiding objective for the EIT.

2.2. Objectives

The EIT will continue to support its KICs in order to strengthen the innovation ecosystems that help to tackle global challenges, in synergy with the rest of Horizon Europe and other Union programmes. It will do so by fostering the integration of education, research and business, thereby creating environments conducive to innovation, and by promoting and supporting a new generation of entrepreneurs and stimulating the creation of innovative companies in close synergy and complementarity with the EIC. In doing so, based on the overarching areas of intervention defined in the [Horizon Europe proposal], the EIT will in particular:

- (1) Strengthen sustainable innovation ecosystems across Europe;
- (2) Foster innovation and entrepreneurial skills in a lifelong learning perspective;
- (3) Bring new solutions to market to address global challenges.

In line with the identified challenges that the EIT is facing (described above) and in order to contribute to the above overarching objectives defined for the EIT in the [Horizon Europe proposal], the specific objectives of the EIT for the period of 2021-2027 are to:

- (a) Increase the **openness and** impact of KICs and knowledge triangle integration **across the Union**;
- (b) Increase the innovation capacity of the higher education sector by promoting and supporting institutional change **and by facilitating innovation networks** in higher education institutions (HEIs);
- (c) Increase the regional and local outreach of the EIT **and its KICs** in order to address disparities in innovation capacity and to enhance knowledge and innovation diffusion across the **EU Union**.

By delivering on these objectives, the EIT will thus contribute to the overall achievement of Horizon Europe scientific, economic/technological and societal impacts.

3. BOOSTING THE INNOVATION TALENT AND CAPACITY OF EUROPE: KEY ACTIONS

Focus on actions where the EIT will add value at the EU level and contribute to achieving the objectives of Horizon Europe, will guide the EIT strategy for 2021-2027. First, the EIT will continue to support the innovation capacity and ecosystems through the KICs, their further development and expansion, and through the launch of new KICs. Secondly, building on its experience with the knowledge triangle integration, the EIT will directly support the development of the entrepreneurial and innovation capacity in the higher education sector. Finally, through more effective cross-cutting measures, the EIT will ensure that its impact at the EU level increases. In addition, the EIT will also improve its operations in a number of areas in order to increase its effectiveness, efficiency and impact.

3.1. Support to existing KICs

The EIT shall strengthen innovation ecosystems by continuing to support existing KICs in addressing global challenges through the integration of the knowledge triangle at EU, Member States, regional and local levels. In order to implement this task, a large share of the EIT budget will be dedicated to support KICs, and the EIT will further strengthen its platform for launching, growing, monitoring (according to articles 7, 10, 11 and 19 of the EIT Regulation) and supporting KICs. The EIT will ensure that KICs continue to pursue financial sustainability in order to achieve financial independence from the EIT grant at the latest after 15 years through leveraging public and private investment, while keeping focus on integration of knowledge triangle activities.

The EIT shall ensure that KICs develop and implement a strategy to create collaboration and synergies with relevant European Partnerships and other relevant Union initiatives and programmes, including through co-operation with EIC at governance level. Beyond financial support, based on lessons learned, the EIT will provide strategic supervision to KICs, as well as guidance on horizontal and specific issues, ~~including on the establishment of synergies within Horizon Europe and with other EU initiatives.~~ In particular, the EIT will support KICs in establishing interfaces and cooperating with relevant European Partnerships and other relevant Union initiatives and programmes, in particular with the EIC.

The EIT shall define areas of and promote stronger cross-KIC collaboration on topics of strategic and policy relevance. The EIT will strengthen coordination between KICs in areas of common interest and, in particular, it will foster exchanges of experiences and good practices between KICs and collaboration between them (cross-KIC activities) on both thematic and horizontal topics. Cross-KIC activities have highest potential where several KICs already address common EU policy priorities where no dedicated KICs exist. Bringing together the different KICs communities in dedicated joint actions of mutual benefit has high potential for synergies and the EIT will boost such activities and take an active part in defining the content and structure of the cross-KIC activities. It will monitor the implementation of cross-KIC activities as well as the results achieved, with the aim of making those activities an integral part of the KICs' strategies. EIT will also facilitate the establishment of cross-KICs shared services aimed at jointly handling operational tasks common for all KICs.

3.2 Increasing the regional impact of KICs

The EIT shall further increase its regional impact through an enhanced openness of the KICs towards wide range of potential partners and stakeholders and a better articulated regional strategy of KICs, including links to the relevant Smart Specialisation Strategies. In particular, the EIT shall ensure that KICs have an inclusive approach aiming at strengthening their relationship with national, regional and local innovation actors. Each KIC will be required to develop and implement a strategy aiming at strengthening the relationship with national, regional and local innovation actors, and the EIT will actively monitor the implementation. A “place-based” innovation approach should be integrated within the KIC's multi-annual strategy and business plan and build on KIC's CLCs (and RIS), thus leveraging on their role as gateway for accessing a KIC community and interacting with the co-located partners, as well as with other local innovation actors. KICs should demonstrate links with local Smart Specialisation Strategies and with the activities of relevant thematic platforms and interregional initiatives, including the Managing Authorities of ESI Funds. The EIT will also monitor how CLCs operate and how they integrate in the local innovation ecosystems.

The EIT shall ensure that EIT RIS activities ~~deliver on increased regional impact~~ shall be used to attract and facilitate integration of potential new partners that add value to the KICs, thus extending EIT's pan-European coverage, and are fully integrated in KICs' multi-annual strategies. The EIT Regional Innovation Scheme, steered by the EIT and implemented by the KICs, has been so far run on a voluntary basis. From 2021 on, the EIT RIS activities will become mandatory and an integral part of the KIC's multi-annual strategy. The EIT will continue to provide guidance and support to KICs in the preparation of multi-annual EIT RIS strategies and in their implementation. EIT RIS activities will continue with improved support to the innovation capacity of countries (and regions in those countries) that have modest and moderate innovation performances (**countries will be listed in the calls** on the basis of the **latest** European Innovation Scoreboard) in order to foster their integration in the KICs' communities. The EIT budget devoted to implementing EIT RIS activities will be **at least 10 % and** maximum 12% of the overall EIT funding for existing and new KICs, thereby increasing the number of KIC partners from targeted regions. ~~The list of targeted countries will be revisited in the mid-term evaluation of the EIT.~~

Activities supported through the RIS will aim to:

- improve the innovation capacities of the local ecosystem, via capacity building activities and closer interactions between the local knowledge triangle innovation actors (e.g. clusters, networks, public authorities, HEIs, research organisations, VET institutions, SMEs) and their activities;
- support the objective of attracting new partners in KICs and ~~link~~ **integrate** local innovation ecosystems to pan-European innovation ecosystems through direct cooperation with EIT KICs and their co-locations centres.

3.3 Launch of new KICs

In order to contribute to addressing new and emerging global challenges, the EIT shall launch calls for establishing new KICs in selected thematic areas of strategic importance, starting with a KIC in the field of Cultural and Creative Industries in 2022. The priority fields for the new KICs are selected based on criteria assessing, among other aspects, their relevance to Horizon Europe policy priorities, and their potential and added value to be addressed through the EIT model, taking into account the Strategic Planning of Horizon Europe and the budget allocated to the EIT for 2021-2027. The relevant selection criteria for European Partnerships defined in Annex III of the [Horizon Europe Regulation] will be included in the KIC Call for proposals and assessed during the evaluation.

Priority fields for launching new KICs are set out in Annex 1A to this SIA.

Based on a proposal from the EIT Governing Board and an analysis thereof, a first KIC in the field of Cultural and Creative Industries (CCI) is proposed to be launched in 2022 with a call for proposals to be published in 2021. This priority field has the strongest complementarity with the eight KICs that have already been launched by the EIT, as well as with the potential priority areas for other European Partnerships to be launched in the framework of Horizon Europe. A factsheet summarizing the challenges of the CCI field and the expected impact of the future KIC is included in Annex 1B to this SIA.

Based on the proposed budget for the EIT, a second new KIC could be launched in 2025 with a call to be published in 2024, after an amendment to Annex 1A to add new priority field(s). The priority field(s) will be selected in light of the proposals of the EIT Governing Board. These proposals will take into account the priority areas to be identified in the Horizon Europe Strategic Planning and the criteria set for the selection of European Partnerships, in particular openness, transparency, EU added value, coherence and synergies. The criteria for selecting new KICs will be aligned with those in the Horizon Europe. They will also support delivery on EU policy priorities such as missions and Sustainable Development Goals. Other new KIC/KICs could be selected in case additional budget to that of the EIT would become available.

3.4. *Supporting the entrepreneurial and innovation capacity of higher education*

In cooperation with the Commission, the EIT shall design and launch activities to support the development of innovation capacity in higher education, which will be implemented through the KICs, starting in 2021. Through the knowledge triangle integration model, the EIT is bridging the persistent gap between higher education, research and innovation. In particular, the EIT is a key tool for the development of human capital through its distinctive focus on entrepreneurial education. However, the impact of the EIT must be further extended beyond the KICs' partners. Higher education institutions across Europe need to be innovative and entrepreneurial in their approach to education, research, and engagement with businesses and the broader local innovation ecosystem, including civil society. This can be achieved through a clear strategy, a methodological framework and commitment of resources.

Activities will be implemented in an open, transparent and targeted way which will aim at increasing the innovation capacity in higher education in order to integrate a wider number of HEIs in innovation value chains and ecosystems across the Union. These activities will involve other actors of the knowledge triangle (e.g. VET organisations, enterprises, RTOs) and will complement the intervention of the EIT on education as core part of the Knowledge Triangle Integration activities of KICs, in particular through making them more open and accessible to non-partners of the KICs. The aim is that the impact of the EIT reaches beyond the KICs and contribute to the EIT's core mission of boosting sustainable economic growth and competitiveness by reinforcing the innovation capacity of Member States. This would be in line with the Horizon Europe goals of fostering entrepreneurial and innovation skills in a lifelong learning perspective, including increasing the capacities of HEIs across Europe.

The EIT support will also build on policy initiatives such as the HEInnovate¹⁰ and RIIA¹¹ frameworks that have proven their value in a number of HEIs and Member States across the EU. The EIT will design the support activities in close collaboration with the Commission ensuring **full** coherence and complementarity with relevant activities within Horizon Europe, Erasmus and other programmes. The specific details of the implementation and delivery mechanism process will be further developed and fine-tuned in the first three years and will be subject to monitoring and evaluation during this pilot phase before **potential** further upscaling.

The EIT shall provide specific guidance, expertise and coaching to participating HEIs. The EIT will play a steering and coordination role in the implementation and monitoring of the activities that will be run by the KICs. Particular attention will be paid to ensuring: an **open and** inclusive approach to attract HEIs beyond the KICs' partners **aiming at wide geographical coverage**; an inter-disciplinary and inter-sectoral approach; and a link with relevant Smart Specialization Strategies, and the EIT RIS.

EIT shall strengthen and widen the scope of the EIT Label beyond the KICs to include the HEIs participating in the action. With the involvement of actors from across the knowledge triangle, the EIT will link its support to developing innovation capacity in higher education to the EIT Label, which is awarded currently to the KICs' education programmes. In particular, participating HEIs may be involved in the use of the EIT Label. The EIT will also extend the EIT Label to lifelong learning activities involving and reaching out to a wider target group of students, adult learners and institutions (including VET institutions) beyond the KICs. The application of the Label beyond the EIT community will have a more structuring effect at all levels (individual, programme and institution). The EIT will also monitor the award of the EIT Label to KICs' education and training programmes and explore a more effective quality assurance mechanism, including external recognition and accreditation for the EIT Label.

¹⁰ HEInnovate is a policy framework developed by the European Commission and the OECD. HEInnovate offers HEIs a methodology to identify innovation capacity areas for further development and to shape relevant strategies and actions in order to achieve the desired impact. HEInnovate is based on sound methodological evidence with eight capacity development areas: Leadership and Governance; Digital Transformation; Organisational Capacity; Entrepreneurial Teaching and Learning; Preparing and Supporting Entrepreneurs; Knowledge Exchange; Internationalisation; and Measuring Impact. OECD has published a number of HEInnovate-based country reports, see OECD Skills Studies series at <https://www.oecd-ilibrary.org/education/>

¹¹ The Regional Innovation Impact Assessment framework (RIIA) was developed by the European Commission as a first step in guiding assessments of the innovation impact of universities through the elaboration of metrics based case studies. Assessing the innovation impact, e.g. through the RIIA framework, could potentially be tied to innovation performance based funding instruments at the regional, national or EU level.

The EIT shall introduce an outreach scheme to incentivize HEIs from moderate and modest innovators to develop their innovation capacities. The EIT will in particular target HEIs from countries (and regions in those countries) that are moderate and modest innovators that wish to strengthen their innovation footprint and Smart Specialisation Strategies. The EIT will allocate to this measure at least 25% of the overall budget allocated to these activities.

3. 5. EIT cross-cutting activities

3.5.1 Communication

The EIT will improve its communication and visibility towards main stakeholders in Member States and ensure the visibility of EU's support in line with Horizon Europe communication approach. With a growing number of KICs and a new action supporting the entrepreneurial development of HEIs, the EIT will boost its efforts to increase its recognition as a quality brand for innovation. This improved communication is crucial especially towards citizens as the innovations coming out of the EIT contribute to demonstrate the concrete impact of EU investments through the Union framework programme for research and innovation.

The EIT will increase the use of existing EU information networks and provide coordination to their activities in order to ensure better advice and guidance to potential EIT KICs partners. In order to ensure wider dissemination and better understanding of the opportunities offered by the EIT, the EIT will reinforce guidance and assistance on aspects related to participation in EIT KICs across Europe by building on existing networks of information and structures across Europe, in particular the ~~thematic~~ National Contact Points of Horizon Europe. In order to ensure that a large stakeholder community across the knowledge triangle at EU, national, regional and local levels is aware of all EIT (and KICs) calls and funded projects, they will appear also in the European Funding and Tender Opportunities Portal, under Horizon Europe.

The EIT will organise regular meetings of the Member States' Representatives Group as well as Commission related services, at least twice a year, to ensure an appropriate communication and flow of information with Member States and at EU level. The Member States will be kept duly informed of the performance, achievements and activities of the EIT and KICs. In addition, the Member States' Representatives Group will give ~~its opinion on key decisions~~ advice on strategically important issues to the EIT ~~of the EIT~~. The Member States' Representatives Group, together with the EIT, shall also ensure appropriate support to liaise and promote synergies about EIT-supported activities with national or regional programmes and initiatives, and share information about the potential national or regional co-financing of those activities.

The EIT will further increase the visibility of its action towards citizens and its community of stakeholders through the Stakeholder Forum, the EIT Awards and the EIT Alumni. The aim is to promote the interactions with European actors of the knowledge triangle and recognise the most promising entrepreneurs and innovators in Europe.

The EIT will continue to steer and provide strategic guidance to the EIT Alumni Community¹² (in collaboration with the EIT Alumni Board) to maximise its entrepreneurial and societal impact and the continuous involvement of its members in EIT-supported activities. In the course of 2021-2027 the Community will continue growing and will also include the alumni taking part to the actions supporting the innovation capacities of HEIs.

3.5.2 Identify and share good practices with stakeholders

The EIT shall identify, codify, and effectively share learnings and good practices emerging from EIT-funded activities; engage with EU Member States authorities at both national and regional level, establishing a structured dialogue and coordinating efforts, in order to identify, share and disseminate good practices and learnings. The KICs and the projects supporting innovation and entrepreneurial capacity of HEI are expected to be a valuable source of evidence and experimental learning for policy-makers in the field of research, innovation and education, as well as in different thematic domains.

So far, the good practices and learnings stemming from the KICs have not been sufficiently codified and disseminated effectively. The EIT will further develop its role as an innovation institute able to detect, analyse, codify, share and ensure the take-up of innovative practices, learnings and results from the EIT-funded activities (education & training, support to innovation, support to entrepreneurship) on a broader scale. This activity will build on the links and synergies with the other initiatives within the [Innovative Europe Pillar]of the [Horizon Europe proposal].

¹² The EIT Alumni Community brings together entrepreneurs and change agents who have participated in an education or entrepreneurship programme delivered by a KIC. The Community represents a network of over 5000 members.

3.5.3 *International cooperation*

The EIT shall develop broad lines of international cooperation of the EIT and the KICs under the supervision of the EIT Governing Board, in compliance with the Horizon Europe approach to international cooperation and other relevant EU policies, and in consultation with the respective Commission services. Within the scope of the EIT Regulation, the EIT will seek greater impact of its activities through international cooperation and will coordinate international EIT-funded activities by the KICs. Its focus will align closely with relevant policy objectives of the European Union as well as its research and innovation priorities and ensuring European added value. In its international cooperation, the EIT, in consultation with the Commission, will focus on effective tackling of global challenges, contributing to relevant international initiatives and the Sustainable Development Goals, ensuring access to talent and enhanced supply and demand of innovative solutions.

3.6. **Making it work: Mode of operation**

This section includes a number of measures that aim to adapt and improve the current functioning of the EIT and the KICs. An effective, empowered and strategic EIT Governing Board will monitor the implementation of those measures at the EIT level, and will provide the necessary incentives and control, including through the performance-based funding allocation process, to ensure that the KICs implement them.

3.6.1. *KIC operational model*

The EIT shall ensure that the implementation of the KICs is in full compliance with the respective requirements stemming from the Horizon Europe regulation, including ensuring the transition of existing eight KICs towards delivery of the new implementation criteria of Horizon Europe for European Partnerships. Therefore the EIT will provide strengthened operational guidance to KICs and continuously monitor the KICs' performance in compliance with sound management, monitoring and evaluation principles set in the EIT regulation, as well as the principles and criteria set out for European Partnerships in the Horizon Europe regulation and alignment with Horizon Europe priorities and indicators in order to maximize their performance and impact. Appropriate corrective measures will be taken in case KIC underperforms, delivers inadequate results or lack of European added value.

The EIT shall ensure that continuous openness of the KICs will be improved notably by applying coherent, clear and transparent accession criteria for new members that add value to the partnerships, by systematic monitoring, as well as by other provisions like the procedures for preparation of their business plans. They will also run their activities in a fully transparent way. KICs will remain open and dynamic partnerships that new partners across the Union, including an increasing share of SMEs, that add value to the partnership, can join on the basis of excellence and innovation relevance. In order to limit the concentration of funding and ensure that KICs activities benefit from a wide network of partners, the procedure for the preparation of the Business Plan (including the identification of priorities, the selection of activities and the allocation of funds) will be made more transparent and inclusive. ~~Finally~~, KICs will increase the openness of calls, in particular for ~~innovation~~ projects that are open to third parties. All these measures will increase the number of participating entities involved in KICs' activities. Finally, KICs should report on the involvement of new partners in their regular reporting as one of the elements of their performance-based funding.

As KICs operate across the entire value chain of innovation, the EIT shall ensure an appropriate balance of education, entrepreneurship and innovation activities in KICs Business Plans and that KICs operations will be implemented through a lean and cost-efficient structure that would keep administrative and management costs to a minimum (maximum [x%] of the budget). EIT will ensure that KICs will deliver their expected impacts through a broad range of activities, identified in the KICs' Business Plans, which effectively support the fulfilment of their objectives including potential impact on innovation ecosystems at local, national and EU levels. Commitments from each KIC's partner throughout the contractual duration of the initiative will be ensured by regularly monitoring the actual partner's contributions against the original commitments. EIT will ensure that KICs have a risk management system in place for cases where some partners are not able to meet their original commitments.

3.6.2. KIC funding model

Through a lean and simplified funding model, the EIT shall enhance the impact of KICs and contribution of KICs towards reaching the objectives of the Horizon Europe Programme as well as incentivise commitment from KICs partners. In order to increase the value added of its support, the EIT will adapt its funding model. There are four main areas where the EIT will implement improvements.

Firstly, the EIT shall gradually reduce its funding rate for KIC added value activities in order to increase the levels of private and public investments. The adaptation of the funding model will facilitate the KICs in the transition towards financial sustainability. It will incentivise them to decrease gradually during the duration of the framework partnership agreements the share of EIT funding in their Business Plan while increasing the level of co-investment from non-EIT sources. Decreasing EIT funding rates for KIC added value activities will be applicable across phases of the entire KICs' life cycle (start-up, ramp-up, maturity, exit from the EIT grant) as presented below.

| | Start-up | Ramp-up | Maturity | Exit from EIT grant |
|------------------|------------|-----------|-----------|---|
| Years | 1 | 5 – 7 | 8 – 11 | 12 - 15 |
| EIT Funding rate | Up to 100% | Up to 80% | Up to 70% | Up to 50% at year 12, decreasing by 10% per annum |

Figure 4: EIT co-funding rates 2021-2027

Secondly, the EIT shall ensure that the grant allocation process ~~currently used will follow a more competitive funding model, including a performance-based model gradually increasing share for performance-based funding.~~ The use of multiannual grants will also be increased. The EIT, through the Governing Board decisions, will therefore amend both its performance-based and competitive funding provisions in order to improve its impact as part of Horizon Europe. The EIT funding will be directly tied to progress made towards the KICs objectives and could be **reduced or** discontinued in case of lack of results. The EIT Governing Board will provide stronger incentives to KICs as well as take corrective measures in particular based on their individual performance in order to ensure the highest level of impact. ~~The EIT will therefore amend its competitive funding provisions in order to improve its impact as part of Horizon Europe.~~

Thirdly, the EIT shall apply strict rules for reinforcing the assessment mechanism prior to the expiry of the first 7 years initial period of KIC's operations in accordance with Articles 10 and 11 of the EIT regulation. This assessment to be undertaken with the help of external experts should be in line with the best international practice, in line with the monitoring and evaluation criteria set out for European Partnerships in the Horizon Europe regulation and take place before the expiry of the initial seven years period. As a result of the assessment, a decision will be made by the Governing Board to either continue the financial contribution to a KIC, or to discontinue it (thus not extending the framework partnership agreement with that KIC) and reallocate the resources to better performing activities. The Governing Board will seek opinion from the Member States Representatives Group prior to taking that decision.

Finally, the EIT shall continue its efforts towards simplification in order to alleviate unnecessary administrative burden¹³ of the KIC, allowing the implementation of their annual Business Plan and multi-annual strategy in an agile and efficient way. This will include the use of lump sum or unit costs for relevant KIC activities. Moreover, in order to provide a better planning of the resources, in particular of innovation activities, as well as facilitate stronger commitment and long-term investment from participating partners in KICs activities, the EIT will sign multi-annual grant agreements with KICs including provisions for performance-based funding, when appropriate, under the respective framework partnership agreements. These multi-annual grant agreements should not exceed 3 years.

3.7.3 EIT relation with KICs after the termination of the framework partnership agreement

The EIT shall develop the general principles for the relation with KICs after the termination of the framework partnership agreement in line with Horizon Europe framework for European Partnerships. Subject to an in-depth independent evaluation in close cooperation with the Commission, by the end of 2023, the EIT will define its relations with the KICs that will stop receiving grants in the course of the 2021-2027 programming period. Subject to a positive outcome of a final review, the EIT may conclude a "Memorandum of Co-operation" with a KIC, aiming to maintain active cooperation with it after the termination of the framework partnership agreement. This Memorandum should include, inter alia, rights and obligations linked to:

- the use of the EIT brand, participation in EIT Awards and in other initiatives organized by the EIT;
- the use of the EIT Label for education & training programmes;

¹³ In particular, the annual reporting on KIC complementary activities would be discontinued, as recommended by the Court of Auditors in its Special Report of 2016 (Recommendation 1, p. 51).

- participation in EIT competitive calls for some specific activities, ~~in particular cross-KIC activities~~ **that are critical for maintaining the KIC's knowledge triangle integration activities**;
- relations with the EIT Alumni Community.

3. 8. Synergies & complementarities with other programmes

Building on its broad scope of action and distinctive role, the EIT is well placed to create synergies and provide complementarities with other EU programmes or instruments, including by reinforcing its support to KICs in their planning and implementing activities. The list below offers concrete examples where the EIT will contribute to synergies in the mid to long term beyond Horizon Europe.

Erasmus

- Erasmus and EIT will establish synergies between their respective communities. Cooperation will be geared towards ensuring access for Erasmus students participating in KIC partner higher education institutions to KICs' summer schools or other relevant training activities (for instance, on entrepreneurship and innovation management) and establishing contacts with the KICs' alumni network.
- Cooperation activities can also include delivery of training by EIT/KICs to academic staff (coming from all Higher Education Institutions, beyond the KICs) for curricula integrating entrepreneurship and innovation, as well as testing, adoption and scaling-up of innovative practices developed within Erasmus networks (like the Knowledge Alliances between higher education institutions and businesses) by KICs and vice versa.
- Synergies will be ensured, where possible, with the European Universities initiative that could help mainstream EIT's educational activities to reach a systemic impact.

Digital Europe Programme (DEP)

- KICs' co-location centres will collaborate with the European Digital Innovation Hubs to support the digital transformation of the industry and public sector organisations.
- Feasibilities will be explored to use infrastructures and capacities developed within the DEP (e.g. data resources and libraries of artificial intelligence algorithms; high performance computing competence centres in Member States) by the KICs in education & training, as well as for testing and demonstration purposes in innovation projects.

Cohesion Policy Funds (in particular European Regional and Development Fund and European Social Fund)

- EIT KICs, through their co-location centres and RIS entities, will promote regional and cross-regional cooperation between the knowledge triangle actors (education, research, business) and managing authorities, in synergy with interregional cooperation and investments along value chains in related smart specialization priorities areas, and the work of the thematic smart specialisation platforms. The EIT will also explore contributing to the skills development initiatives under the Cohesion Policy Funds through exchange of best practices.
- EIT KICs will promote the collaboration with the Smart Specialisation Platforms, particularly the projects having experience in working with the Managing Authorities of Cohesion Policy Funds, in order to facilitate synergies between EIT resources, Cohesion Policy Funds and other European, national and/or regional programmes.

InvestEU

- EIT KICs will seek the collaboration of the InvestEU Advisory Hub to provide technical support and assistance to KICs'-backed ventures for the preparation, development, and implementation of projects.
- EIT KICs will contribute to feed the InvestEU Portal in order to bring investors closer to KICs'-backed ventures, in close collaboration with Commission services.

Creative Europe

- The new Creative Europe Programme will be specifically relevant for the activities of a future KIC on CCI. Strong synergies and complementarities will be developed with the programme in areas such as creative skills, jobs and business models.

Single Market Programme (COSME)

- KICs will seek cooperation with the Enterprise Europe Network (EEN) and its Sector Groups to facilitate business-to-business cooperation, technology transfer and innovation partnerships for entrepreneurs wishing to develop their activities across the EU and beyond. EEN organisations will promote EIT KICs activities among their SME clients. The EIT will explore cooperation the mobility programmes for new entrepreneurs to improve their entrepreneurial skills.

4. RESOURCES

4.1. Budget needs

The EIT's budget needs in the period 2021-2027 are EUR [3000] million and are based on three main components: 1) the expenditure for the existing eight KICs (reflecting that for three of them the framework partnership agreements will come to an end by 2024) and the launch of two new KICs (in 2022 and 2025); 2) the launch of a new EIT support and coordination action; and 3) administrative expenditure.

Around EUR [2500] million (83,3 % of the total EIT budget) is envisaged to fund existing and new KICs of which at least 10% ~~OR~~ **and** maximum 12% should be dedicated for the Regional Innovation Scheme. Through the introduction of a gradually decreasing EIT funding rate, the KICs are expected to mobilise a further EUR [1500] million of other public and private sources. The budget for the launch of two new KICs (to be launched in 2022 and 2025, respectively) will be around EUR [300] million. Should additional budget to that of the EIT become available, the EIT could also launch additional KICs.

The EIT will launch a new support action to help develop the entrepreneurial and innovation capacity of HEIs. This action will require horizontal project management and monitoring services. Maximum 12% ~~OR~~ 14 % of the EIT budget should be dedicated to implement these activities, with EUR [120] million dedicated to the initial phase (first 3 years) and the rest for the ramp-up phase (final 4 years).

The EIT will continue to be a lean and dynamic organisation. The costs of administrative expenditure, covering necessary staff, administrative, infrastructure and operational expenses, will increase but on average not exceed 3% of the EIT budget. Part of the administrative expenditure is covered by Hungary through provision of free of charge office space until the end of 2029. On this basis, administrative expenditure will therefore be approximately EUR 73 million for 2021-2027.

The budget breakdown is presented below:

4.2. Impact (monitoring and evaluation)

The measurement of EIT's impact will be continuously improved over the next programming period taking into account the lessons learnt and the experiences gained so far. The EIT will apply an evaluation, reporting and monitoring framework ensuring coherence with the overall approach taken for Horizon Europe while catering for flexibility **(in accordance with Articles 10 and 11 of the EIT Regulation)**. In particular, feedback loops between the Commission, EIT and KICs will be improved in order to address the objectives in a consistent, coherent and efficient manner.

4.2.1. Reporting and Monitoring

The EIT shall improve its current monitoring systems and introduce a reporting and monitoring framework including impact indicators, aligned with the Key Impact Pathways of the [Horizon Europe programme]. The reporting and monitoring of the KICs operational performance and their results will be a primary task of the EIT and will be implemented in cooperation with Horizon Europe common corporate services. The reporting and monitoring system for KICs will be built into the overall Horizon Europe monitoring system, in particular by implementing common data models including data collection stored in a common database. The Commission will take part in the co-design of all relevant impact and monitoring indicators and tools developed or applied by the EIT in order to ensure compatibility and consistency with the overall Horizon Europe monitoring system, including the key impact pathways, the criteria framework for European Partnerships and the Strategic Planning Process. Continuous monitoring, as well as review and assessment procedures, including for establishing a sound set of quantitative and qualitative indicators and their related baseline and targets, will be established by a decision of the Governing Board. Furthermore, EIT will take into account the deployment of the Innovation Radar methodology in Horizon Europe, and will explore how Innovation Radar could be leveraged by the KICs for enhancement of its monitoring activities.

The results of such monitoring will feed into the KICs business planning processes and into the EIT decision-making on the allocation of performance-based funding and on the preparation of the framework partnership agreements and grant agreements with the KICs as beneficiaries.

The EIT activities, including those managed through KICs, are expected to have

- (1) *technological/economic/innovation impact* by influencing the creation and growth of companies, as well as the creation of new innovative solutions to address global challenges, creating direct and indirect jobs and mobilising other public and private investments;
- (2) *scientific and educational impact* by strengthening human capital in research and innovation, enhancing innovative and entrepreneurial skills both at individual and organisational levels and fostering the creation and diffusion of knowledge and innovation openly within society;
- (3) *societal impact* by addressing EU policy priorities in the fields of climate change, energy, raw materials, health or food through innovative solutions, engagement with citizens and end-users and by strengthening the uptake of innovative solutions in these areas in society.

The table below provides the non-exhaustive list of management indicators and their targets that would be monitored by the EIT in 2021-2027. These indicators provide the main input and output orientations for monitoring the achievement of EIT's key objectives for the period 2021-2027 such as fostering innovation and entrepreneurship through better education, increasing its local and regional impact and openness towards potential partners and stakeholders, and bringing new innovative solutions to global challenges to market.

The EIT shall ensure the development of the specific societal indicators in the KICs areas of activity and its regular monitoring in line with Horizon Europe framework for societal impact. Additional indicators, including societal impact indicators in the KICs areas of activity, will be developed by the EIT together with the Commission in line with the development of the Horizon Europe programme indicator framework and will reflect the overall approach for European Partnerships to contribute to scientific, economic and societal impact. Overall the alignment of the impact indicators with Horizon Europe will aim at monitoring the progress towards the set objectives over time. This will ensure a comparative evidence-base on results and impacts generated by KICs vis-à-vis the rest of the programme. In addition, the EIT will ensure that the monitoring system would capture progress in relation to activities specific to the KIC model, such as knowledge triangle integration and entrepreneurial skills. These additional indicators will aim at monitoring the progress and impact over time. For example, the indicators on EIT education-related activities (including those supporting the capacities of HEIs) shall monitor human capital skill acquisition (short term), career (medium term) and working conditions (long term), HEIs engagement and capacity improvement (short term) or HEIs role and performance in local innovation ecosystems (medium and long term).

The continuous monitoring of KICs shall address inter alia the following aspects:

- Progress towards financial sustainability
- Progress towards pan-European coverage and openness
- Effectiveness in business acceleration (i.a. high-growth ventures created and supported)
- KIC's administrative and management costs.

| EIT Management Indicators | Target 2023 (baseline 2020) | Target 2027 (baseline 2020) |
|--|--|--|
| No. of entities/organisations participating in EIT and KIC activities | 20 % increase | 50 % increase |
| No. of innovations (products and services) launched on the market | 1.500 | 4.000 |
| Higher Education Institutions involved in EIT and KIC activities | 300, out of which 100 from the new action on education | 750, out of which 450 from new action on education |
| No. of students involved in EIT and KICs education activities | 10.000 | 30.000 |
| No. of start-ups supported | 300 | 700 |
| KICs' co-funding | 700 MEUR | 1500 MEUR |
| No. of entities/organisations participating in EIT and KIC activities from regions outside the KICs' CLC regions | 50 % increase | 100 % increase |

The EIT shall ensure access to results and project data from KICs and integrating it in the overall data management and reporting system of Horizon Europe programme. The EIT will ensure that the data it collects through its internal monitoring system, including the results from KICs, are fully integrated in the overall data management system of Horizon Europe programme. The EIT will ensure that detailed information arising from its monitoring and evaluation process are made available timely and are accessible in a common e-database on Horizon Europe implementation. In addition, the EIT will ensure dedicated reporting on quantitative and qualitative impacts, including on committed and actually provided financial contributions.

4.2.2. Evaluation, interim review and comprehensive assessment

The periodic evaluations of the EIT activities, including those managed through KICs, will be carried out by the Commission in line with the provisions of the EIT Regulation and Horizon Europe Regulation. These evaluations will assess the effectiveness, efficiency, relevance, coherence and EU added value of the EIT activities, including through its KICs. They will be based on independent external evaluations and will feed into the overall interim and final evaluations of Horizon Europe.

Each KIC will be subject to a comprehensive assessment by the EIT with support of external experts before the end of the 7th year of the Framework Partnership Agreement and before its end in case of extension. The first assessment will allow the Governing Board to decide on whether to extend the FPA beyond the first 7 years, while the 2nd assessment will be used as a basis to negotiate the possible MoC. In performing this assessment, the EIT Governing Board shall take into account in particular the monitoring criteria set out for the European Partnerships in the Horizon Europe regulation, the achievement of KIC's objectives, and its coordination with other relevant research and innovation initiatives, the achieved level of financial sustainability, KIC's capacity to ensure openness to new members, the EU added value and relevance with regard to the objectives of the EIT.

In addition, the EIT, under the supervision of the Governing Board, shall prepare interim reviews of the KICs performance and activities covering their first three years of the framework partnership agreement (i.e. the KICs' start-up phase) and, if it is the case, the three years following its extension (i.e. the maturity phase). Those reviews shall be based on the annual monitoring performed by the EIT; they shall help the EIT Governing Board to get early indications on KICs' performance with respect to their strategy and targets, as well as the compliance to EIT Governing Board indications.

Evaluations, assessments and reviews, as well as continuous monitoring, will support the Governing Board in taking informed decisions on corrective measures to adopt in case KICs deliver inadequate results or lack of European added value. The corrective measures can take the form of reduction or withdrawal of the EIT financial contribution, as well as binding recommendations related to KICs' activities.

The results of these evaluations, assessments and reviews shall be made publicly available.

5. ANNEX 1A

Priority fields for launching new Knowledge and Innovation Communities.

1. Cultural and Creative Industries

6. ANNEX 1B

FACTSHEET ON THE KNOWLEDGE AND INNOVATION COMMUNITY “CULTURAL AND CREATIVE INDUSTRIES”

(7) The Challenge

Cultural and Creative Industries (CCI) can bring a horizontal solution to an array of rising challenges, which are of a permanent nature, and can be addressed through research and innovation activities. These challenges can be grouped into four pillars: 1) Europeans' creativity, cultural diversity and values; 2) European identity and cohesion; 3) European employment, economic resilience, and smart growth; and 4) Europe as a global actor.

Europeans' creativity and cultural diversity depends on resilient and robust cultural and creative sectors. However those sectors, notably the audio-visual or music sector, are facing a number of challenges as a result of the increased competition from global players and the digital shift.

- Producers, distributors, broadcasters, cinema theatres and all types of cultural organizations need to innovate in order to attract new generations of audiences.
- The shortage of entrepreneurship and cross-cutting skills in CCI¹⁴ concerns both emerging sub-sectors as well as very mature ones that undergo a profound digital transformation. These skills are needed for innovation and crucial in light of labour market changes that the sector is facing.

Societal challenges related to the **European identity and cohesion** can generally be described in terms of lack of ‘bridges’ connecting different parts of the society including different territories. They include issues related to social exclusion, the need to build closer intercultural links and developing a sense of common belonging based on our cultural diversity and common heritage that could be addressed through more inclusive and accessible community participation, innovations in design, architecture and the use of public spaces, as well as culture-led social innovation. In particular:

- There is limited cooperation between researchers and between research and industry as well as insufficient coordination of R&D efforts, sharing of methods, results, and best practices.

¹⁴ Cultural and creative studies in European universities are mostly focused on the “creative part” and their graduates are not always ready to enter the modern labour market as they lack cross-sectoral (entrepreneurial, digital, financial management) skills. With regards to HEIs, the EU is trailing behind the USA in Communication & Media studies (while EU universities are performing better in more traditional disciplines such as Art & Design or Performing arts).

- The level of integration of creative clusters and innovation hubs is insufficient.
- A significant share of regional smart specialization priorities in Europe refer to culture under different angles (e.g. cultural heritage, creative industries, etc.). Given the important role of culture and creativity for the economic and social development of cities and regions and their ability to further help address disparity issues across Europe, the potential of the CCI KIC is high.

Challenges related to **European employment, economic resilience, and smart growth**, include economic issues such as unemployment (especially youth unemployment) and global competition.

- There is a high market concentration: - around 50% of the total turnover and added value is generated in Germany, United Kingdom, and France.
- European industries are challenged by digitization and globalization and their powerful impact on the way artists produce and distribute their works and relate to their audiences. The collapse of DVD markets, new consumer expectations and the continued power of US studios together with the rise of global digital giants like Amazon, iTunes, Google and Netflix have impacted the traditional value chain.

Finally, the role of **Europe as a global actor** includes the need to enhance the dissemination of the cultural content created in Europe. Europe needs to remain competitive in the global digital race for creation of new technologies (e.g. AI, IoT, blockchain) for which CCI are important generators of content, products and services globally. Moreover, on a global scale, CCI (e.g. design, architecture, etc.) contribute actively to the sustainable development and drive green innovation, while cultural content (literature, film and the arts) can, in addition to its self-standing value, raise awareness of ecological problems and inform public opinion.

(8) Relevance and Impact

An EIT KIC on CCI – with its holistic and integrated approach - will help address all challenges defined above. By covering nearly all sectors of our lives, society and economy, such KIC will be highly relevant in terms of economic and societal impact, unlocking strategic opportunities for economic, technological as well as social innovation.

Culture-based and creativity-driven innovations boost European competitiveness either directly by creating new enterprises and jobs or indirectly by creating cross-sector benefits to the wider economy, improving quality of life and increasing the attractiveness of Europe. CCIs are increasingly seen as new sources of smart, sustainable and inclusive growth and jobs. employing already more than 12 million people in the EU, which amounts to 7.5% of all EU people in employment.

The contribution of culture and creativity to innovation is not limited to the direct impact of the CCI, since innovation across-the-board is increasingly driven by non-technological factors such as creativity, design and new organisational processes or business models. In particular, CCI with distinct value chains (i.e. music, design, fashion, audio-visual, video games, architecture ...) have a strong innovation capacity in economic terms and are able to drive innovation in other sectors of the economy.

Culture and participation in cultural activities has a direct impact on the well-being of citizens and social inclusion. CCI enhance societal values of identity, democracy and community participation. Culture has a great potential to reinforce a European sense of belonging, where diversity represents an asset. This is of fundamental importance to enable resilience, social access, society cohesion, anti-radicalisation and gender equality, and to tackle Europe's political uncertainties and need of unity.

An EIT KIC on CCI will empower network opportunities, collaboration, co-creation and know-how transfer between education, research and business, within the cultural and creative sectors and with other sectors of the society and the economy. It will catalyse bottom up and top down initiatives at regional, national and EU levels. It will develop the necessary framework conditions for the creation and scale up of new ventures in innovative ecosystems. It will provide researchers and students in many disciplines (including arts, humanities, business, social sciences and applied hard sciences) and entrepreneurs of the CCI and other sectors with the knowledge and skills necessary to deliver innovative solutions and to turn them into new business opportunities. It will allow further cross-fertilisation with other economic and industrial sectors, acting as an accelerator for innovation.

(9) Synergies and Complementarities with existing initiatives

A KIC in CCI would be complementary to number of other Union initiatives, as well as such at the level of Member States. The main synergies expected at EU level are presented below.

A KIC on CCI is expected to establish strong synergies with relevant policy initiatives under Horizon Europe Programme, and in particular under Pillar II with the cluster [Inclusive and Secure Society] and its areas of intervention on Cultural Heritage and Democracy. A future KIC could also provide valuable horizontal inputs across various activities to be carried out in the cluster [Digital and Industry], in particular as regards the manufacturing technologies in which the need to develop new products rely heavily on CCI. Furthermore, it could efficiently complement other parts of the Horizon Europe Programme, the intervention of the existing EIT Digital and the actions foreseen under other EU programmes such as InvestEU, Digital Europe or the Cohesion Policy Funds.

The new Creative Europe Programme will be highly relevant for the activities of the KIC on CCI. The Programme elects strands and special calls reflecting some of the already mentioned challenges facing the sector (e.g. creatives' skills and employment, business models, etc.) and strong synergies and complementarities should be developed. Still under the Creative Europe Programme, and in the context of limited access to finance for the cultural and creative sectors, synergies could be expected with the Cultural and Creative Sector Guarantee Facility, a financial mechanism to help scale up cultural and creative projects by providing insurance to financial intermediaries.

The Smart Specialisation Strategy (S3) platform on Industrial Modernisation has identified a number of R&I strategies that focus on CCI and explore new linkages between local assets, potential markets and societal challenges through the involvement of a large set of entrepreneurial actors. In particular, the promotion of new partnerships between research organisations, enterprises and public authorities is a major concern of S3 strategies, calling for the set-up of new collaborative platforms.

Conclusion

An EIT KIC on CCI is most suited to address the major economic and societal challenges outlined above. Creativity is a key driver of innovation and a KIC on CCI has the capacity to unleash the potential of culture-based creativity and help strengthening Europe's competitiveness and smart growth.

An EIT KIC on CCI will:

- Reduce the fragmentation of the cultural and creative sectors' innovation landscape by fostering the creation of innovation ecosystems that will connect actors and networks across sectors and disciplines at local, regional, national and EU levels.
- Train the next generation of innovators in the CCI sectors by equipping them with the necessary entrepreneurial and technical skills needed to thrive in a fast changing environment.
- Contribute to the development of the right framework conditions to transform ideas into new technological developments and social innovation that will improve the quality of life and benefit EU citizens.
- Foster the creation and development of new ventures in the cultural and creative sectors by mobilizing investment and long-term commitment from the business sector.
- Synergize with the existing KICs, as well as with other European partnerships, programmes and initiatives to drive innovation beyond cultural and creative industries in other sectors of the economy.
- Strengthen the EU position as a global actor in CCI by harnessing Europeans' creativity and cultural diversity.