

External Evaluation of the European Institute of Innovation and Technology

Framework Contract on evaluation and related services (EAC 03/06)

FINAL REPORT ON EVALUATION

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Contents

	Executive Summary	v
1.0	Introduction	1
1.1	Background to the evaluation	1
1.2	The timeline	2
1.3	Securing agreement for the EIT	2
1.4	The structure of the EIT	6
1.5	Structure of Report	8
2.0	Methodology	9
2.1	Evaluation approach	9
2.2	Evaluation framework	11
2.3	Strengths and weaknesses of the approach.....	13
3.0	Establishing the EIT	15
3.1	Establishing the operations of the EIT	15
3.2	Establishing the Headquarters.....	20
3.3	Staffing	20
3.3.1	Commission staff inputs	20
3.3.2	Staff resources of EIT HQ	21
3.4	Budget.....	25
4.0	Implementing the EIT	28
4.1	Launching the KICs.....	28
4.1.1	Designating the first KICs.....	28
4.1.2	Establishment of the KICs	30
4.2	Establishing the Foundation	33
4.3	Other activities of the EIT	33
4.3.1	Entrepreneurialism	33
4.3.2	Entrepreneurial education	34
4.4	Communication	35
4.5	Strategic Innovation Agenda.....	36
5.0	Relevance and Complementarity of the EIT	40
5.1	Relevance of the EIT	40

5.1.1	EIT objectives.....	40
5.1.2	Relevance of the objectives to the challenges identified	42
5.1.3	Objectives of the KICs	46
5.2	Complementarity with EU policies.....	47
5.2.1	The policy framework	47
5.2.2	Programmes and initiatives	49
6.0	Securing the EIT's objectives	53
6.1	Mission and objectives of EIT in practice	53
6.1.1	KIC objectives and structures.....	53
6.1.2	Current and planned KIC activity	56
6.2	Securing KIC excellence.....	59
6.2.1	KIC participants	59
6.2.2	Activity in the education field	60
6.2.3	Activity in the field of innovation projects	61
6.2.4	Activity concerning enterprise and innovation support/infrastructure.....	62
6.3	Monitoring and objective setting within the KICs	64
6.3.1	Monitoring progress and outcomes	64
6.4	Integrating HE and businesses	67
6.5	EIT brand.....	67
7.0	Added Value and Sustainability of the EIT	69
7.1	Community Added Value	69
7.2	Sustainability	70
8.0	Governance of the EIT.....	72
8.1	Governance structure	72
8.2	Governance arrangements	73
8.2.1	The Governing Board	73
8.2.2	The European Commission	74
8.3	Governance relations.....	75
8.4	Wider relationships	76
9.0	Conclusions and Recommendations	78
9.1	Evaluation Questions.....	78
9.1.1	Efficiency	78
9.1.2	Effectiveness	79
9.1.3	Sustainability	82

9.1.4	Relevance	83
9.1.5	Complementarity	84
9.1.6	Value added	84
9.2	Summary Conclusions.....	85
9.3	Recommendations	87
	Annex One: Timeline	1
	Annex Two: Evaluation Questions	4
	Annex Three: Topic Guides	8
	Annex Four: List of Consultees.....	21
	Annex Five: Documentary sources	24
	Annex Six: KIC partners.....	29
	Annex Seven: Negotiation report	34
	1.0 Introduction.....	35
	2.0 The Negotiation Process.....	39
	3.0 Analysing the Evidence Relating to the ToR	49
	4.0 Summative Assessment	61
	5.0 Conclusions and Recommendations	66
	Annex Eight: complementary programmes.....	71
	Annex Nine: GB decisions.....	75

Executive Summary

Commission President Barroso's proposal to establish a European Institute of Technology (EIT) was an integral part of the re-launch of the renewed Lisbon Strategy for Growth and Jobs from 2005¹ and was intended “...to reinforce our commitment to knowledge as a key to growth...to act as a pole of attraction for the very best minds, ideas and companies from around the World”.

In March 2008 the European Parliament adopted the Council's Common Position on a draft Regulation for the establishment of a European Institute of Innovation and Technology (EIT). The final Regulation entered into force on 9th April 2008, securing the establishment of the EIT. The EIT itself became operational in 2009 and began its first practical activities in 2010. It has an EU budgetary contribution of €309m for the period 2008-13.

In July 2010 ECORYS was appointed by DG Education and Culture (DG EAC) to undertake an independent evaluation of the EIT in accordance with the provision of the Regulation 294/2008². The evaluation is a requirement of the establishing Regulation of the EIT which states that an initial evaluation should be completed by June 2011 (and every 5 years after the entry into force of a new financial framework thereafter). The evaluation began on 29 June 2010. This report presents the findings of that work.

This is a timely point at which to assess the progress of the EIT to date. The concept of the EIT was subject to much debate prior to its approval, and this is a useful juncture to assess the relevance of the concept in the light of practical experience. The EIT is also now up and running and it is valuable to reflect on this experience, both in terms of the process, and also in terms of the objectives being established in practice. It is also timely to consider insights offered by the current, and anticipated, activities of the EIT for the future development of the EIT beyond 2013.

Structure of the EIT

The EIT HQ operates as an independent and decentralised EU Body and is classified as an agency of the European Union³. The partner DG is DG Education and Culture and the EIT is accountable to both the European Parliament and the European Council. In practice, the EIT consists of a Governing Board, a supporting Headquarters function, and legally separate and autonomous Knowledge and Innovation Communities (KICs). The EIT has also launched a Foundation, which is a legally separate body but has strong linkages to the EIT.

For the EIT, the KICs are at the heart of all its activities, its “focus is first and foremost the KICs and the unique contribution that, through them, the EIT can make to Europe's innovation agenda”⁴. Three KICs were designated following the call for applications in 2009. These are: KIC Innoenergy (sustainable energy), EIT-ICT Labs (future ICT) and Climate KIC (climate change mitigation and adaptation). The focus of the KICs is,

¹ Implementing the renewed partnership for growth and jobs. Developing a knowledge flagship: the European Institute of Technology, 2006, Commission of the European Communities

² Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

³ http://europa.eu/agencies/index_en.htm

⁴ Triennial Work Programme 2010-12 p.4

broadly, to stimulate entrepreneurial education, innovation activities, business creation and value formation through combining and integrating education, business and research activities.

Each KIC is comprised of a number of partners from the worlds of business, Higher Education and research joined together in a single legal structure. Each KIC is led by a full-time Chief Executive Officer (CEO). Each KIC is also organised around a small number of co-location centres which are intended to act as geographical hubs for the practical integration of the knowledge triangle.

Methodology

The timing of this evaluation is unusual. Not only has the EIT only been active since 2008, the evaluation occurred during the process of forming the first KICs. This presented both methodological and practical challenges. The evaluation has focused on the setting up of the EIT/KICs; and therefore on the underpinning concept and structures being established to deliver the objectives; including the extent to which the way the KICs are constructed is likely to facilitate activities that are integrated across the three dimensions of the knowledge triangle.

A qualitative approach has been adopted. Evidence on planned activities was collected from KICs and this, together with material from strategic consultations amongst a wide range of policy makers and stakeholders (including those very close to the EIT/KICs and those with a looser relationship) does provide a sound basis for gauging the validity of the EIT/KIC concept and the types of European Added Value it is likely to deliver in the future.

Evidence is more limited in terms of scale and quality of KIC activities and outputs, effectiveness of partnership working and synergies (beyond the set-up phase), the benefits of various different approaches to co-location, and wider effects on organisations and local/regional/national contexts.

Assessment

The EIT has broadly met its key operational objectives. There have been challenges along the way, but in terms of headline activities, the implementation of the EIT remains on track and, in the case of the selection of the first KICs, was even slightly ahead of schedule. Given the constrained timescale and the novelty of the EIT this represents a very significant achievement.

Overall, the application and selection process for designating the first KICs was appropriate, fair and transparent⁵. The efficiency of the process itself (timetable⁶, systems, support and guidance provided), was broadly satisfactory and led to a good number of bids which were of a satisfactory standard. Improvements are possible for future rounds and these have been identified.

Negotiations with the three designated KICs continued from December 2010 through to December 2010 for two KICs and to February 2011 for the third. This was a protracted process which took longer than anticipated, largely because the complexity of the process had been underestimated by the EIT, the European Commission

⁵ Interviews with successful and unsuccessful KICs, and expert assessors.

⁶ Although a majority pointed out that implementing the Call during the summer with an August deadline was less than ideal, since it coincided with the main holiday period.

and, to a certain extent, the KICs themselves. The negotiation process created significant tensions between the parties involved and was, in itself, not efficiently undertaken. The process was not assisted by the fact that the EIT was itself still in the process of establishing itself and its staffing capacity and capabilities was limited.

The EIT has undertaken a small range of wider activities. It has established the EIT Foundation, as provided for in the Regulation. It has developed a strong focus on promoting entrepreneurial activity, both by seeking to stimulate new business creation through the KICs and through encouraging entrepreneurial education in the KICs. Work is underway to develop an Academy of Entrepreneurs and an Entrepreneurship Award.

The EIT has been less active in developing its Communication activities. It has developed a free website, as required by the Regulation, but this has not been regularly updated. The EIT acknowledges that it has taken a very reactive approach to communication functions to date, owing to resourcing difficulties.

The EIT is in the process of developing its draft Strategic Innovation Agenda (to be provided to the European Commission by 30th June 2011). This is a requirement of the Regulation and is intended to provide a means for the European Institutions to retain oversight of the autonomous EIT. The EIT did not provide the evaluation with a copy of the draft SIA.

A number of tensions and challenges have been evident in the process of establishing the EIT. *Inter alia*, these relate to the 'learning by doing' approach adopted by EIT staff, to the different expectations of partners in the process as to the balance between flexibility and guidance, to the approach taken to the 'simplification' of EU rules and regulations and to relationship between DG EAC, the Governing Board, EIT HQ, the KICs and their partners. The Governing Board has taken a particularly operational role in the initial stages of the EIT. Ambitious timescales and perceptions of shifting requirements have contributed to the tensions reported.

Staffing

The EIT achieved much with initially low levels of staff, particularly in operational roles. This contributed to some of the reported tensions. The handover of functions between DG EAC and the EIT HQ was relatively rapid between the appointment of the first Director in November 2009 and the establishment of the EIT HQ in Budapest in April 2010.

Current staffing levels of around 31 persons are viewed as appropriate to the role of the EIT and its current obligations under EU financial rules and regulations. It is notable that the staffing profile at a senior level is not yet complete with 3 of the 4 most senior positions all held in an Acting capacity. Most significantly the first Director of the EIT resigned in June 2010 and his replacement was only announced in May 2011.

The EIT plans to increase its staffing complement to some 56 staff by 2012. Additional staff will be merited if the EIT takes on additional activities and launches further KICs. At present the justification for such rapid appointment of the additional posts is not fully set out. A more gradual approach may be merited.

Budget

Political agreement on the establishment of the EIT was reached after the negotiations on the EU's financial perspective had been concluded. This meant that the EIT could not be formally included within the perspective

and a separate resource was identified. After some negotiation the EU's contribution to the budget for the EIT until 2013 was agreed at €308.7m. It is anticipated that the EIT will contribute no more than 25% to the overall costs of the individual KICs. Additional contributions are expected to be provided by industry, education and research partners. It is also anticipated that national programmes will provide an input to the overall budgets of the KICs.

The Hungarian Government contributes towards the running costs of the EIT by underwriting the rental costs of the EIT's Headquarters building for 20 years and covering the remuneration costs of 20 staff members for 5 years. The EIT also anticipates a small contribution to its costs from EFTA countries.

The available budget has proved sufficient for the set-up phase of the EIT. Leverage rates within the KICs have also been marginally higher than anticipated. Additional sources of finance drawn on by KICs include partner's own resources (49%), national and regional funds (21%), and other EU sources (7%).

Relevance

The overarching objective of the EIT⁷ is:

“to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the EU by promoting and integrating higher education, research and innovation of the highest standards”

It is to achieve this through the following specific objectives:

- To facilitate and enhance networking and cooperation and create synergies between innovation communities in Europe
- To address strategic long-term challenges for innovation in Europe, particularly in trans- and/or inter-disciplinary areas including those already identified at European level
- To give priority to the transfer of its higher education, research and innovation activities to the business context and their commercial application, as well as to supporting the creation of start-ups, spin-offs and small and medium-sized enterprises (SMEs)
- To primarily operate through excellence driven, autonomous partnerships of higher education institutions, research organisations, companies and other stakeholders in the form of sustainable and long-term self-supporting strategic networks in the innovation process
- To attract partner organisations, researchers and students from all over the world, including by encouraging their mobility, as well as to cooperate with third country organisations

The EIT itself has adapted these objectives slightly but has maintained their overall spirit. It has added one new objective (to foster world-class innovative hotspots) and provides a more explicit emphasis on stimulating entrepreneurship and entrepreneurial education.

⁷ Adapted from EIT establishing Regulation

There is a consensus amongst those interviewed for this study that the stated objectives of the EIT are all relevant. External perspectives on the EIT, which were originally hesitant about the proposals, are now more strongly positive, with several of those interviewed stressing the relevance of the objectives of the EIT to Europe. One external respondent suggested that, initially, the objectives of the EIT were not well understood but that the approach is now much clearer.

The objectives and approach of the EIT are also regarded by stakeholders to be relevant both to the problems facing the EU and, conceptually, to means for promoting innovation.

Complementarity

The EIT is intended to complement existing Community and national policies and initiatives by fostering the integration of the knowledge triangle⁸ in support of innovation. At a strategic level the EIT is currently one of four dimensions to EU research and innovation funding and initiatives in the current programming period (2007-2013) identified in the Green Paper published by the European Commission proposing a common strategic framework for research and innovation in the future. The other aspects are the 7th Framework Programme, the Competitiveness and Innovation Programmes (CIP) and Cohesion Policy. The EIT also features explicitly in two of the EU's recently published Flagship Initiatives: Innovation Union and Youth on the Move.

In terms of the extent to which the EIT complements other EU programmes, there exist a wide range of programmes, initiatives and instruments seeking to address the challenge of stimulating innovation in the EU. This is partly the consequence of the explicit aim of the EIT to integrate different facets of the knowledge triangle in support of innovation and partly due to the plethora of EU supported activities in particular areas. These offer strong potential for the EIT to complement and add value to their activities.

At present we find no evidence of the EIT seeking to explicitly develop linkages with potential complementary programmes and initiatives. The language has been more strongly directed towards differentiating the EIT rather than demonstrating where joint arrangements might add additional value. In practice, any complementarity appears to be a matter for the KICs to pursue rather than be developed at a more strategic level by the EIT. Within the KICs we find no evidence of these potential avenues of complementarity being explicitly drawn out, although they are certainly present.

Delivering the EIT's objectives

The principal means by which the EIT is delivering its objectives is through the activities of the KICs. In designating these KICs it has succeeded in integrating Higher Education Institutions, research institutes and businesses. The establishment of a legal entity for each KIC has helped to strengthen the links between different partners and to secure stronger levels of collaboration than previously experienced.

Overall, the EIT has succeeded in attracting business, educational and research bodies with reputations for world-class excellence to the KICs. In the field of industry, participants in KICs include industry-leaders and many household names. Most industry participants are large corporations with a strong proportion of multinational corporations. Amongst the academic institutions involved several – but by no means all - are

⁸ Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

ranked in the top-200 global universities⁹. There is a consensus amongst respondents to the study that very strong consortia have been formed with all the components to deliver world-class excellence. There is also agreement that many leading firms and universities adopted a cautious approach to the first round of KIC applications and more are now interested in future rounds.

There is a great deal of emphasis made of the notion of an EIT 'brand', particularly in discussions with those involved in the concept. It appears that the brand concept is one of world-class excellence. This is one area where there seems to remain a strong connection to the normative appeal of developing a European 'equivalent' to the Massachusetts Institute of Technology (MIT).

The value of establishing an EIT brand is widely recognised by stakeholders¹⁰. What the brand constitutes is more difficult to discern. There appears to be a consensus that the value of the brand will develop organically over time and that this will not be a swift process. Yet there are differences of opinion as to whether the brand will be institutional (applying to the EIT) or networked-based (adding to the reputation of constituent institutions)¹¹. An identifiable EIT Brand is not yet developed, and its value-proposition remains ill-defined.

The EIT's workplans are noticeable for their lack of indicators or measures. There are no indications of how it is intending to measure, and report on, its own performance, nor of what it expects to achieve. Its emphasis instead is on the performance of the KICs. The EIT has developed a scoreboard which focuses on nine 'strategic objectives' of the EIT. As yet this remains unofficial, unpopulated and unpublished.

In their own Business Plans - covering activities in 2011 - the KICs demonstrate a high level of variation in their coverage of monitoring and performance indicators. All include at least some Key Performance Indicators but, in the case of Climate KIC and EIT-ICT Labs the coverage is partial both in the numbers of indicators (less than 9) and in their content, which in both cases covers only inputs and outputs. Not all of these proposed indicators have been quantified. Innoenergy KIC provides a more comprehensive coverage of proposed monitoring indicators. It sets out a comprehensive set of measures of the deliverables anticipated in 2011. These focus on inputs and outputs and are quantified.

Added Value

The concept of Community added value is long established in the EU, being related to the notion of subsidiarity. Definitions of added value vary but essentially it implies that spending at an EU level "means a better deal for citizens than spending at a national level"¹². This is an argument based on the increase in efficiency offered by acting at the EU level, owing to the ability to realise economies of scale, reduce levels of duplication or overlapping activities, and address cross-border challenges. Community added value can also address an

⁹ Shanghai Index and Times Higher Education World University Rankings

¹⁰ Consultations

¹¹ See for example, Didier, A-C. (2010) The European Institute of Innovation and Technology (EIT): A New Way for Promoting Innovation in Europe? Bruges Political Research Papers / Cahiers de recherche politique de Bruges No 13

¹² Resolution of 25 March 2009 on the Mid-Term Review of the 2007-2013 Financial Framework, available at <http://www.europarl.europa.eu>

effectiveness argument whereby actions at the EU level deliver “clear and visible benefits for the Union and its citizens that could not be attained by spending at national, regional or local levels”¹³.

The integration of the knowledge triangle is beginning to demonstrate a number of potential efficiency gains. KIC partners highlighted that there was better communication between players, and that the KICs were acting as a catalyst adding value to existing activities. In the case of those themes where the sectoral linkages are weakly defined the KIC is also assisting to build contacts between potential actors and to structure the sector. These actions may all assist in realising greater value from investments made, and in preventing the unnecessary duplication of education, research and innovation activities. However, the realised value of these activities remains untested as actions are only just beginning to get fully underway.

Respondents also pointed to other areas where the KICs were adding value. These included such elements as facilitating knowledge spillovers, assembling a critical mass of activities, developing an effective infrastructure and facilitating recruitment to partner organisations. The human capital development of the KICs was regarded positively, as was the promotion of entrepreneurship, both in education and in research and innovation. Taken together these various elements suggest that the KICs have the potential to realise valuable effectiveness gains. Again though, the Community added value presented by the EIT in this area remains to be fully realised.

The pan-European nature of the EIT offers a strong element of Community added value. Although this can be replicated by other groupings of organizations they do not have the same institutional dimension. The international outlook of the EIT was an area of added value for one respondent, whilst others argued that they could not have done something at the EU level without the EIT and that the EIT acts as a system for pooling the EU's resources.

Sustainability

At present the EIT is dependent on EU funds for its Headquarters functions and for financing the KICs. There are no indications that this might change in the future. One respondent suggested that it was likely that the EIT would require long-term financing from the EU to secure the new innovation infrastructures that it is developing. The role of the EIT Foundation in supporting the development of sustainable activities is not yet apparent and very few respondents made any reference to its potential role. It remains at a very early stage in its development.

The need for KICs to become self-sustaining is explicitly recognised by the EIT¹⁴. At present it is rather early to make any judgement as to the likelihood that this will be achieved, but a number of key messages are emerging. One KIC has established a fee-based membership structure which is assisting the sustainability of the legal entity. There is a strong consensus amongst those interviewed for this study that public funding programmes (EU, national and regional) are likely to provide a substantial foundation to the activities of the KICs. The co-location structure is proving beneficial here. The added value to KIC partners, and other commercial contacts, of KIC activities are not yet fully apparent. This is leading some partners to adopt a cautious approach to making additional investments and so will delay any move to financial sustainability.

¹³ Resolution of 25 March 2009 on the Mid-Term Review of the 2007-2013 Financial Framework, available at <http://www.europarl.europa.eu>

¹⁴ SIA leaflet

There is some disagreement as to the potential offered by Intellectual Property ownership to provide a sustainable income stream.

Governance

The role of the Governing Board has been enthusiastically championed by the Chair who has provided strong and dynamic leadership. Under his leadership the Governing Board has played a dominant role in the developing evolution of the EIT. The Chair has been very strong on ensuring that conflicts of interest are avoided at times of key decisions, with all members with any interest in the applicant KICs excluded from related discussions.

The Governing Board has been very active during the implementation phase, perhaps more so than was originally anticipated. All parties have described its role as strongly operational, with many – including EIT HQ – suggesting that this may need to change in the future. Governing Board members describe their role as providing strategy and leadership, rather than acting as a Supervisory Board. Even so, their extensive engagement seems to go beyond this remit. The Governing Board is also proving to be very self-reliant and somewhat self-contained.

The role of the European Commission in the governance of the EIT is ambiguous. Formally, the EIT is an agency of the European Union and it is attached to DG EAC. The EIT provides reports on its activities and planned activities to the European Commission, and, through the Commission, to the Council and Parliament. The EIT is not dependent, though, on the Commission for its links to Parliament, Council or Member States and meets with representatives of these independently.

DG EAC attends meetings of the Governing Board as an observer. In this capacity it can offer opinions and advice but has no formal voice. This places the European Commission in the strange position of being able to advise on discussions and of being able to later offer opinions on the decisions taken by the EIT but of having no voice in the taking of those decisions.

DG EAC has also played a very operational role in the governance of the EIT, owing to the delays in the securing of financial autonomy for the EIT. They were an instrumental party in the negotiation of the EIT-KIC contracts, as they would share legal responsibility for the financial agreements with the KICs, and continue to play a role in overseeing the operations of the EIT.

The governance structures of the EIT have created a number of tensions. These have been most visible in the practical implementation of the EIT but are also present in the development of a future strategic agenda for the EIT. Some members of EIT HQ suggest that they feel that, at times, they are at the centre of a three-way governance tussle between the Governing Board, the European Commission and the KICs. This is illuminating but downplays the HQs' own role within the governance process too far.

The EIT has not yet engaged extensively with the wider audience of organisations involved in promoting innovation within the EU. The EIT's own consultation plan suggests that it is focusing on the political sphere rather than actors of the knowledge triangle itself. The EIT and Governing Board report that they have held individual meetings with leaders of particular businesses or universities. No details of these meetings are

available. There is a risk that the EIT begins to give the impression that some parties have privileged access to the deliberations of the EIT.

Summary of Findings

Overall, support for the EIT is strong. The concept of integrating the knowledge triangle is regarded as highly relevant and the themes around which the EIT is structured are well-received. The development of each KIC as a single legal entity led by a Chief Executive Officer is seen as beneficial, engendering stronger levels of collaboration. There is much support for the model which has been developed by the EIT, based around integrated networks of co-location centres. Respondents were also positive, and consistent, in their perspective that the value of the KICs was in acting as a catalyst to secure additional value from the activities which individual members already undertook.

In terms of its core objective the EIT has succeeded in establishing three KICs, which successfully integrate the three dimensions of the knowledge triangle: business, education and research. These KICs are comprised of partners who have strong reputations for excellence in the sectors concerned. Individually, not all partners would be considered to be world class, but collectively they form the potential to be so.

The process of establishing the KICs highlights a number of important features. They tend to be formed around partners who have previous experience of working closely together. The structure of the KICs reflects the traditional research and innovation landscape of the EU, both in terms of geographical location and the institutions involved. The costs of KIC formation are high, both in terms of developing the bid – which requires a substantial investment of time and resources - and developing the collaborative procedures and the KIC legal entity. This can act as a barrier to new entrants.

The EIT has also achieved all of its other established milestones, broadly within the timeframes anticipated. This has been a substantial achievement as the timetable was an ambitious one. There is widespread recognition by all parties contacted for this evaluation that the task set for the EIT was not straightforward and that much has been achieved in a short period of time. In particular the practical challenge of forming KIC legal entities is fully recognised.

The process of achieving these milestones has not been without its difficulties. The complexity of establishing the KICs as legal entities was underestimated at the outset, there have been criticisms that members of the EIT and its Governing Board have not always been consistent in their explanations of their expectations and that there has been a tendency to alter requirements over time. This has contributed to frustration and led to some inefficiencies in the implementation of the EIT. The KICs themselves have to balance a range of interests and have not always managed this process in the most efficient manner.

Many of the difficulties experienced are readily explained by the novelty of the undertaking. The EIT has broken new ground and its members freely admit that there has been much 'learning by doing'. The KICs also acknowledge that they too have been learning. The staffing of the EIT has contributed to some of the difficulties experienced, however. In the critical early months of its operation the EIT HQ was understaffed and the balance of competencies within the organisation was ill-suited to the operational role that it was trying to forge. As an organisation it has struggled to consistently provide a professional image, with the requisite balance of experience and expertise across all of its functions. It does not yet form the reference model to which it aspires.

The development of an EIT 'brand' remains at an early stage. All agree that this is important but there is no consistent view as what such a brand might constitute. There is strong support for the development of the EIT 'label' for degrees but how this will operate in practice remains unspecified. There is also strong support for the EIT's focus on entrepreneurialism as the missing link in the pursuit of innovation.

The EIT is gradually developing a stronger profile which is widely welcomed. The early momentum which had been generated behind the EIT has been dissipated in the process of establishing the first KICs and it is important that this momentum is regained. There are positive signs of this now occurring.

The ability of the EIT to act independently of the European Commission is widely welcomed. With this ability comes responsibility. There is an onus on the EIT to ensure that the funds it distributes are well spent. This includes ensuring that KICs deliver on the hard tasks and that they continue to innovate in their own approaches to stimulating the capacity for innovation through knowledge triangle integration. To do so will involve a sophisticated culture of performance monitoring and dissemination of the lessons being learnt. There remains scope for the EIT to continue to develop its own practices in key areas, particularly around the simplification agenda.

The novel institutional structures of the EIT present a number of challenges. These are by no means unique to the EIT but must be acknowledged. There have been issues relating to the coordination of policy development and the coherence of approach between the European Commission and the EIT. The tension is both in terms of roles but also cultural approach. At its best a creative tension could emerge seeking to develop best practice around a common vision in order to promote stronger innovation capacity. Too often the tensions have proved to cause misunderstanding, frustration and inefficient behaviour.

The EIT is governed by a Board comprised of highly-regarded and well-respected individuals. The Governing Board and, more especially, some individual members have taken a very strong operational role in the development of the EIT. The circumstances surrounding the early years of the EIT provide only a partial justification for this. There is a strong consensus from all parties in the governance process that the operational leadership of the EIT should be reclaimed by the EIT HQ, under the strategic guidance of the Governing Board. This is particularly important given the legal accountability of the Director of EIT HQ for the actions of the EIT.

The autonomous nature of the EIT and the manner in which the Governing Board has been selected does raise some issues of accountability. The EIT is accountable through the Commission to the Council and Parliament through its regular reporting cycle (rolling Triennial Work Programme, Annual Report, Strategic Innovation Agenda). This places very significant emphasis on the role of the Strategic Innovation Agenda in setting out the strategic approach of the EIT. We are surprised by the limited level of consultation undertaken by the EIT in the development of their draft SIA. This is not in the spirit of openness and transparency as set out in the Regulation. We are also concerned by the tendency for the Governing Board to rely solely upon the knowledge of the members of the Governing Board and their personal contacts. A particular example of this is the proposed Academy of Entrepreneurs. We make no comment on the potential value of the Academy here, but record our concern that the membership will be based solely on personal recommendation by Governing Board members.

At present the focus of the EIT's activities is firmly focused on the KICs, with a secondary emphasis on stimulating entrepreneurship emerging. This approach strengthens those parties who are involved within the

KICs and, through endogenous development, will promote economic growth in the economies connected to co-location centres. The risk is that this will fail to deliver benefits to areas of the EU which are not represented within the KICs. Whilst we agree that the KICs should retain their focus on excellence the EIT should also consider whether it has other means at its disposal to support the diffusion of the benefits of its activities – possibly through active dissemination routes – more widely.

The EIT has now reached a critical juncture. All parties accept that 2010 has been a year of development. There is now a strong expectation that it will start to deliver practical results and show signs of learning from the experience gained to date. In doing so the EIT will also need to illustrate the added value provided by its operations. Strong management and leadership will be essential if it is to do so and achieve its potential. At this crucial stage of its development, the EIT's Strategic Innovation Agenda takes on a critical importance. Through it the EIT must clearly set out its vision for its own future development, the choices that it has made and the reasons for doing so.

Recommendations

The approach and concept of the EIT is well-regarded and remains relevant. It is too early to make any assessment as to the practice that is currently developing within the KICs. The most important priority for the EIT is to consolidate its current practices and to develop robust internal procedures to secure the long-term future of the EIT. We have made specific recommendations relating to the negotiation of KIC-EIT agreements separately.

In this light we make the following recommendations:

1. The EIT should continue in its current format for the next multiannual financial framework, The approach has merit and demonstrates strong potential. Additional time is required to secure this potential. The EIT should expand on an incremental basis during the coming multiannual financial framework. The EIT should continue to focus on strengthening existing centres of excellence. Additional KICs should be considered from 2014 onwards with similar levels of funding to those designated in 2009. A broad consultation should be held regarding appropriate themes.
2. In future calls for the formation of KICs the EIT should provide clear and consistent guidance as to its expectations. Sufficient notice of potential themes should be given to enable sufficiently developed partnerships to be formed to respond to a Call for Applications. We recommend that the EIT provide public notice of the broad themes of interest at least 12 months in advance of the Call to allow consortia to develop their plans. The EIT should also ensure an adequate duration, allowing for any holiday periods, for responses to be made to the Call for Applications.
3. The focus of the EIT for the period 2011-2014 should be on consolidation and delivery. It should put in place robust procedures developed through a mutual learning process with the existing KICs. These should ensure the foundations for the long-term success of the EIT and enable robust guidance to be provided on the expectations, obligations and responsibilities for future KICs. The EIT should use this opportunity to continue to develop, in collaboration with the European Commission and the current KICs, further simplified procedures for the operation of the EIT in the forthcoming multiannual financial framework.

4. The EIT must establish robust monitoring procedures in association with the KICs. This should include the measurement of the performance of the EIT against its own objectives. The focus should be on establishing a results-based approach. An immediate priority is to use the results of such a monitoring procedure to assess the performance of the individual KICs and of the EIT overall. The challenges of developing an appropriate procedure is recognised by this evaluation, but the risks of adopting an inappropriate approach must also be acknowledged. We propose that the EIT consider inviting the Court of Auditors to contribute to their thinking on appropriate monitoring procedures. The Court has previously reported that it would welcome early involvement in the development of similar monitoring frameworks. The procedures adopted will also need to satisfy the requirements of any audits undertaken by the Court of Auditors in the future.
5. In its approach to monitoring the EIT should be a critical, challenging and constructive partner for the KICs. It should ensure the integration of the knowledge triangle in practice and use the opportunity of the divergent approaches being taken by the KICs to test the effectiveness of different approaches and to learn lessons for future applications. The monitoring process must also be sufficiently robust to guard against the known risks to the approach being taken with the KICs. It should ensure that the potential for deadweight is minimised, that added value is realised and that anti-competitive practices and market distortions are avoided. The EIT may wish to consider engaging an external partner in this process in order to emphasise the objective learning-based approach being facilitated.
6. The EIT should embrace a culture of openness and external engagement through which it can develop and share lessons of practice. It should seek to engage with external expertise in developing new models of entrepreneurialism, innovation and education, actively work *with other initiatives* with similar aims and consider how its activities can assist in building capacity across the EU. It should seek to build on and stimulate existing good practice, of which there is a rich vein to tap in to, in its field of activity. The EIT should actively guard against simply strengthening the competitive performance of individual KICs.
7. The EIT and the KICs should build closer ties to other EU and *Member State initiatives seeking* to promote common agendas. The EIT should be distinctive in its offer but should seek to add value to other inputs. It should demonstrate its place in the family of measures seeking to develop the innovation capacity of the EU. Equally, the European Union should identify how the EIT is expected to add value to existing EU initiatives, whilst recognising the independence and autonomy of the EIT itself. The proposals for a Common Strategic Framework for Research and Innovation provide a valuable opportunity for this constructive dialogue.
8. The EIT should publish the lessons it has learnt in the application of the derogations available to it regarding the financial rules and regulations governing its operations. The EIT should further state what its expectations are regarding the applicable rules and regulations under the forthcoming multi-annual financial framework. This should be based upon the lessons learnt from the development of the first KICs and should seek to balance a desire for flexibility and a simplified approach with the need for responsibility for public monies. This submission would have a wider value in the future development of the Common Strategic Framework for Research and Innovation. The European Commission should give a response to this submission.

9. The EIT should review its communications strategy and the development of the EIT brand. A much stronger presence is required in this area if it is to achieve its own stated objectives of providing inspiration to others and good practice. The EIT must take a more pro-active approach to brand development and identify clearly the values that it is seeking to promote. In promoting these values the EIT must develop a more active communications strategy.
10. The EIT should review its staffing levels, resource plan and internal management procedures in the light of the chosen strategic model for the institution. The currently proposed staffing complement appears excessive for the 'holding company' model proposed by members of the Governing Board. Staffing increases from the present complement to the planned 50+ should be gradual, tied to any increase in the functions of the EIT, and be fully justified in the forthcoming Strategic Innovation Agenda.
11. The Strategic Innovation Agenda for the EIT should consider broadening the current approach of the EIT HQ. The emphasis on entrepreneurialism is a valuable development but the approach to this at the level of the HQ appears insufficient to achieve its wider mission. The SIA should also include an assessment of the extent to which the focus on excellence limits the parts of the EU which are engaged with the EIT and the implications of this. We recommend that the requirement for excellence is retained in the selection of the KICs but that consideration be given as to the role of the EIT HQ in supporting the development of innovation capacity in all EU Member States through acting as a knowledge-partner for responsible agencies.
12. Strong consideration should be given to developing the strategic role of the EIT further. This should focus on how the lessons learnt from the operation of the KICs – in stimulating innovation capacity – can be used to build the capacity for innovation in Member States throughout the EU. This is not a resource intensive activity but should complement the work undertaken by the KICs. In doing so the EIT can develop its capacity as an institution in its own right to provide credibility to its objective to act as a 'reference model' in this field. This will also act to provide a wider distribution of the benefits of the EIT throughout the EU.
13. The Governance structures of the EIT should be reviewed by the European Commission as part of its drafting of a revised Regulation. We support the principle of independent members but feel that a restatement of the roles and responsibilities of Governing Board members to emphasise that the EIT HQ should take on the operational leadership of the EIT, to reflect the accountability of the Director, is required. In this review the European Commission should reconsider the structure of the Governing Board. We recommend that the principle of independent members is retained but consideration should be given to reducing the size of the Governing Board. This is particularly pertinent with the possibility of additional KICs. We further recommend that the membership should include at least one official of the European Commission at the level of Director-General or Deputy-Director General. We propose a Board of 12 persons comprised of: 8 independent members, one representative of the European Commission and 3 members elected from the KICs.

1.0 Introduction

1.1 Background to the evaluation

The European Institute of Innovation and Technology (EIT) is a novel approach to stimulating innovation capacity within the EU in order to promote sustainable long-term economic growth. It is intended to act in an independent and autonomous manner and intends to serve “as a flagship of European excellence”¹⁵.

In March 2008 the European Parliament adopted the Council’s Common Position on a draft Regulation for the establishment of a European Institute of Innovation and Technology (EIT). The final Regulation entered into force on 9th April 2008, securing the establishment of the EIT. The EIT itself became operational in 2009 and began its first practical activities in 2010. It has an EU budgetary contribution of €309m for the period 2008-13.

In July 2010 ECORYS was appointed by DG Education and Culture (DG EAC) to undertake an independent evaluation of the EIT in accordance with the provision of the Regulation 294/2008¹⁶. The evaluation is a requirement of the establishing Regulation of the EIT which states that an initial evaluation should be completed by June 2011 (and every 5 years after the entry into force of a new financial framework thereafter). The evaluation began on 29 June 2010. This report presents the findings of that work.

The independent, external evaluation required is defined in Article 16 of the EIT Regulation as an examination of:

“...how the EIT fulfils its mission, covering all activities of the EIT and the KICs and assessing its added value, impact, effectiveness, sustainability, efficiency and relevance of the activities pursued and their relationship and/or complementarity with existing national and Community policies to support higher education, research and innovation”.

The fact that the EIT is at such an early stage in its development clearly limits the scope for this evaluation exercise. The Terms of Reference for the study recognised the evaluation should “cover the set up of the EIT, its operationalisation and initial stages during the period 2008–2010, and should seek mainly to assess the preliminary impact of the EIT and reflect on “lessons learned” to support the implementation of the future activities of the EIT”. It was also anticipated that the results of the evaluation would provide an input into the development of the EIT’s “Strategic Innovation Agenda” (SIA), scheduled for mid-2011, which will include long-term priorities for the EIT, together with estimates of financial needs and sources.

This is a timely point at which to assess the progress of the EIT to date. The concept of the EIT was subject to much debate prior to its approval, and this is a useful juncture to assess the relevance of the concept in the light of practical experience. The EIT is also now up and running and it is valuable to reflect on this experience, both in terms of the process, and also in terms of the objectives being

¹⁵ <http://eit.europa.eu/>

¹⁶ Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

established in practice. It is also timely to consider insights offered by the current, and anticipated, activities of the EIT for the future development of the EIT beyond 2013.

1.2 The timeline

The EIT has been established within a relatively short period of time. Key milestones in the development of the EIT are set out in Annex 1. Three phases of activity can be discerned, with some overlap between the latter two:

2005-2008 Agreeing the concept

2008-2010 Establishing the infrastructure

2009- Launching the practice

A period of intense debate followed the launch of the concept in early 2005. This included a public consultation exercise that same year followed by two years of debate within and between the European Council, the European Parliament and the European Commission. We include a short summary of this as contextual background below.

In March 2008 the EIT was formally launched with the adoption of the establishing Regulation. Three months later it was agreed that the Headquarters of the EIT would be located in Budapest and one month after this, the 18 members of the Governing Board were officially appointed. The first meeting of the Governing Board took place in September 2008 and this marked the beginning of another period of intense activity in the operational establishment of the EIT, leading to the launch of the first calls for Knowledge and Innovation Communities in April 2009; the employment of the first staff members in September 2009; the designation of the first three KICs in December 2009, and the opening of the EIT Headquarters in April 2010. It is this period which forms the focus for the evaluation

1.3 Securing agreement for the EIT

Commission President Barroso's proposal to establish a European Institute of Technology (EIT) was an integral part of the re-launch of the renewed Lisbon Strategy for Growth and Jobs from 2005¹⁷ and was intended "*...to reinforce our commitment to knowledge as a key to growth...to act as a pole of attraction for the very best minds, ideas and companies from around the World*".

Whilst there was agreement on the challenges facing the EU, and no disagreement as to the desirability to integrate different aspects of the knowledge triangle there was strong debate about whether an EIT was needed, the form that this should take and the resources to be available. The initial approach towards the EIT was to propose the construction of a single campus, resembling the Massachusetts Institute of Technology (MIT), in the USA. This notion captured the imagination of many, and created strong debate. Debate on the form that the EIT should take was strong. The option of a single institution

¹⁷ Implementing the renewed partnership for growth and jobs. Developing a knowledge flagship: the European Institute of Technology, 2006, Commission of the European Communities

was seen by many as impractical, given the existing diversity that characterises the EU context and encountered strong resistance from several Member States and the academic community¹⁸. The Commission's research advisory board (EURAB) in its first report, issued in April 2005¹⁹, had advised that a *"world-class research institute cannot be created top-down"* and stressed that *"to succeed, the EIT will need to have the involvement of and full support from the business community from the outset and that the independence of the governing board has to be clearly established and protected"*²⁰.

In practice five options were put forward as part of the consultation on the possible shape of any future EIT. These were:

- The centralised EIT – based at one location (or a small number of locations), structured around Knowledge and Innovation Communities operating within a single governance structure and comprised of resources employed by (or seconded) to the EIT.
- The distributed EIT – the EIT acts as a body channelling funds to autonomous Knowledge and Innovation Communities which are independent legal entities comprised of existing institutions to be formed through calls for proposals for start up funds. The only central guidance would be issued by EU institutions or an ad hoc body. The KICs might polarise around a few locations.
- The integrated EIT – described as a mix of the first two options, this proposed the establishment of Knowledge and Innovation Communities as separate legal entities with a high degree of autonomy but set within a common framework of principles and guidelines governed by an EIT Governing Board (GB). It would be both top-down (the GB sets the strategy and ensures coordination) and bottom-up (partners come together with a proposal).
- EIT as a labelling mechanism - the EIT would operate as a funding body which awards an EIT label to existing institutions on the basis of calls for proposals and allocates resources to existing organisations meeting excellence criteria.
- 'Status quo' - there would be no EIT, and the problems identified are addressed by existing programmes and policies.

A sixth 'option' was also formulated by a study produced for the European Parliament²¹ – that of the 'Cluster EIT'. This proposed multiple physical EIT's in specialised areas, each with its own multidisciplinary theme, based on a single university or research centre (or on a very small number of universities). Proposals would be put forward by regional or national consortia.

The results of the consultation process, which ran from September to November 2005²², did not suggest any clear preferences among stakeholders for the structure of the EIT. For example 29% of respondents preferred a small network approach, whereas 26% favoured a single institution, 24% believed a large

¹⁸ Study interviews

¹⁹ EURAB recommendation on the proposed European Institute of Technology, 2005, EURAB

²⁰ www.euractiv.com

²¹ Assessment of the feasibility and possible impact of the establishment of a European Institute of Technology, 2006, European Parliament

²² Results of the public consultations on a concept of a European Institute of Technology, 2006, Commission of the European Communities

network would be the best solution, and 12% indicated that an EIT labelling scheme would be best. The report concluded that those in favour of a “wide network” recognised the need for coordination, to avoid a lack of synergy, and it consequently proposed a system with a central coordinating node – the integrated EIT.

In its 2006 proposal for a Regulation, the Commission stated that the integrated EIT was the preferred option²³: an autonomous organization that brings together high quality resources at Community level and coordinates them within the flexible framework of Knowledge Innovation Communities (KICs). The KICs would be integrated partnerships of existing universities, research centres or companies that would jointly undertake post-graduate education, research and innovation activities. They would pool resources of different kinds to create critical mass. The physical resources would remain geographically dispersed, but the knowledge community would operate as an integrated whole. The knowledge communities would be accountable to the Governing Board of the EIT, which would be responsible for the EIT brand, setting the strategic priorities for the EIT, managing the central budget and ensuring excellence within the EIT²⁴.

This option was aimed at balancing a series of potentially opposing needs: the need for coordination to ensure synergy and strategic orientation, together with the autonomy needed by the KICs to be adaptable and deliver results; the need to be independent from external influences to pursue the EIT’s own agenda; to be attractive enough to involve partner organisations; and finally to experiment with novel ways to integrate innovation, research and education while building on existing good practices. The proposal was that the EIT would also be able to experiment with new organisational and governance models, and provide a working environment that would attract the best international talent. The proposition was to create of a critical mass by pooling the best researchers and resources to respond to the strategic long-term challenges posed in trans- and inter-disciplinary fields of potential economic and societal interest to Europe.

Further debate followed within the European Parliament and the European Council, culminating in March 2008 with the adoption of the Regulation establishing the EIT as an integrated model, with a central governance function organised around autonomous and legally-independent KICs which would be formed through bottom-up proposals submitted by combinations of businesses, Higher Education institutions and research institutes.

Separately from the development of the EIT, in 2007 DG EAC also launched a small number of ‘Pilot projects for cooperation between European Institutes of Technology’²⁵. This sought to design, implement and test new models of co-operation between the different elements of the knowledge triangle. Four pilot projects were selected from a Call for Applications. Colloquially these have come to be referred to as the ‘knowledge triangle pilot projects’. Some of the partners contained in the pilot projects later formed the nucleus of successful applications to the EIT.

The form of the EIT

²³ Proposal for a regulation of the European Parliament and the Council establishing the European Institute of Technology, 2006, Commission of the European Communities

²⁴ COM (2006) 77: "Implementing the renewed partnership for growth and jobs: Developing a Knowledge Flagship: the European Institute of Technology".

²⁵ DG EAC No EAC/26/2007

The EIT is an agency of the European Union charged with promoting and integrating higher education, research and innovation of the highest standards in order to reinforce the innovation capacity of the Member States and the EU. The EIT has been required to “carry out its activities independently of national authorities and external pressures”²⁶.

In a highly novel approach, the EIT establishes autonomous partnerships of higher education institutions, research organisations, companies and other stakeholders through competitive calls for application focused on identified priority themes. These partnerships are known as Knowledge and Innovation Communities (KICs) and are intended to be long-lasting and, eventually, self-sustaining. Each KIC is established as a single legal entity. The first three themes to be addressed by a KIC were set out in the establishing Regulation. These were: Climate Change mitigation and adaptation, sustainable energy and future ICT.

The EIT has a number of derogations from the EU financial rules and regulations, providing it with greater flexibility in the disbursement of funds. Through these derogations the EIT is intended to foster simplified financial arrangements.

“The EIT’s objective is to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the Community. It shall do this by promoting and integrating higher education, research and innovation of the highest standards”²⁷.

In order to achieve this, the establishing Regulation goes on to state that the EIT shall have eight tasks:

1. identify its priority fields;
2. raise awareness among potential partner organisations and encourage their participation in its activities;
3. select and designate KICs in the priority fields and define their rights and obligations by agreement; provide them with appropriate support; apply appropriate quality control measures; continuously monitor and periodically evaluate their activities; and ensure an appropriate level of coordination between them;
4. mobilise funds from public and private sources and use its resources in accordance with (the) Regulation. It shall in particular seek to raise a significant and increasing proportion of its budget from private sources and from income generated by its own activities;
5. encourage the recognition in the Member States of degrees and diplomas which are awarded by higher education institutions that are partner organisations and which may be labelled EIT degrees and diplomas;
6. promote the dissemination of good practices for the integration of the knowledge triangle in order to develop a common innovation and knowledge transfer culture;
7. seek to become a world class body for excellence in higher education, research and innovation;

²⁶ Article 9, EIT Regulation

²⁷ Article 3, EIT Regulation

A brief introduction to the different elements of the EIT structure follows:

The Governing Board: Members are selected on the basis of individual reputation; there is no representation of Member States, representative bodies or other affiliations. The European Commission is able to attend Governing Board meetings only as an observer.

The EIT Headquarters: Based in Budapest, Hungary, this is responsible for the day to day operations of the EIT. *Inter alia*, this includes administering the EIT grant-contribution in support of KIC activities, logistical support to the Governing Board, communication responsibilities, policy development, the launching of new KICs and wider activities undertaken by the EIT. Prior to the establishment of the EIT HQ in 2009/2010 these functions were undertaken by DG EAC. The EIT HQ operates as an independent and decentralised EU Body and is classified as an agency of the European Union²⁹.

European Institutions: The EIT retains its links with the European Institutions in two significant aspects. Firstly, its financing is provided for by the European Union budget and so it is bound by the appropriate rules and regulations governing the dispersal of such funds. DG EAC acts as the partner DG for the EIT within the European Commission. It is also accountable to the European Parliament and the European Council. This accountability is met through two principle, albeit indirect, routes. Every seven years the EIT sets out its strategic, long-term priority fields and financial needs in a draft Strategic Innovation Agenda. This draft is provided to the European Commission which is then responsible for presenting the proposed SIA to the Council and Parliament. The EIT also provides the Commission, Council and Parliament with a copy of its rolling Triennial Work Programme. The Council and the Parliament are responsible for adopting the SIA and are both entitled to provide an Opinion on the EIT's Triennial Work Programme.

Knowledge and Innovation Communities: The principal practical activities of the EIT are undertaken autonomously by designated KICs. For the EIT, the KICs are at the heart of all its activities, its "focus is first and foremost the KICs and the unique contribution that, through them, the EIT can make to Europe's innovation agenda"³⁰. Three KICs were designated following the call for applications in 2009. These are: KIC Innoenergy (sustainable energy), EIT-ICT Labs (future ICT) and Climate KIC (climate change mitigation and adaptation). Each KIC is comprised of a number of partners from the worlds of business, Higher Education and research joined together in a single legal structure. The KIC is led by a full-time Chief Executive Officer (CEO). Each KIC is also organised around a small number of co-location centres which are intended to act as geographical hubs for the practical integration of the knowledge triangle. The focus of the KICs is, broadly, to stimulate entrepreneurial education, innovation activities, business creation and value formation through combining and integrating education, business and research activities.

Wider activities: In addition to establishing, and overseeing, the KICs the EIT undertakes a small number of wider activities. It has convened several workshops on the themes of entrepreneurialism and of entrepreneurial education; it is developing an EIT-label to be applied to post-graduate degree programmes undertaken within the KICs; is planning to launch an EIT Entrepreneurship Academy; intends to implement an EIT Entrepreneurship Award, and foresees the creation of an Alumni Network.

²⁹ http://europa.eu/agencies/index_en.htm

³⁰ Triennial Work Programme 2010-12 p.4

EIT Foundation: The EIT has established an EIT Foundation under Dutch law, although the Foundation itself is an independent body. Three of the five Trustees have no relationship to the EIT; however, the remaining two Trustees are also members of the Governing Board. Legally, the trustees who are also members of the Governing Board cannot act on behalf of the Governing Board whilst engaged in the business of the Foundation, but may only act in the best interests of the Foundation. The EIT Foundation is a means by which private sector funding is anticipated to be introduced into the EIT and the KICs.

1.5 Structure of Report

The remainder of this report is structured as follows.

- Chapter 2 introduces the methodological approach. This sets out the methodology adopted and the strengths and weaknesses of the approach.
- Chapter 3 explores the process of establishing the EIT. This focuses on the extent to which the EIT has achieved key milestones in its development, the staffing of the EIT, and its budget.
- Chapter 4 examines the process of implementing the EIT. This focuses on the actions of the EIT to date, including the Call for Applications for KICs, the selection of the first KICs and the negotiation of the EIT-KIC legal agreements. It also considers the actions of the EIT beyond the KICs.
- Chapter 5 considers the relevance of the EIT and the extent to which it complements other European policy initiatives.
- Chapter 6 reflects on the effectiveness of the EIT, focusing on the activities that have been implemented to date. This is strongly orientated towards the KICs.
- Chapter 7 reflects on the added value provided by the EIT and its longer term sustainability.
- Chapter 8 considers the governance of the EIT, focusing on the roles and responsibilities of different bodies in practice and the inter-relationships between these bodies
- Chapter 9 provides conclusions and recommendations

2.0 Methodology

2.1 Evaluation approach

This is an unusual point at which to launch an evaluation. The EIT has been active only since 2008, commenced operations in 2009, and launched its first KICs in 2010. It is rather early to anticipate significant results from these activities. Instead, the focus of the evaluation has been on the setting up of the EIT.

Undertaking this evaluation at the same time as the EIT was forming has also presented challenges. Owing to the pressures of negotiating the EIT-KIC legal agreements, the Governing Board requested that the client place a 'stop' on the delivery of the contract in September 2010 until the end of November 2010. This request was adhered to as it was felt to be in the best interests of the evaluation. In November 2010 there was a request, by the client, to further delay contacts with the KICs until after the signature of the Framework Partnership Agreements (finally completed in 2 out of 3 cases in December 2010), and the further request by the new acting CEO of the Climate Change KIC to meet following the Governing Board meeting of 16th February 2011. Recognising the challenge facing the EIT, KICs and EC in launching this ambitious undertaking we complied with each of these requests.

Overall we have received strong support and cooperation for this study and wish to thank the many individuals who have freely given of their time and knowledge.

Given its timing, the evaluation has focused on the setting up of the EIT/KICs; and therefore on the underpinning concept and structures being established to deliver the objectives; including the extent to which the way the KICs are constructed is likely to facilitate activities that are integrated across the three dimensions of the knowledge triangle. Evidence on planned activities was collected from KICs and this, together with material from strategic consultations amongst a wide range of policy makers and stakeholders (including those very close to the EIT/KICs and those with a looser relationship) does provide a sound basis for gauging the validity of the EIT/KIC concept and the types of European Added Value it is likely to deliver in future. Clearly, evidence is more limited in terms of scale and quality of KIC activities and outputs, effectiveness of partnership working and synergies (beyond the set-up phase), the benefits of various different approaches to co-location, and wider effects on organisations and local/regional/national contexts. This general emphasis on 'potential effectiveness' also extends to questions around the EIT brand, where discussions focus on the necessity and benefits of developing a strong brand, rather than whether it is currently a strong brand.

The evaluation was carried out between June 2010 and April 2011. The methodology adopted comprised:

1. Inception phase: familiarisation in depth with the subject of the evaluation/impact assessment, including an initial assessment of the evidence available to the assignment and to make adjustments to the methodology accordingly. This also included preliminary interviews with key actors and an initial visit to the EIT HQ in Budapest.

2. Desk review of relevant documentation: including policy documents, material from the application and selection process (guidance, web material and presentational information prepared by KICs); and KIC business plans.
3. Programme of in-depth consultations with Commission representatives, EIT, KICs (CEOs and partners) and a wide range of internal and external stakeholders.
4. Analysis and reporting.

One of the key challenges for this evaluation, highlighted since its inception, has been the limited availability of quantitative data concerning the activities and outputs of the EIT, and specifically for the KICs. This gap in the evidence base is largely the result of the early stage of development of the EIT/KICs relative to the timing of the evaluation. The limited availability of quantitative data relating to the EIT has meant that the research has been based on qualitative methodologies. These have focused on semi-structured interviews (face to face and telephone) and the desk review of available secondary sources.

Table 2.1, below, summarises the coverage achieved via the programme of consultative interviews.

Table 2.1 Summary of consultation programme completed

Stakeholder grouping	Number of interviewees
European Commission and European Parliament	14
EIT Governing Board, EIT Director, EIT Headquarters staff and Hungarian Government	14
Expert Assessors (KIC application process) and unsuccessful KICs	8
National ministry representatives ³¹	5
KICs (CEOs, ex-CEOs, partners)	16
Wider stakeholders (institutional, thematic and sectoral)	9
Total	66

Topic guides used are presented at Annex 3 and a detailed list of consultees is included at Annex 4. A list of documentary sources used can be found at Annex 5.

³¹ Includes representative of the Hungarian Government

2.2 Evaluation framework

The Evaluation Framework, which formed the basis of the evaluation, comprised the criteria³² and questions set out in the table below:

Table 2.2 Evaluation Questions

Principle evaluation topic	Evaluation questions
Relevance	- To what extent <i>are</i> the EIT general, specific and operational objectives <i>proving</i> relevant to the need to develop conditions which are attractive to investment in knowledge and innovation in Europe in order to boost competitiveness, growth and jobs in the EU?
	- To what extent <i>are</i> the KIC general, specific and operational objectives <i>proving</i> relevant to the need to foster the integration of the knowledge triangle – higher education, research and innovation – across the EU?
	- Given the requirement for "critical mass" how far will the EIT/KIC model be sufficient to achieve the desired scale and scope effect?
	- To what extent is the label "world class" one readily accepted by key stakeholders as appropriate to long run expectations for the impact of the EIT/KIC model?
Complementarity	- To what extent <i>are</i> the EIT and KICs <i>proving</i> complementary to other Community initiatives in the field of research, innovation and education?
	- How far is it possible even at this stage to see where the EIT/KIC model might result in deadweight or displacement effects?
Efficiency	Initial phase: <ul style="list-style-type: none"> - How efficient was the set up process of the EIT? - To what extent was the actual timescale for the launch phase the right one in the circumstances? - How has the interim support role of the Commission been fulfilled? - What lessons can be learned in reviewing the Commission role? - On reflection, to what extent might the set-up phase for the enterprise have been handled more efficiently?
	Budget: <ul style="list-style-type: none"> - To what extent is the size of budget likely to be sufficient for reaching a critical mass of KICs? - How far was the budget for the set-up phase of EIT as whole of the right scale? - To what extent is it likely that the use of other policy instruments or governance mechanisms would provide better cost-effectiveness? - As a result, could the total budget per KIC be considered appropriate and proportional to what the EIT has set out to achieve? - How far and in what way was the "leverage effect" apparent in the launch phase? - How far was the allocation of funds to activities the most efficient one over the launch phase?
	KIC excellence: <ul style="list-style-type: none"> - To what extent <i>are</i> the mechanisms applied by the Commission and the EIT for selecting KIC, and the subsequent implementation and monitoring mechanisms, <i>likely to</i> ensure world class excellence?
Effectiveness	EIT mission, operational objectives and launch phase <ul style="list-style-type: none"> - Are the operational objectives set for the EIT likely to achieve the desired outcomes? - To what extent can the EIT's mission objectives be said to have been

³² Consistent with DG Budget guidelines.

Principle evaluation topic	Evaluation questions
	<p>addressed?</p> <ul style="list-style-type: none"> - What positive effects has this had? - Where expectations have not been met, what factors are hindering the development of the EIT? - Has the launch phase of the EIT/KIC model been effective in setting the conditions to deliver a sound platform for the future? - How effectively has the selection process for the initial strategic themes been in setting the conditions for a sound first phase of the EIT/KIC enterprise? - To what extent has the initial selection of the Board of Management and Key Officials proved to be effective in delivering an effective, high profile launch for the EIT/KIC enterprise? - To what extent has the choice of the headquarters location contributed to the effective launch of EIT? <p>Higher education and business</p> <ul style="list-style-type: none"> - To what extent is the setting up of EIT likely to provide an impetus for higher education institutions to become an integral component of the innovation chain? - How far has the launch phase of the EIT provided the right conditions to ensure the full inclusion of the higher education institutions in the enterprise? - To what extent has the entrepreneurial focus of the EIT enterprise been valuable in capturing the combined interest of the higher education and business communities at the launch stage? - How far has the setting up of the EIT captured the interest of the business and investment community in its ambitions as a high profile initiative? - What evidence is there that the "leverage effect" that is central to the EIT/KIC model will be forthcoming at the scale envisaged? - To what extent can the first generation of KICs be expected to have the required high profile effect in their strategic areas of innovation from the perspective of both higher education and business? <p>KIC application process:</p> <ul style="list-style-type: none"> - What has been the experience of KIC applicants in terms of the application procedure and the subsequent implementation and negotiation phase? - Can any common difficulties be identified and, if so, how might these be overcome? - Do the procedures prove to be appealing in attracting the best applicants? <p>Governance structure:</p> <ul style="list-style-type: none"> - To what extent has the governance structure of the EIT been effective in setting up and developing EIT with a view to achieving EIT's objectives? - How effective will the current configuration of governance in EIT be in delivering the right long-run strategic focus for the enterprise? - How far has the right balance been achieved between the representation of stakeholder interests and the need for decisive decision-making? - To what extent has the governance structure of the EIT been effective in achieving EIT's objectives so far? - Would a different governance structure have been more suited to contribute to the achievement of EIT's objective of becoming a world class body for excellence in higher education, research and innovation and what evidence is there for a modified approach?
	<p>EIT Brand:</p> <ul style="list-style-type: none"> - Can an identifiable EIT "brand" be said to have emerged, and with what qualities is it associated? How well is it known and is it helping to boost the profile and attractiveness of the EIT? - To what extent has the inclusion of entrepreneurship and entrepreneurial

Principle evaluation topic	Evaluation questions
	education as an overriding priority of the Governing Board helped to form an attractive brand? - From a stakeholder perspective – peers, supporters and rivals – what issues need to be taken into account in further developing the EIT "brand"?
	Objective-setting and monitoring progress and outcomes: - To what extent is the EIT ensuring the establishment of SMART (specific, measurable, attainable, relevant, and time-bound) objectives for the KICs and RACER (relevant, accepted, credible, easy to monitor, and robust) indicators for the monitoring and measurement of the achievement of these objectives? - To what extent did the Commission ensure effectiveness of its actions, guidance and monitoring with regard to the setting up and initial development of the EIT? - What arrangements for monitoring have been put in place at Commission, EIT and KIC levels and how far will these be appropriate to the effective evaluation of the overall enterprise in the future?
Value added	- To what extent <i>are the</i> first KICs <i>likely to</i> represent a step change in the European research landscape and what lessons can be learnt from the first KIC selection process? - To what extent does the EIT represent the integration of the knowledge triangle in the European innovation landscape and how well does it fulfil its role as a role model? - To what extent can the EIT venture be regarded as able to generate significant Community Added Value?
Sustainability	- Which of the current activities or elements of the EIT would be likely to continue and in which form if Community support was withdrawn or substantially decreased? - To what extent might the "brand value" associated with a successful implementation of the EIT/KIC model be a means to carry the process forward beyond the application of public sources of funding? - How might the balance between public and private sources of funding be best allocated for long-run sustainability and what impact might this have on the governance and management of EIT? Funding leverage: - What efforts are being made by KIC to diversify sources of funding, through links with business, etc.? - How successful <i>are</i> KICs <i>being</i> in attracting private funds and what are the factors influencing success rates? - Is the level of investment in human resources <i>likely to be sufficient</i> to ensure viability of the KIC activities on a long term basis?

2.3 Strengths and weaknesses of the approach

The number and types of consultees is generally considered satisfactory, reflecting a balance of those closely involved and those with a more strategic interest in the EIT. It has been challenging to obtain a wide range of detailed national perspectives; however much of the relevant background concerning the roles of Member States has been gathered via EU-level discussions.

Overall, the quality of the qualitative data has been strong. Interviewees have been well informed and have been very forthcoming. We have received strong co-operation from all parties involved. This is not to say that no quantitative evidence was available at all: for example the evaluators had access to budget information and KIC Business Plans, from which we have been able to develop valuable analyses.

The longer than expected period of negotiations between the EIT and the KICs meant that consultations with KICs could not begin until early 2011, further limiting the extent to which the evaluation report is able to set out findings related to effectiveness.

These limitations notwithstanding, the evidence gathered is sufficient to permit an assessment to be made of the validity and coherence of the underpinning EIT concept; the efficiency and effectiveness of the processes employed to set up the EIT and first three KICs; the appropriateness of the organisational and geographical structures adopted (including governance at EIT and KIC levels); and the sufficiency of the resources applied. It also provides an initial insight into the types of activities, outputs and impacts that the KICs are set to pursue in the medium term, allowing a judgement to be made about how these might contribute to securing the EIT's strategic goals in the years ahead.

3.0 Establishing the EIT

3.1 Establishing the operations of the EIT

Overall, the operational establishment of the EIT has broadly met key milestones (Table 3.1, below). There have been challenges along the way, but in terms of headline activities, the implementation of the EIT remains on track and, in the case of the selection of the first KICs, was even slightly ahead of schedule. Given the constrained timescale and the novelty of the EIT this represents a very significant achievement.

Table 3.1 Key EIT milestones

<i>Milestone</i>	<i>Proposed date</i>	<i>Completion date</i>
Appointment of Governing Board	2008	July 2008
Competition for the first KICs	2009	April 2009
Selection of KICs ¹	January 2010	December 2009
First KICs in operation	2010	Dec 2009-Dec 2010
Contractual arrangements between EIT and KICs completed	-	Dec 2010/early 2011
Preparation for establishment of additional KICs	2011	Proposed 2011

¹Selection process required to be completed 18 months after Governing Board created³³

A major substantive challenge for the EIT proved to be the negotiation of contracts between the three selected KICs and the EIT. Whilst the successful KICs were selected in December 2009, and provided with initial funding to facilitate their establishment, negotiations on the terms of the contracts were not concluded for a further 12-14 months. This is significantly later than the date of April 2010 which the EIT was initially working towards³⁴. With the benefit of hindsight this timescale can be seen as unrealistic.

The EIT Regulation sets out a number of responsibilities for the EIT. Progress towards these is broadly good, particularly those aspects which are central to its function. We set out a broad assessment of progress in Table 3.2 below. From this it is apparent that the EIT has met its obligations under the terms of the Regulation.

³³ Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

³⁴ <http://eit.europa.eu/press/facts-figures.html> referenced under 'Next steps' and last accessed on 22nd December 2010.

Table 3.2 Summary of progress on implementing the EIT Regulation

Activity	Status	Evidence
Produce a rolling triennial work plan	Complies	Two produced to date: 2010-2012; 2011-2013
Produce an annual report by June 30 th each year	Complies	One produced: 2009
Produce clear and transparent guidelines for the management of IPR	Complies	Broad guidelines produced requiring KICs to adopt appropriate IPR agreements
Establish 2-3 KICs in fields which could include sustainable energy, climate change management and adaptation, and next generation ICT	Complies	3 KICs established. One in each field
Adopt contractual agreements between EIT-KICs	Complies	Framework Partnership Agreement and Annual Grant Agreement signed with each KIC
Transparency and access to documents	Complies	Commitment on transparency and access to documents adopted by Governing Board Stakeholder conference and Stakeholder meetings held
Set up a website	Complies	Established
Establish a Strategic Innovation Agenda for a period of 7 years, a draft to be submitted to EC by June 31 st 2011	Complies	Under development

In terms of other key activities, these have also been delivered largely to plan, with all key requirements of the Regulation in place or in train at the time of this report. As Table 3.3 illustrates, this forms an extensive list of activities, none of which are insignificant for a new start-up organisation formed in a new location and operating within a novel governance structure. The most significant challenge has been to secure Financial Autonomy, which is required for the EIT to authorise its own expenditure. This proved to take significantly longer than originally anticipated. Target dates for Financial Autonomy slipped from March 2010, past summer 2010 to the beginning of 2011. The requirements have now been almost completely met and the EIT should gain Financial Autonomy in June 2011.

Table 3.3 Key Steps in establishing the EIT

Item	Key steps
Establish EIT Headquarters in Budapest	Identity and secure “prestigious” building Finalise hosting arrangements with HU government (host agreement ratified December 2010) Begin staff recruitment (June-December 2009) HR framework and training regime in place (Multiannual Staff Policy Plan for 2010-2012) Selection of EIT Director (from 211 eligible applications) ³⁵ Appointment of EIT Director (November 2009) Phasing out of interim Commission support
EIT Triennial Work Programme 2010-2013	TWP adopted in December 2009
EIT Triennial Work Programme 2011-2013	TWP published June 2010
Secure Financial Autonomy	Financial Autonomy not secured in 2010 Financial Autonomy probably secured for June 2011
Establish the EIT Foundation³⁶	Comparative study on the best legal jurisdiction under which to establish the Foundation Secure external legal advice to establish EITF under Dutch law. EIT Foundation created 2010 Chair and trustees appointed by early 2011
Set up KICs – preparatory frameworks	Establish specific financial rules for the EIT ³⁷ Establish detailed criteria for KIC selection ³⁸ Establish 2009 EIT budget and work programme ³⁹ Guidelines on IPR adopted
KIC Call for Proposals	Recruit external experts through call addressed to individuals and establish register/database Publish Call on 14 May 2009 29 experts selected to assist the evaluation of proposals Evaluation of the 18 eligible proposals received (September-November 2009) ⁴⁰ Final selection of three KICs by Governing Board on 16 December 2009
EIT Annual Report	EIT Annual Report 2009, published on time in 2010
Press, public and inter-institutional relations	EIT website launched April 2009 Branding and identity finalized (May 2009) Flyer for the EIT Call for Proposals EIT Factsheet and FAQs

³⁵ Initial screening by a pre-selection panel, followed by interviews then an Assessment Centre run by the Consultative Committee on Appointments followed by final interviews and voting by the EIT Governing Board.

³⁶ A separate legal entity from the EIT and “clearing house” for external private donations.

³⁷ Published 2 April 2009

³⁸ Decided by the Governing Board and published on 2 April 2009

³⁹ Adopted via Decision C(2008)8475, 17 December 2009.

⁴⁰ An external contractor was appointed to provide a proposal evaluation service

Item	Key steps
	KIC Factsheets Seminar events: Budapest, Vienna, Madrid, Wroclaw Specific press event under the European Year of Creativity and Innovation 2009 Expand and consolidate networks with key players within the “knowledge triangle”: including umbrella organizations, EU institutions and Commission DGs Attendance at Shanghai World Expo EIT Education Conference in Leuven – “role of EIT in the education landscape”
Strategic Innovation Agenda (SIA)	Governing Board initiates SIA (Dec 2010) Stakeholder Conference April 2011 Draft SIA to be provided to Commission June 2011 SIA to be submitted to Council and Parliament end 2011
Expand Governing Board	KICs invited to propose additional Governing Board members in line with the Regulation January/February 2011

Whilst the establishment of the EIT met almost all of its planned milestones, there have been some challenges along the way. There are lessons to be learnt from these and so we highlight the most significant matters. Each has affected the efficiency of the establishment of the EIT in some way, adding cost, time or uncertainty to the process, but none have had a significant adverse affect on the development of the EIT.

Unlike most Agencies, the process of setting up the EIT was the reverse of what is normal for EC agencies: the main activity (KICs) were chosen and set off first and then the staffing was built up subsequently. The initially small staff numbers of the EIT, at a time when it was negotiating contracts with the KIC as well as establishing its operations, meant that staff were hard pressed. The workload for the EIT HQ was immediate, as ‘the train was already running’ as one participant in the process described it. As well as having to implement the EIT, staff were also busy installing the IT and HR systems for the EIT HQ, such as recruitment, pay roll, leave management and so on. As an Agency, EIT is not able to utilise the Commission’s own systems but has benefited from sharing good practice from other Agencies.

The initial months of operation for the HQ have been characterised as ‘chaotic’ and ‘demanding’ with work having to be completed ‘very, very quickly’. The small numbers of staff engaged in operational activities at the beginning of the process, and the composition of these staff, exacerbated this situation. Many staff within the EIT HQ describe their activities at this time with phrases such as ‘fire-fighting’ and ‘under-staffed’. Others suggest that they ‘tried to do too much too quickly’. External observers and those from the KICs share these views and also suggest the process was ‘disorganised’ and that initially the set up was insufficiently professional.

As more staff have been employed within the EIT (see section following) some of these early challenges have been overcome. The EIT has also matured as an organisation. The process of securing Financial Autonomy provides one example of this. Staff at EIT HQ interviewed for this study in Summer 2010 were

adamant that they had met all the necessary criteria for Financial Autonomy. In subsequent interviews in early 2011, more recently appointed staff members suggested that in their view the EIT was not ready at that time. They state that the previous approach was 'a bit ad hoc' and that there had been significant improvements since Autumn 2010 in developing Standard Operating Procedures, implementing internal control systems and staff training. Observers to the process suggest that previously the EIT had put in place the procedures required but that this had been a mechanistic process, and that the organisation had insufficient staff at the time to implement these.

A recurrent theme has been a tendency of the EIT to set overly ambitious timescales. This has raised expectations, caused disappointment when not met and also led to uncertainty and inefficient processes. This tendency was clearly exhibited in the case of the negotiation of the EIT-KIC contracts. A more recent example is the case of nominations from the KICs to the Governing Board. We are informed that the original KIC nominations were returned as they failed to support the development of a broader geographic and gender balance to the GB. Not only were the KICs not aware of this requirement they were, initially, only given a fortnight to resubmit nominations. On a smaller scale, KIC partners report that guidelines on report structures tend to have been provided at very short notice.

The tendency to set very tight deadlines was also commented on by all those applying for the Call for Applications. Even successful applicants have reported that the 4 month period, extending over the Summer holiday period, was an ambitious timescale in which to establish such complex and innovative institutional collaborations. It relied heavily upon partners having prior knowledge of the call, or already being involved in strong collaborative arrangements.

The efficiency of the establishment of the EIT has also been affected by a tension between the desire of many parties to make the process as flexible, responsive and bottom-up as possible and the desire of others for more guidance. The EIT has a strong desire to provide as much flexibility and freedom of operation for the KICs as possible. In consequence, KICs and their partners have reported that the EIT tends to provide little in the way of detailed guidance, 'promoting a bottom-up' approach. However, it then returns to the KICs requesting additional details, a process which leads to delays. In an echo of this the experts involved in the appraisal of the calls for application also felt that the Guidelines issued with the Call were a little vague in terms of the operational detail.

The EIT HQ acknowledges that it does take this approach but defends this by stressing that they are all involved in an experimental 'learning by doing' exercise. Staff members within the EIT HQ have expressed some surprise that it was the KIC partners that seemed to want more guidance, rather than the flexible approach being promoted. They also note that many of the constraints are imposed upon them by EU rules and regulations. The net effect of this tension has been some inefficiencies in the establishment of the EIT, as delays are incurred.

The innovative nature of the EIT may also underlie the comment from several respondents that the EIT could be inconsistent in its approach. This was particularly the case at the time of the launch of the Call for Applications when partners reported that they were receiving conflicting messages regarding particular attributes of the Call, such as the meaning of co-location.

3.2 Establishing the Headquarters

The host agreement⁴¹ governing the EIT was ratified by the Hungarian Parliament in December 2010. Amongst other things, this formally provided for the Hungarian authorities to provide quality facilities to the EIT in a suitable and prestigious location, with the Hungarian authorities covering the costs of this facility for 20 years. In addition, the host agreement provides for the Hungarian authorities to meet the salary costs of 20 staff for the first five years of operation of the EIT. All EIT staff have exemption from national taxes and social security costs.

The office facilities provided are of high quality and are regarded by the EIT as fit for purpose. There is sufficient space within the Headquarters for planned staff expansion. The office is located on the 'infopark' a technology park near the heart of Budapest. The EIT moved into its offices on the 1st April 2010. There were challenges in getting the office established so quickly from the start up of the organisation, including the EU's own procurement rules, but it was regarded as important that they did so - both politically and for the EIT's own credibility.

The location of the Headquarters in Budapest is not regarded as a significant factor by those involved with the EIT. For the KICs themselves the location has had no impact other than adding some costs to their travel budgets. Few linkages are apparent between the EIT and the Hungarian science and innovation community. Some minor challenges have been identified in the course of the interviews for this evaluation. The separation from the European Commission in Brussels is perceived by some in the KICs, and some EIT/DG EAC staff to have created a few challenges in the early months of the operation, whilst there is a suggestion from the EIT that the weighting attached to salaries located in Budapest places them at a disadvantage compared to other European Institutions.

3.3 Staffing

The EIT's Governing Board was appointed in July 2008, with a support role provided by DG EAC. During this period the call for applications for the KICs was launched, the appraisal process for bids put in place and the assessment of bids undertaken. In November 2009 the first Director of the EIT HQ was appointed and there was a gradual transfer of responsibility for supporting the Governing Board to the EIT HQ during the period of co-location in Brussels. The EIT HQ was now responsible for the key operational activity of the EIT, particularly following the establishment of the separate office function from April 1st 2010. Staff within DG EAC continued to follow the development of the EIT and to provide support for particular activities, such as initiating the EIT Foundation.

3.3.1 Commission staff inputs

DG EAC has been closely involved in the development of the EIT from the beginning with the level of resources dedicated to this activity altering as circumstances demanded. Initially operating as a small section (sub-Unit) within DG EAC this was expanded to a Task Force attached directly to the Director General as the policy load reached its heights. This was widely regarded as an effective action by other officials involved in the process. EIT is currently managed by a dedicated Unit within DG EAC, with 13

⁴¹2010. évi CLXVI. törvény, Magyar Közlöny http://www.complex.hu/jr/gen/hjegy_doc.cgi?docid=A1000166.TV

associated staff posts⁴². It is anticipated that the resources which it provides to support the development of the EIT will gradually diminish as the EIT HQ becomes fully operational and is able to take on more of these functions.

Strong inputs were provided during the launch of the EIT from DG Budget and DG Legal Services. They played a particular role in the course of the negotiation of legal agreements between the EIT and the KICs. Other Commission services, particularly DG RTD and DG Enterprise, were also involved in preparing the ground for the EIT, particularly prior to the publication of the Regulation. Following the publication of the Regulation the involvement of these other Commission officials reduced significantly, with one official suggesting that the time commitments of staff within their Directorate General had fallen from a peak load in excess of 1.5 full time equivalent posts (fte) to a current level of around 5% of an fte.

The reduction in time commitments is partly by design, as DG EAC, as the partner DG for the EIT, is responsible for all direct contact with the EIT. It is also partly through the choices of the EIT's Governing Board, which has taken its autonomy and independence seriously and has not sought advice, support or involvement from DGs within the Commission, a matter to which we return in Section 8.

From the end of 2009 there has been a transfer of functions from DG EAC to EIT HQ. The most visible sign of this was that DG EAC took responsibility for supporting the Governing Board up to the designation of the KICs, and the EIT HQ took responsibility for the process thereafter. DG EAC continued to play an important role in the process of the negotiating the KIC agreements (see Section 4) and the handover of functions has taken longer in practice than anticipated.

3.3.2 Staff resources of EIT HQ

The first staff began to be recruited to the EIT in late 2009, with the Director taking up post on the 1st November 2009. This marked the beginning of the transfer of responsibility for supporting the work of the EIT from the European Commission to the new EIT HQ agency. The build up of staff has been a gradual process (Table 3.4). At the beginning of 2010 six staff were employed at the EIT HQ rising to 10 by the beginning of April 2010. At this time the majority of staff were involved in functions associated with the development of the EIT as an organisation.

Only one staff post was identified as a dedicated responsibility for working with the newly-designated KICs, although the Director was also closely involved in this activity. Staffing numbers continued to rise reaching 27 persons by the end of 2010 and some 31 by the beginning of March 2011. By this point around one fifth of the posts were directly identified with the KICs, with a number of the financial posts also associated with the management of funds granted to the KICs.

⁴² Based on DG EAC C2, staff list (http://ec.europa.eu/staffdir/plsql/gsys_www.guide?pLang=EN&pId=1991 accessed Dec 2010)

Table 3.4 Development of EIT's staff capacity

31st Dec 2009	1st April 2010	1st July 2010	31st Dec 2010	1st March 2011
Director of EIT	Director of EIT	Director of EIT	HoU/Director (Acting)	HoU/Director (Acting)
HR Officer	Accountant	HoU/Director (Acting)	Accountant	Accountant
HR Officer	Building Management	Accountant	Budget Officer	Audit Assistant
IT Officer	HoU EIT Resources	Budget Officer	Budget Officer	Budget Officer
Logistics Officer	HR assistant	Building Management	Building Management	Budget Officer
KICs Project Officer	HR Officer	Communication Officer	Communication Assist.	Building Management
	HR Officer	Finance Officer	Communication Officer	Communication Officer
	IT Officer	HoU EIT Resources	Finance Assistant	Finance Assistant
	KICs Project Officer	HR assistant	Finance Assistant	Finance Assistant
	Logistics Officer	HR Officer	Finance Officer	Finance Officer
		HR Officer	GB-Assistant	GB-Assistant
		IT Officer	HoU EIT Strategy & Communication	HoU EIT Strategy & Communication
		IT Officer	HR Officer	HR Officer
		Legal Officer	Internal Auditor	Internal Auditor
		Legal Officer	IT Officer	Communication Assistant
		Logistics Officer	Legal Officer	Legal Officer
		Secretary to the Director	Legal Officer	Legal Officer
		Secretary to the HoU - EIT Financial Services	Logistics Officer	Logistics Officer
		Secretary to the HoU - EIT Resources	Secretary to the Director	Secretary to the Director
		Secretary to the HoU - EIT Strategy & Communication	Secretary to the HoU - EIT Financial Services	Secretary to the HoU - EIT Resources
	Senior KICs Project Officer	Secretary to the HoU - EIT Resources	Secretary to the HoU - EIT Strategy & Communication	
	Senior KICs Project Officer	Secretary to the HoU - EIT Strategy & Communication	Senior Strategy Officer	
	KICs Project Officer	Senior Strategy Officer	Senior KICs Project Officer	
	Unstated post	Senior KICs Project Officer	Senior KICs Project Officer	
		Senior KICs Project Officer	KICs Project Assistant	
		KICs Project Assistant	KICs Project Officer	
		KICs Project Officer	KICs Project Officer	
			KICs Project Officer	
			Policy Assistant	
			Resources Assistant	

Source: staffing lists provided by DG EAC

In its most recent returns the EIT reports that at the end of 2010 it had in place 24 staff of the 35 which had been authorised in the original human resources plan. It reported that a further 3 staff had been placed at its disposal by the European Commission, taking the total staff complement to 27. Staff at the EIT HQ emphasise strongly that they are implementing the human resources plan as planned (Table 3.5).

Table 3.5 EIT staff plan (excludes EC staff)

	2010 authorised	2010 actual	2011	2012
Establishment plan posts	20	15	28	32
Contract experts	15	9	20	20
Seconded experts ¹			4	4
Total	35	24	52	56

¹implementation rules for seconded experts are not yet adopted

Source: EIT

Staffing numbers are planned to continue to rise in 2011 to a total of 52. Whilst the EIT reports that this will provide sufficient capacity for current operations, it argues that it will need additional posts in place in 2012 in order to deliver the objectives which are being established in the Strategic Innovation Agenda. This is a substantial increase in capacity and appears to be predicated on the assumption that the number of KICs will be expanded beyond the three which are currently operating. No seconded experts are currently involved with the EIT, as implementation rules for this remain to be adopted.

The scale of the EIT is partially driven by the requirements of the EU's rules and financial regulations which demand a separation of particular roles. This effectively establishes a certain minimum capacity. The Joint Undertakings formed for Joint Technology Initiatives (which might be seen as comparable to the EIT in that they administer significant grant programmes on behalf of the EU and often have Financial Autonomy) tend to have staffing complements in the order of 10 to 20 persons. On this basis the EIT is comparatively well staffed currently, but not excessively so. The EIT also has a wider communication, strategy development and engagement role which justifies a number of additional staffing posts.

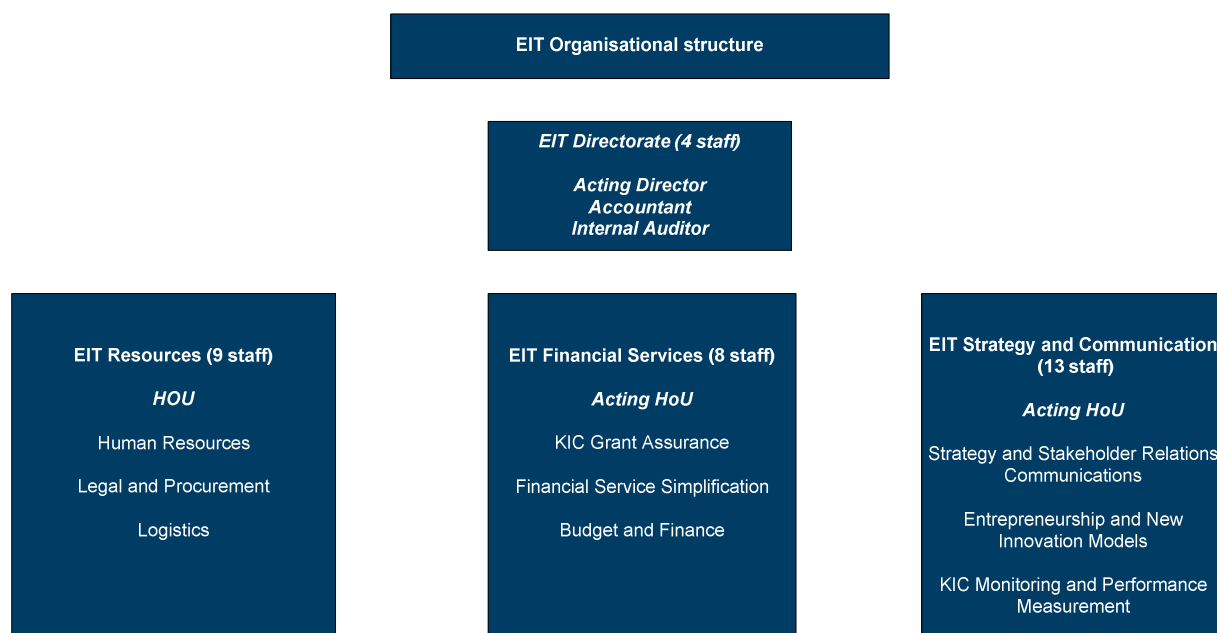
Proposals to further develop the EIT through the selection of additional KICs post-2013 justify a small number of posts additional to the current complement of 30+ persons, even when economies of scale are taken into consideration. Staffing levels beyond this will be merited in the context of further development of the roles and responsibilities of the EIT. This may be a more gradual process than the current staffing plan envisages.

Staff turnover has been relatively high within the EIT, with many of the original staff no longer still with the organisation. Around 40% of those who were in post in April 2010 have left the EIT in the year since. The figure since 1st July 2010 (a ten month period) is 33%. This not only implies a loss of developed experience within the EIT it also impacts on efficiency as new recruitment procedures need to be launched and new staff trained. The reasons for the staff turnover are not explored as part of this evaluation but one respondent highlighted the mix of contract agent posts versus temporary agent posts as a significant factor. Owing to the limited numbers of positions with the EIT, this can mean that staff

doing similar jobs are on very different terms and conditions. The limited opportunities for advancement internally mean that staff chose to move on rather than stay.

The EIT is currently organised into four areas of activity: EIT Strategy and Communication is the largest and includes KIC monitoring functions; EIT Financial Services, which includes KIC grant assurance functions; EIT Resources, which deals with organisational matters, and, overseeing these three functions, an EIT Directorate. The structure and composition is set out in Figure 3.1, below. The rationale for splitting the KIC monitoring functions across two Units is not apparent to us. It is too early to say what effect this has on operational activity.

Figure 3.1 Management structure of EIT HQ



Source: adapted from EIT website

It is apparent from the organisational chart that the staffing of the EIT is still not completed at a senior level. More than a year after its establishment three of the four most senior staff posts are held in an Acting capacity. This is not directly relevant to the focus of this evaluation, but it does contribute to the overall feel of the EIT as very much still being a work in progress. Most significant is the fact that the EIT still only has an Acting Director. The EIT's first Director resigned in June 2010, just over six months after taking up his post. A new Director has now been announced (May 2011) but it is unfortunate that the appointment process will have taken over one year by the time the new Director takes up their post. A small number of respondents commented on the negative image that this portrayed to the external world and, the implications that this has had for the strategic development of the EIT.

The overall capacity and capability of the EIT HQ during the establishment of the EIT has been raised as a concern by interviewees from the Governing Board, the KICs, DG EAC and the EIT HQ itself. It has been a particular challenge for the EIT has been to recruit staff with the right balance of experience. Initial appointments, particularly relating to KIC operations, had very limited experience of EU rules and regulations. This created a number of challenges as the EIT sought to navigate through the desire to

produce simplified procedures which still met EU legal requirements. As most staff were appointed after the EIT HQ had been established in Budapest there were limited opportunities for EIT staff to ‘shadow’ Commission colleagues or for close contacts to be developed. Subsequent recruitment has significantly increased the number of staff with experience of EU rules and procedures. The challenge may now be to ensure sufficient access to expertise relating to the EIT’s role of stimulating innovation capacity.

3.4 Budget

Political agreement on the establishment of the EIT was reached after the negotiations on the EU’s financial perspective had been concluded. This meant that the EIT could not be formally included within the perspective and a separate resource was identified. After some negotiation the EU’s contribution to the budget for the EIT until 2013 was agreed at €308.7m. It is anticipated that the EIT will contribute no more than 25% to the overall costs of the individual KICs. Additional contributions are expected to be provided by industry, education and research partners. It is also anticipated that national programmes will provide an input to the overall budgets of the KICs.

The Hungarian Government contributes towards the running costs of the EIT by underwriting the rental costs of the EIT’s Headquarters building for 20 years (total cost HUF 193.5 million or €0.7m) and covering the remuneration costs of 20 staff members for 5 years⁴³ (valued at €1.56m per annum giving an average cost of €78,000 per staff member per year). The EIT also anticipates a small contribution to its costs from EFTA countries (€0.75m in 2010 rising to €2m in 2012).

Although the eventual EU contribution to the budget of the EIT was somewhat smaller than its most ardent supporters had hoped for it has proved more than adequate to launch the EIT in its current format. The EIT has begun operations on a limited scale with significant increases in expenditure anticipated in coming years. Planned budgetary expenditure for the years 2010-12 is set out in Table 3.6. The low staff costs anticipated for 2010 reflect the pattern of staff recruitment. The bulk of resources are directed to operational activity and round 89% of the available budget is planned to be distributed directly to the KICs. The balance of the Operational Expenditure activities cover the planned Entrepreneurship Awards, Entrepreneurship Academy, an Alumni Network, conferences, workshops and the engagement of external experts.

Table 3.6 Planned expenditure 2010-12 (€m)

	2010	2011	2012
Staff expenditure	2.3	6.1	5.0
Infrastructure and operating costs	1.1	1.8	1.4
Operational expenditure (of which KICs)	27.2 (26.7)	58.0 (56.9)	77.1 (76.5)
Total	30.7	65.9	83.4

Source: EIT

In practice, there was less activity in 2010 than anticipated, particularly regarding the KICs. In total, payment appropriations for 2010 were around €21.1m, with KIC payments approaching €17.8m. This is around one third less than anticipated and only 84% of the total budget. This reflects the slow start to the

⁴³ <http://www.nkth.gov.hu/english/press-releases/the-european-institute-of>

programme of activities, particularly the extended period before partnership and grant agreements were signed. Whilst these funds are not lost to the EIT, which is allowed to carry forward surpluses, it does have implications for the level of results which might be anticipated and the level of funds remaining to be disbursed. A full assessment will only be available once the KIC performance and finance reports for 2010 become available⁴⁴.

On the original anticipated expenditure profile (Table 3.6) around €115m would remain available to the KICs in 2013⁴⁵. On the basis of the payment appropriations established for 2010 this could now rise to some €120m. This will represent a further substantial increase in KIC activity in that year. Current budget plans of the KICs suggest that after a slow start in 2010 activity levels will rapidly increase in 2011, with further expansions of activity in both 2012 and 2013 (Table 3.7). By the end of 2013 total expenditure of just over €1.2bn is anticipated, with an additional expenditure of around €3.4bn by 2020.

Table 3.7 KIC expenditure plans (€m)

	2010	2011	2012	2013	2014-20
KIC expenditure (€m)	41.1	311.6	382.5	481.3	3369

Source: adapted from KIC Business Plans

The EIT contributes up to 25% of the total funds for each KIC. In practice the proportion is less than this, demonstrating higher than anticipated leverage effects. Comparing Table 3.7 and Table 3.6 suggests that the potential overall leverage effect will be between 5:1 and 4:1 by the close of 2013.

As Table 3.8 below illustrates the leverage effects are not evenly distributed across activities. The balance of activity demonstrates that leverage effects are highest for innovation projects within the KICs and lowest for enterprise and innovation infrastructures. This may relate to the fact that innovation projects seek to add value to what are already quite significant volumes of activity. The management and administration costs for the KICs are strongly dependent on the EIT funding. The Table also suggests that the KICs are anticipating lower levels of funds from the EIT in 2011 than the EIT anticipates disbursing.

Table 3.8 Breakdown of KIC expenditure (2011)

2011 Summary	Total all KICs	EIT contribution	% EIT contribution
Education	42.6	11.6	27
Innovation Projects	227.7	27.2	12
Enterprise	19.1	9.2	48
Innovation Infrastructure	5.8	3.2	55
Management and Admin	16.4	11.2	68
Total	311.6	47.3	15

Source: adapted from KIC Business Plans

⁴⁴ Requested from EIT HQ but access refused

⁴⁵ 89% of (€309m-€180m) (assumes operational expenditure prior to 2010 negligible)

The EIT grant constitutes around 22% of the planned income of the KICs for 2011, slightly below the 25% limit established (Table 3.9). Approaching half of all KIC resources are provided by the partners own contributions which are, we understand, primarily made on an in-kind basis. There is some provision made to access other sources of EU funds, but at less than 8% of the total we would argue that this is reasonable, proportionate and in line with the overall expectations for the KICs. Other private sources of funding are noticeable by their absence but this is to be expected given that these KICs only signed contracts with the EIT in December 2010. For the years 2012 and 2013 it is anticipated by the KICs that EIT funding will constitute closer to a quarter of their over overall income, at 25% and 24.3% respectively.

Table 3.9 KIC income sources

Source	%
EIT	22.4
EU (non EIT)	7.3
National/Regional	20.8
Private	1.0
KIC partners own contribution	48.9

Source: Business Plans of EIT-ICT Labs and Innoenergy KIC.

In terms of the future development of the KICs, the prevailing view of those involved with the KICs themselves was that additional funds would be required. It was argued that the budgets available to the KICs are not of a sufficient size as yet to make a sizeable impact in their fields of activity. This view was shared by one external expert. This perspective is worth noting but at present the evidence supporting a significant expansion in the budgetary resources available to each KIC remains weak.

4.0 Implementing the EIT

4.1 Launching the KICs

4.1.1 Designating the first KICs

A Call for Application for the first KICs was launched in April 2009. The criteria for the selection of KICs are set out in the EIT Regulation and include:

- Current and potential innovation capacity within the partnership as well as excellence in HE, research and innovation;
- Capacity within the KIC partnership to achieve the goals of the SIA;
- Partnership capacity to ensure sustainable and long-term self-supporting financing including a substantial and increasing contribution from the private sector;
- Participation in the KIC partnership of organisations active in the knowledge triangle;
- Demonstration of a plan for IPR management;
- Measures to support the involvement of and cooperation with the private sector, including the financial sector and SMEs in particular, including the creation of start-ups, spin-offs and SMEs, with a view to the commercial exploitation of the results produced by KICs;
- Readiness to interact with other organisations and networks outwith the KIC, to share good practice and excellence.

The evidence indicates that overall, the application and selection process was appropriate, fair and transparent⁴⁶. The efficiency of the process itself (timetable⁴⁷, systems, support and guidance provided), was generally satisfactory. We understand that two complaints were received about the Call for proposals⁴⁸, although we have no information on the detail of these.

In terms of communication with the EIT, feedback from consultees suggests that, especially in the early stages of the Call, mixed signals were being disseminated, which resulted in a degree of confusion on the part of potential bidders concerning what the EIT was looking for from KICs. While the broad concept was well understood, some of the detail was not sufficiently defined – an understandable consequence where the EIT/KICs is largely experimental in nature. Several interviewees stated that support provided by members of the Governing Board was strong, although this experience was not universal. Ultimately, these weaknesses do not seem to have affected the standard and appropriateness of the bids received, but the kind of contradictions that seemed to arise should be addressed in future calls for proposals.

⁴⁶ Interviews with successful and unsuccessful KICs, and expert assessors.

⁴⁷ Although a majority pointed out that implementing the Call during the summer with an August deadline was less than ideal, since it coincided with the main holiday period.

⁴⁸ EIT Headquarters interviews

Learning points for any subsequent call for proposals focus on providing more specific information and guidance⁴⁹, reducing the thematic breadth⁵⁰; and finding ways to boost the participation of industry partners in contributing to KIC bids. Of course, the experience of the three contracted KICs over the next several years will provide invaluable inputs into the design of any new Call.

The resources that applicants expended in preparing their bids were significant (one applicant suggested around €0.5m in direct costs plus a further €1m costs in time provided by partners, two applicants suggested that their direct costs were in the order of €200-300,000 and another estimated the effort at about two man-years). Two of the successful bidders employed external consultants to help prepare their bid. The applicants appeared satisfied that this commitment was worthwhile, given the scale of the project, and since they recognise the significant potential benefits that would have flowed from being successful. In particular, the strategic significance of being designated as a KIC are highly valued - in terms of visibility/profile, opportunities to build networks with leading European players, and to achieve critical mass around a particular theme.

Many bids clearly had high-level political support (both successful and unsuccessful applications), so it is fair to say that a wide range of stakeholders bought into the strategic significance and unique opportunity that the KIC Call provided. This also reflects the potential that many recognised for KICs to make a significant contribution to national, regional and local innovation capacity and to boost competitiveness.

The thematic approach to KICs was considered clear and was generally welcomed. The link to major societal challenges was understood and for the unsuccessful KICs consulted, was central to bid preparation.

Feedback from experts on the quality of proposals suggests this was satisfactory rather than excellent. In terms of detail discussed by consultees, some experts would like to have seen more focus in the applications on the profiles and capabilities of named individuals who would play key roles in moving the KICs forward, noted a certain over-emphasis on the academic/research dimension and insufficient focus on the private sector.

It was also noted that the education dimension was under-represented in the applications. Disappointment with the level of involvement of private sector organisations (including industry⁵¹) was a recurring theme across a range of consultees. One of the unsuccessful KICs elaborated on this point in terms of the signals that the EIT was disseminating (through the seminars, members of the Governing Board, website etc.) to potential KICs: while there was an emphasis on innovation and entrepreneurship⁵² from the EIT, this was felt to be at a rather general level and allowed individual applicants to form their own, divergent views on what was required of KICs in practice.

There is a strong suggestion that some applicants identified the KICs with the research dimension and that academics were the driving force behind the majority of bids. It is also fair to say that this kind of

⁴⁹ Concerning the 'boundary conditions' for co-location for example

⁵⁰ EIT Headquarters interviews

⁵¹ It has been suggested this may be explained in part by the prevailing financial crisis.

⁵² This can be seen in the presentations made at the various thematic seminars in the lead up to the applications being made and in the EITs brochures, leaflets etc.

divergence of interpretation and of approaches⁵³, gave rise to a degree of 'creativity', which may have been desirable in the sense that it provided space for new ideas to come forward, in line with the spirit of the EIT/KICs. However, one unsuccessful KIC commented that the EIT should be more open-minded about KIC structures and another that despite the intention to be entrepreneurial and favour innovation, in the end the requirement to set out definitive organisational structures from the start limited creativity and could not allow for these to evolve via an innovative process.

There were also mixed views of the assessment criteria applied. Some consultees felt that these were appropriate, others thought that they were unclear. One of the most experienced experts felt they were problematic in several respects (too detailed and difficult for applicants to understand, some overlaps, difficult for applicant to place the right content under the right criteria and for the assessors to know which criteria were the most significant, difficulties in ensuring consistency across the themes, experts and panels). It is clear that a significant number of applicants had experience of FP7 initiatives and compared the KIC Call process with that field. There is consensus amongst these respondents that whilst the EIT should learn from the FP7 process, it is important that the criteria for KICs should be distinctive to the needs of the EIT. One KIC partner counselled strongly against any tendency to 'reintegrate EIT/KICs into FP8'.

All of the unsuccessful KICs consulted remain positive about their experience of bidding for KIC status. They continue to work with some, if not all, of the partners that supported their bids and consider the spin-offs to have made participating in the process worthwhile. Most would bid again and have new thematic approaches in mind. As part of the process of preparing bids several bidders reported benefits in terms of strengthening of relations and trust with government and partner institutions.

No consensus concerning the issue of co-location in the application process emerged from the consultations: some felt that this was not a significant issue and there may have been a misconception about this on the part of some bidders; and that some of the arrangements included in bids will not prove possible to implement in practice. One interviewee felt the requirement was an obstacle and looser networks should have been allowed, while another highlighted it as a significant issue in the sense that the requirements may not have been adhered to. This suggests a lack of clarity of the guidance provided to applicants (and perhaps expert assessors) on what was intended (since a diversity of interpretations is already apparent).

4.1.2 Establishment of the KICs

The designation of the three successful KICs in December 2009 was followed by a period during which agreements were negotiated between the EIT and the KICs. These consisted of:

- An initial Preparatory Grant Agreement – to enable the KICs to establish themselves

⁵³ Similar issues were also aired in the DG EAC report: "Analysis of proposers' opinions on the first KIC call and the evaluation and selection procedure", 14 April 2010 and the .report of the debriefing of experts following evaluation of KIC proposals, 2010, European Commission.

- A Framework Partnership Agreement – covering the relationship between the EIT and the KIC
- An Annual Grant Agreement – covering the finances to be granted to the KIC in 2010

The launching of the KICs was not a smooth process and created frustrations for the KIC partners, the EIT, the Governing Board and the European Commission. A separate report is appended (Annex 7) on the process of negotiating the Framework Partnership Agreement and the Annual Grant Agreement. In the following paragraphs we summarise a number of key points.

The challenges of creating single legal entities were not fully appreciated at the outset of the process. The differing legal circumstances and structures of businesses, research organisations and higher education institutes create a number of complexities in seeking to tie these institutions together within an appropriate single legal framework. In some cases, for example, national regulations forbid public institutions from taking on liability for the actions of others. In other cases, companies were comprised of multiple legal entities which needed to be considered in reaching agreements on the appropriate form of the KIC legal entity. A lack of awareness of the range of suitable, and unsuitable, legal forms available contributed to the challenges experienced, with one KIC having to reconstitute itself in an alternative legal form after it was discovered that the initial choice was not suited to the particular circumstances of the EIT-KIC relationship.

The desire to implement a simplified framework of rules and regulations, based upon the derogations the EIT has from the EU's rules and regulations also created a number of frustrations. For some parties the interpretation of the rules has been too strict, with a small number arguing that the EIT has failed to deliver on its promise of simplification. This is particularly so for some partners in the KICs, who regard the attitude of the European Commission in this matter as too 'risk-averse'. For the European Commission and the EIT itself the matter is more one of financial responsibility and a duty 'to protect taxpayers money'. The issue is summed up in the matter of the debate over Bank Guarantees and Financial Liability (Box 4.1).

Box 4.1 Bank Guarantee and Financial Liability

Three clauses proved the most contentious in the negotiation process. These were:

- Article 17 of the FPA regarding liability
- Article 5 of the AGA regarding financial responsibility
- Article 10.1.2 of the AGA regarding the provision of a bank guarantee

For most parties in the Commission these are a straight-forward and non-contentious issue, which all KIC partners should be familiar with from their experience of other EU grant regimes. It is a matter of transparency and provision against fraud. It is also pointed out by Commission officials that these clauses are rarely invoked in practice, and even then wilful negligence has to be demonstrated in the case of liability. A Bank Guarantee is required by the Commission to ease recovery of any pre-finance payments, should that prove necessary.

Partners to the KICs were strongly against the clauses, particularly an initial suggestion that all partners were jointly and severally liable for the actions of all other partners. Whilst strongly reflecting the principle of joint engagement in a single legal entity this offered a number of practical difficulties in practice. Some institutional partners were unable to agree to this owing to national rules and regulations surrounding public bodies, others would not do so as a matter of principle. Obtaining a Bank Guarantee for a newly

established legal entity is also very costly, or requires the willingness of partners to underwrite this. For many partners this was simply a costly clause which affected their ability to operate effectively. They argue that the public money was already protected by means of the liability conditions and that a Bank Guarantee simply provided an easier route for the swift return of funds, at the expense of the public purse.

Parties to the negotiations recognize that, in retrospect, the debate was perhaps disproportionate to its significance. Several acknowledge that with the benefit of hindsight the rationale for the requirement is more apparent. However they also note that there was never 'a mature discussion' over the general issues – debate instead focused on the detail of the clauses. The wider perspective got lost in the midst of the intense negotiations. Some KIC CEOs also readily acknowledge that they were very disappointed by the attitude of some partners towards what was effectively the minimal risk of a claim for relatively small amounts of money. Feelings on the matter still run high.

Yet the EIT has implemented a number of actions which do simplify the approach to grant agreements. Significantly, there is no list of eligible (and ineligible actions), merely the requirement on the KICs to demonstrate the added value of their actions. The EIT is able to receive lump-sum payments, surpluses can be carried over to subsequent years, payment is on the basis of results rather than inputs or outputs and the 25% contribution of the EIT to the KICs is calculated on the basis of an aggregate total, not by individual activity. The implications of these changes will only become clear as then KICs begin to implement their programmes of activity and so they have received less attention from observers, perhaps, than the matters relating to the establishment of the KICs.

One area where the EIT and the KICs have been working closely together is in identifying where the KICs are able to add value to the existing activities of their constituent partners. There has been a joint development of ideas in the field of entrepreneurial education and entrepreneurialism (as outlined further below). There is a recognition amongst those who were involved in the call for applications through to the launching of the KICs that one of the challenges has been to move from the broad visions set out in the original call through to more detailed implementation actions. This process is still underway and is perhaps the most important feature of EIT activities at this time for the long-term development of the institution.

The establishment of the KICs was impeded by a number of transitional issues. The early timescales established by the EIT were, for a number of reasons, ambitious and unrealistic. This served to raise expectations of KIC partners, amongst others, which were later dashed. The ambitions of the EIT in terms of the levels of flexibility and simplification that could be introduced immediately also proved to be overly-ambitious, which further served to firstly raise and then dash expectations. The EIT was also under-resourced in the early months of its operations for the scale of activities it was attempting; and the relationship with the European Commission did not operate in such a way as to overcome these capacity issues. The negotiation process itself also proved challenging - and in some respects overly time-consuming - with a complex relationship emerging between the EC, the EIT, the KIC legal entities and the KIC partners.

Despite these challenges the EIT and EC had signed agreements with two KICs by December 2010 and with the third by February 2011, 12 months and 14 months respectively after they were first designated. This is regarded as a significant achievement by those parties involved, particularly the KIC CEOs, who

are perhaps best placed to comment on this. Given the complexity, and novelty, of the structures being created, the ambitions of the initiative, and the lack of any model-agreements from which to begin the negotiation process we also regard it as a substantial achievement.

4.2 Establishing the Foundation

The EIT has established an independent Foundation for the purposes of the securing private-sector investment into the EIT and KICs. This is formed under Dutch law and is to be governed by a Board of Trustees. These Trustees are responsible for the good governance of the Foundation and operate independently of the EIT. Two of the five Trustees are also members of the EIT Governing Board.

The EIT Foundation has not yet begun operations. In February 2011 the EIT Governing Board voted that it would provide a loan to the Foundation to assist in its operational establishment. The modalities of the Foundation's relationship with the EIT and the KICs still remain to be publicised. Staff at EIT HQ have informed this evaluation that funds could not be channelled through the EIT HQ as they would then be subject to the EU's financial rules and regulations.

As a separate legal entity the EIT Foundation is not considered further in this evaluation.

4.3 Other activities of the EIT

4.3.1 Entrepreneurialism

The EIT is placing strong emphasis on entrepreneurialism as a central thread running through all its activities. One respondent described it as "the glue bring together the knowledge triangle". The practical dimension of this emphasis is visible in four activities being pursued by the EIT:

- Entrepreneurial Workshops
- Entrepreneurial conferences
- Academy of Entrepreneurs
- Entrepreneurialism Award

The EIT has undertaken three workshops involving representatives of the KICs, the EIT GB, the EIT HQ and DG EAC to explore what entrepreneurship means in the context of the EIT. More than 50 ideas have so far been developed through these workshops, on the basis of KIC experience. Although the EIT does not regard there to be merit in developing a toolbox based upon these, it does feel that there is a role for 'cross-cutting' activities which could improve the general quality of KIC and/or EIT objectives, tools, instruments, governance processes or brand in the field of entrepreneurship and innovation.

The EIT is developing and supporting conference activities linked to the theme of entrepreneurialism. In February 2011 the EIT supported the annual ScienceBusiness/Academic Enterprise Awards Europe, a pan-European competition among companies spun out from universities, held in Switzerland. The EIT is

also proposing to hold the Krakow Youth and Entrepreneurship (KEY-) Conference in October 2011. It is anticipated that the conference will be attended by 200-250 participants and will focus on students and entrepreneurship in Europe.

The Academy of Entrepreneurs is one of the cornerstones of EIT thinking in this area. It is currently proposed that the Academy will be formed of up to 15 world-class entrepreneurs, nominated and appointed by the EIT Governing Board. An initial list of potential members has been established. The EIT will provide the Academy with a budget and support its activities, but the Academy will act independently of the EIT. Under current proposals, the Academy is expected to provide advice and support to the Governing Board, to act as 'sounding board' for the KICs, and to act on its own initiative as an independent 'think tank'. It is also proposed that the Academy could co-host - with the EIT - an annual or bi-annual high-profile European Innovation & Entrepreneurship Conference, and that it could support the EIT Entrepreneurship Award through selecting winners and acting as mentors to those winners.

The long-term vision for the EIT Entrepreneurship Award is "to develop into *the* European Entrepreneurship Award for science based innovative ventures coming out of European universities and business incubators (including KICs)"⁵⁴. In the short-term however it is intended to:

- Spotlight and encourage entrepreneurial ventures coming out of KICs,
- Demonstrate how nominated ventures can develop in a fast, successful and sustainable way with the support of a high-quality mentorship scheme,
- Award one venture per KIC with the EIT's annual Entrepreneurship Award – mentoring by a member of the Academy of Entrepreneurs.

The award was officially announced at the Academic Enterprise Awards Europe in February this year. We understand that although the Award will be granted to science-based ventures working in the field of one or more of the thematic areas covered by the KICs (ICT, sustainable energy, climate technology⁵⁵), the successful enterprise need not be related to a KIC. Any European venture fulfilling the award criteria is eligible, regardless of the nature of its association with a KIC.

4.3.2 Entrepreneurial education

Developing EIT labeled degrees and diplomas was a key task for the EIT identified in the Regulation. The EIT has gone about this process working closely with the KICs, through a series of workshops and the organisation of a conference on the topic of *The role of the EIT in the Education Landscape* in Leuven, Belgium in December 2010. The process of developing the EIT labelled-degree is still underway. The EIT states that the criteria, and simple and effective processes for their application, are currently being developed with the KICs and that "existing high-profile Community programs, such as Erasmus Mundus and Marie Curie, will be used as benchmarks for joint curriculum development and international mobility to enhance the EIT's reputation for excellence in innovation and entrepreneurship". Four criteria have been established as underpinning EIT labelled degrees:

⁵⁴ EIT documentation

⁵⁵ EITs own statement of fields to be covered

- Robust entrepreneurship education
- Highly integrated, innovative "learning-by-doing" curricula
- Mobility, European dimension and openness to the world
- Outreach strategy and access policy

Participants at the Leuven Conference argued that universities need less regulations and more autonomy. How the EIT will choose to ensure that EIT labelled-degrees meet the agreed quality criteria remains to be seen.

4.4 Communication

The establishing Regulation states that *“The EIT shall ensure that its activities are conducted with a high level of transparency. In particular, the EIT shall set up an accessible, free website providing information about the activities of the EIT and individual KICs”*.

The EIT has satisfied all requirements of the Regulation, publishing its financial rules, the criteria for selecting the KICs and its triennial work plan, amongst other matters, on its website. It has also published guidelines on transparency⁵⁶ where it commits to responding to requests for information within 15 days. Details on each of the Governing Board members are also included on the website, supporting the transparency of the EIT.

The EIT has established a free website (<http://eit.europa.eu>) which provides access to a substantial range of documentary information regarding the EIT and its activities. The website provides information on the KICs and links to the KICs' own websites. The website also acts as a repository of information and updating of this information can be slow. It is not yet being used as a communication tool.

The EIT is aware of this and acknowledges that a lack of resources means that the website received little attention between September 2010 and December 2010 and that updating it was not a priority. The EIT has now provided additional resources to support the website and the speed with which some aspects of the website are updated has improved. It is worth noting that in some cases this is not so and, in May 2011, the last Governing Board decisions posted on the website are from December 2010.

The EIT also reports that they are going to launch a tender for a new website to develop a more collaborative, interactive, dynamic site which will be able to engage with social media. This is planned for 2011, although the EIT argues that the procurement process has slowed the process down.

The EIT has a role in building the visibility of the EIT and the KICs and in making wider linkages. Examples of its activities in 2010/11 include:

- Participation in Shanghai World EXPO in August 2010

⁵⁶ Published 17 October 2008

- The Chairman took part in the 8th European Business Summit in July 2010
- The Chairman attended the Lisbon Council's 2010 Innovation Summit
- The Acting Head of Strategy and Communication spoke at 'Research, Technology Innovation as the driving force of global competitiveness and growth' seminar hosted by the Hungarian Presidency in London in April 2011.

The EIT states that it decides on whether it attends events based on the agenda and the speaking role proposed, the target audience, and the presence of decision-makers. It is anticipated by the EIT HQ that the Director of the EIT will begin to take a more active role in the future.

To date, the approach of the EIT to media relations has been very reactive. They have "waited for people to come to us", partly because they did not have the time or resources for a more active approach and partly because they are still in the process of establishing media contacts, their current database of contacts is very limited. Further challenges were presented by the need to rectify the early misunderstandings as to the nature of the EIT, with many journalists regarding it Europe's 'MIT', by the resignation of the Director of the EIT, and the perceived delay in the signing of the EIT-KIC agreements.

The EIT acknowledges that communication has been a secondary priority to the setting up of KICs, with limited resources available. They also identify that during the start up phase "everyone was running around playing catch up" which made efficient planning difficult.

The EIT is launching a new communication strategy in 2011. This includes the update to the website, a new approach to corporate publications, the organisation of EIT branded events, such as the KEY conference, and increasing activities in the field of media relations. The EIT has also increased the resources available to the Communications function in the EIT.

4.5 Strategic Innovation Agenda

The EIT is responsible for producing a draft Strategic Innovation Agenda (SIA) setting out "the strategic, long-term priority fields and financial needs for the EIT for a period of seven years" ie covering the forthcoming Multiannual Financial Framework. The establishing Regulation states that: "Given the importance of the SIA for the Community innovation policy and the resulting political significance of its socio-economic impact for the Community the SIA should be adopted by the European Parliament and the Council on the basis of a Commission proposal prepared on the basis of a draft provided by the EIT". The Governing Board is due to provide this draft to the European Commission by the 30th June 2011, and the proposal should be provided to the European Parliament and Council by 31st December 2011.

The SIA is described by those involved in the negotiations leading up to the establishment of the EIT as the means by which the European Institutions retain an oversight function of the autonomous institution. Members of the Governing Board recognise this. The SIA was also regarded by those establishing the concept of the EIT as a means by which the EIT could set out a more detailed strategic perspective than was possible at the time of its launch, learning from the experience gained in the launch phase.

For the Governing Board the SIA represents its Business Plan for the future, with the purpose of securing funding further KICs⁵⁷. It is intended to be a short document, possibly just 15 pages excluding annexes. We are told by the EIT HQ that a final draft is complete at the current time (early May 2011) but they feel that they are not able to share it with us until after it is formally provided to the European Commission. A broad indication of the content was provided at the Stakeholders Conference (14 April 2011) and some pointers are provided in the published 'SIA leaflet'.

As we are not party to the content of the SIA we are not able to make any detailed assessment of this. On the basis of existing evidence and alternative documentation we offer the following perspective:

We would hope that the SIA contains robust objectives coupled with anticipated results and the means that these will be monitored. As set out elsewhere in this report these aspects of the EIT remain weakly developed at present. Much of the content of EIT documentation is laudable but aspirational. The SIA offers an opportunity for the EIT to move beyond rather 'fuzzy' statements of high ambition to a more grounded strategy.

We would expect the SIA to be based upon evidence and analysis supporting the strategy set out. It is important that the strategy is credible. This would be the case for any 'business plan' as well as an important forward-looking strategy document. We understand from statements by members of the Governing Board involved in writing the SIA that socio-economic analysis is not a strong element, acting more as a 'safety-net' as they put it⁵⁸.

We would anticipate that the SIA will contain a robust analysis of how it complements other elements of EU and Member State policy in the field of stimulating innovation capacity. The EIT has acknowledged the complementary role which Marie Curie Awards and Erasmus Mundus might play in promoting entrepreneurial education, but references to other initiatives are rare. We note that the SIA leaflet states that the EIT will add value to the European innovation landscape by providing a 'role model service' to others and that it should be part of the proposed Common Strategic Framework. We hope that the SIA will build this out in more detail.

The focus of EIT statements concerning the SIA has been on expanding the number of KICs. The most recent statements suggest that three new KICs are initially to be launched, with provision of more to follow. It is reasonable to expect that the SIA will provide a strong justification for the numbers proposed and for the resources sought to support these.

There has also been a strong focus on the potential themes of future KICs. Eight have been proposed, complementing the existing three (Box 4.2). Again, it is reasonable to expect that the SIA will provide a reasoned justification for the identification of these themes, and the criteria which will be applied to selecting those which are eventually taken forward. We make no evaluative comment on the themes as they are not yet formalised. A justification of the number of future KICs proposed would also be valuable. Our evaluation interviews have demonstrated that there are wide-ranging opinions on this, within the Governing Board and amongst external parties, with numbers ranging from less than five up to 20.

⁵⁷ Interviews with Governing Board members.

⁵⁸ Presentation to Stakeholder Conference

An important feature of the SIA could be the lessons learnt from the operation of the EIT over its start-up phase. The EIT has been highly innovative and has established a culture of 'learning by doing'. The lessons learnt could form an important dimension to the EIT's efforts to transform the EU's innovation landscape. This is particularly so regarding the question of the simplification of the EU's financial rules and regulations. The SIA could set out what changes to these it wishes to promote on the basis of its experimentation and experience. This would add substance to the statement in the SIA leaflet that "any rules applying to the EIT will have to remain tailor-made and fully flexible to fit with the EIT's mission".

Box 4.2 Suggested themes for future KICs

- Added value manufacturing
- Ageing population
- Biotechnology
- Food 4 Future
- Healthy childhood
- Human learning
- Security/safety
- Territory and smart cities
- Climate Change
- Future ICT
- Sustainable energy

Source: EIT Stakeholder Conference.

The process of preparing the SIA has been described by one involved as a 'bit of a roller-coaster'. At an early stage (Summer 2010) the Governing Board decided that they did not share the same vision of the content of the SIA as the EC and that the EIT would take full responsibility for the production of the draft SIA. At this point the Governing Board established a small 'writers group' which has taken responsibility for producing the SIA. The EIT HQ was expected to support this but has lacked the resources to do so fully⁵⁹. The writers group consists of: Anders Flodström – Vice Chairman of the EIT Governing Board; Giovanni Colombo – Member of the EIT Governing Board; Lena Adamson – Contracted Expert to the EIT, and Mathea Fammels – EIT Senior Strategy Officer. We are told that Governing Board members have personally written much of the document.

The timetable for the production of the SIA has also been subject to change. The original timetable was amended in January 2011 when it was decided that the June 13th deadline should be moved forward to

⁵⁹ Evaluation interviews

31st May to allow DG EAC time for Impact Assessment and consultation. Then on 16th February the GB decided they wanted a first stable draft by 1st March with a Draft Final Draft to be completed by 1st April, and a Final Draft by 8th April. The Final Draft remains incomplete as the EIT HQ reports that changes are still being made to the draft in late April/early May and that further changes may be anticipated following a meeting between the Governing Board and senior officials of DG EAC in mid-May.

There appears to have been limited consultation regarding the draft SIA, particularly around the potential themes. The EIT HQ is firm in its statement that this is the responsibility of DG EAC not of the EIT. During the Stakeholder Conference there was strong criticism made of the lack of consultation to date. The Governing Board members responded with a commitment that the Conference represents the beginning of the Consultation process.

The manner in which the SIA has been drawn up, and key features of its content – such as the selection of themes - determined, raises a number of questions relating to the transparency of the EIT's activities, the operational role assumed by the Governing Board and relationships between the EIT and the European Commission. These points are considered further in the section on Governance.

5.0 Relevance and Complementarity of the EIT

5.1 Relevance of the EIT

5.1.1 EIT objectives

The EIT states that it was set up in March 2008 “with a view of increasing Europe’s innovation impact and of becoming a key driver of sustainable European growth and competitiveness”⁶⁰.

To do so it identifies a number of areas where it seeks to make an impact⁶¹:

- To address societal challenges;
- To foster world-class innovation hotspots;
- To turn ideas into business creation through entrepreneurship;
- To promote the attractiveness of entrepreneurial education by EIT-labelled degree programmes.

The means of doing this is primarily to be achieved through the establishment of integrated Knowledge and Innovation Communities, which integrate higher education institutions, research organizations and businesses.

The establishing Regulation set out a number of objectives for the EIT (Box 5.1)⁶². The EIT has adapted these to its own model but overall has maintained the spirit of the objectives as set out. The one area where the EIT has, in practice, developed a new objective is in its focus on developing world-class innovation hotspots through the promotion of Co-location Centres. Otherwise the objectives are largely comparable, although with a more explicit emphasis on stimulating entrepreneurship and entrepreneurial education.

Box 5.1 Objectives of the EIT as set out in the Regulation⁶³

General Objective

“to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the EU by promoting and integrating higher education, research and innovation of the highest standards”

⁶⁰ SIA leaflet

⁶¹ EIT publications, Stakeholder conference statements (AVG)

⁶² EIT Regulation, see also Section 1: Introduction.

⁶³ Adapted from EIT establishing Regulation

Specific objectives:

- To facilitate and enhance networking and cooperation and create synergies between innovation communities in Europe
- To address strategic long-term challenges for innovation in Europe, particularly in trans- and/or interdisciplinary areas including those already identified at European level
- To give priority to the transfer of its higher education, research and innovation activities to the business context and their commercial application, as well as to supporting the creation of start-ups, spin-offs and small and medium-sized enterprises (SMEs)
- To primarily operate through excellence driven, autonomous partnerships of higher education institutions, research organisations, companies and other stakeholders in the form of sustainable and long-term self-supporting strategic networks in the innovation process
- To attract partner organisations, researchers and students from all over the world, including by encouraging their mobility, as well as to cooperate with third country organisations

Source: adapted from EIT Regulation

There is a consensus amongst those interviewed for this study that the stated objectives of the EIT are all relevant. External perspectives on the EIT, which were originally hesitant about the proposals, are now more strongly positive, with several of those interviewed stressing the relevance of the objectives of the EIT to Europe. One external respondent suggested that, initially, the objectives of the EIT were not well understood but that the approach is now much clearer.

The focus on societal challenges is widely applauded and there is broad agreement that focusing on existing centres of excellence is appropriate. Not only does this provide better access to existing expertise – with one respondent highlighting the fact that the “EIT corresponds to existing centres of excellence in the fields” – but, as another respondent suggests, the focus on co-location centres will also assist in building the necessary critical mass at a regional level for innovation. A word of caution was sounded by one respondent who noted that it is not possible “to have world-class facilities in every region”. This is not an objective of the EIT, which seeks to build on existing expertise, but is indicative of an emergent debate.

The focus on integrating the knowledge triangle is warmly welcomed by all those interviewed for the study. The HE dimension to the EIT is acknowledged as particularly relevant by all, with one KIC partner noting that there is no equivalent to the EIT in terms of a programme which is open to both education and to industrial involvement. Another respondent highlights that Europe needs more people who are both researchers *and* entrepreneurial. Respondents who are not involved in the EIT regard this human capital approach as highly relevant and consider this the unique contribution which the EIT is able to make to stimulating the capacity for innovation in the EU.

The emphasis on entrepreneurship is regarded by most respondents to be a relevant approach. The OECD for one notes that this is in line with its own initiatives seeking to promote more HE engagement with entrepreneurship. A warning was sounded by two respondents though that the emphasis places a

risk of overly-focusing on the industrial and business dimension of entrepreneurship and underplaying the role of HE.

5.1.2 Relevance of the objectives to the challenges identified

The EIT has been designed to respond to a number of weaknesses within Europe⁶⁴. These are intended to contribute to the overall goal of increasing sustainable economic growth and employment. This objective remains strongly relevant, as does the means of achieving this. The innovation gap with the EU's key competitors remains, whilst other competitors are beginning to close their innovation gap with the EU. The EIT is a part of the potential solution to these issues of course and we should consider the extent to which its objectives are proving relevant to the identified needs to develop conditions which are attractive to investment in knowledge and innovation in Europe, and which might contribute to boosting competitiveness, growth and jobs in the EU.

It is important to add the caveat here that the EIT can only play a part in developing the conditions which are attractive to investment in knowledge and innovation in Europe. It is not, and cannot be, regarded as the solution to all of Europe's problems in this area. Neither its approach, nor the financial resources available, are sufficient to tackle the broader problems generally associated with the EU's wider performance in innovation and research activity.

Although attention often focuses on the low levels of R&D activity and expenditure in the EU, this is not a matter for the EIT. Instead the EIT is about improving the performance of existing levels of investments and activity. In doing so it addresses one of the fundamental issues for the EU – how to boost the productivity of research activity and realise the value of this activity. Recent research on the topic concludes that “there exist large cross-country differences in terms of measured efficiency...(and)...there appears to be a divide in efficiency levels between old and new Member States” (Conte et al 2009, p.5)⁶⁵, with efficiency levels highest in old Member States, owing to higher levels of R&D activity. The challenges facing EU firms in this area were also raised by the 2010 Competitiveness Report which noted that foreign firms in EU tend to have lower innovation inputs for same level of outputs compared to domestic firms⁶⁶.

One means by which the EIT seeks to achieve higher levels of efficiency is through stimulating increased levels of integration between those involved in research and innovation activities. It is widely accepted that the EU suffers from a fragmentation of these activities, across relatively closed national systems⁶⁷. In seeking to stimulate stronger levels of integration the EIT also reflects recent academic thinking on the drivers of innovation - based upon models of open and collaborative innovation, the development of shared intellectual property and the crucial role of human capital in models of endogenous development. In this respect its conceptual approach accords with the latest academic thinking on economic growth in developed economies.

⁶⁴ See, for example, Assessment of the feasibility and possible impact of the establishment of a European Institute of Technology, 2006, European Parliament

⁶⁵ Conte, A; Schweizer, P; Dierx, A and Ilzkovitz, F (2009) An analysis of the efficiency of public spending and national policies in the area of R&D. European Commission - General Directorate Economic and Financial affairs

⁶⁶ Competitiveness Report 2010

⁶⁷ European Parliament (2006) EIT: assessment of the feasibility and possible impact of the establishment of a European Institute of Technology

Collaboration between actors does occur within Europe, a range of EU and national programmes have been initiated to promote closer ties and the transfer of knowledge, but it is argued these ties are weaker than those which the EIT is seeking to stimulate. One KIC CEO has already commented that the “multilateral hookups” of the KIC would not have been possible in the absence of the KIC. Levels of existing collaboration are also partial. There is much evidence to suggest that business involvement in the development of educational courses offered by Higher Education Institutes is very limited. For example, within the EU, only around one tenth of graduate employers say they cooperate with higher education institutions in discussing curriculum design and study programmes⁶⁸; 6% said they very frequently cooperated, 8% said this had happened rather frequently. Despite several years of encouragement there is also a culture of limited engagement between Universities and business when it comes to research and innovation. This suggests that the notion of generating a ‘step-change’ in the EU’s innovation landscape is a relevant goal.

The concept of the EIT is, unambiguously, an ‘elite’ model. It is designed to strengthen the performance of the EU at the highest levels within a global market. As the authors of the European Parliament report on the proposals for the EIT acknowledge “Compromising its goal of excellence will render the initiative useless” (EP 2006 p.iv)⁶⁹. This accords with the core element of the EIT approach - that of stimulating the integration of existing centres of expertise through geographically focused co-location centres. Again it also accords with academic thinking which highlights the value of cluster development and the role of geographical proximity in knowledge creation. The co-locational model being developed is highly relevant in considerations of agglomeration economies, models of cluster development and the notion of ‘learning regions’. The role of geographical proximity in stimulating and exploiting knowledge spillovers is now well-rehearsed, with positive externalities further supporting the endogenous development of surrounding territories.

This approach also recognises that across the EU there are many centres of world-class activity⁷⁰ and that these can form the foundations of a strong EU innovation-based economy. It is useful to recall that the original Impact Assessment for the concept of an EIT noted how it was envisaged that the EIT would “act as a pole of attraction (bringing together) the best minds, ideas and companies from around the world... and disseminating the results throughout Europe”⁷¹ (p.18). Yet, it is important not to be complacent, relatively few EU Universities are regarded as globally excellent, most are average, the quality of facilities is regarded less highly by overseas students compared to Universities in the US and, overall, universities in the EU are regarded as traditional rather than dynamic.

Strengthening centres of existing expertise in the EU may assist in overcoming one of the EU’s greatest challenges, its declining share of global innovation activity and the rising pace of global competition. The EIT’s emphasis on stimulating stronger levels of integration and the development of greater levels of critical mass may also assist the EU to compete in this global arena. Again though, the challenge for the

⁶⁸ Eurobarometer November 2010 Flash EB No 304 – Employers’ perception of graduate employability

⁶⁹ European Parliament (2006) European Institute Of Technology: Assessment Of The Feasibility And Possible Impact Of The Establishment Of A European Institute Of Technology (IP/A/ITRE/IC/2006-157)

⁷⁰ European Parliament (2006) EIT: assessment of the feasibility and possible impact of the establishment of a European Institute of Technology

⁷¹ Proposal for a Regulation of the European Parliament and of the Council on the European Institute of Technology Impact Assessment 2006 SEC (2006) 1313/2 p.18

EU is to realise the value of its strengths in research, where it is closing the gap on competitor economies⁷².

In seeking to realise the value of the quality research and education⁷³ underway in the EU, the EIT has chosen to emphasise the notion of entrepreneurialism. This is widely recognised as an area where the EU underperforms compared to competitor economies, with many reasons suggested for why this might be so from cultural barriers through to excessive regulation and market failure. Some regions and Member States are more active than others, although high levels of small enterprises do not necessarily equate to dynamic, high-growth economies. It is now accepted that entrepreneurialism is about more than simply starting up new businesses. Entrepreneurialism is about value creation and/or stimulating sustainable change⁷⁴, it is about creating a culture where individuals seek to realise the value of the knowledge being generated. Stimulating cultural change and skills development is an area where the EIT is well-equipped to exert influence. One area where the EIT is able to make an impact here is in raising the profile of entrepreneurial skill development within EU Higher Education Institutions. It has long been envisaged that the EIT could foster modernisation, restructuring and innovation in the HE sector and nurture entrepreneurial mindsets⁷⁵. About half of all EU HEIs currently offer entrepreneurial education, reaching about a quarter of all EU students (5m out of 21m) but this is mainly linked to business schools and economics courses⁷⁶.

The importance of human capital to innovation is widely accepted. Highly skilled, creative and entrepreneurially minded individuals are required throughout organizations that wish to compete globally. There is a widespread recognition that those economies that can attract, develop and retain talented individuals will maintain and strengthen their competitive position. The opportunity that the EIT offers to focus on this human capital dimension is thus highly relevant to its objective of stimulating the innovation capacity of the EU and Member States.

The focus of the EIT on tackling societal challenges is regarded by many of those contacted for this research as highly relevant. However, some have also highlighted the challenge of stimulating the competitiveness of businesses in the EU. This view has been put forcefully by industry bodies. How, or if, these two elements can be harnessed together is a crucial question for the development of the EIT.

In summary, the approach that the EIT is taking is not only relevant to the broad challenges facing the EU's economy but also conceptually relevant to the promotion of innovation. The means required for innovation to occur, typically highlighted by writers on innovation such as Steven Johnson (Box 5.2), are all at the heart of the activities being promoted by the EIT.

⁷² UNI-MERIT/European Commission, (2011). Innovation Union Scorecard 2010. [online] P16

⁷³ UNI-MERIT/European Commission, (2011). Innovation Union Scorecard 2010. [online] P16

⁷⁴ Survey of Entrepreneurship in Higher Education in Europe

⁷⁵ Proposal for a Regulation of the European Parliament and of the Council on the European Institute of Technology Impact Assessment 2006 SEC (2006) 1313/2 p.18

⁷⁶ NIRAS Consultants, FORA, ECON Pöyry, (2008). Survey of entrepreneurship in higher education in Europe – Main Report.

Box 5.2 Where do new ideas come from?

- Innovative people
- Innovative organisations
- Incubation of ideas
- Combining of knowledge
- Connectivity between people and ideas
- Supportive spaces

Source: adapted from Steven Johnson⁷⁷

It is but a short step for the EIT to develop its thinking further to question how to realise the value of those ideas once they have been generated. In doing so it is placing an increasing emphasis on entrepreneurship; which the EIT regards as the central driving force of innovation in the EIT and the KICs⁷⁸. An emphasis that will lead to:

- new products and services for existing industry,
- new businesses and SMEs; and
- better entrepreneurially minded and trained people.

In its more recent publications the EIT also stresses its role as providing a reference model or testing ground for new institutional approaches to innovation and the integration of the knowledge triangle. This is summed up well by the Chairman, Dr Schuurmans, when he emphasised that "we, Europeans, have been good at setting-up objectives and targets that have hardly been met. Now, Europe should go beyond policy co-ordination to real delivery using impactful initiatives. The European Institute of Innovation and Technology, EIT, is one such initiative. Their Knowledge and Innovation Communities (KICs) are test beds for a new kind of collaborative, entrepreneurial approach"⁷⁹.

There is broad agreement amongst those interviewed for this study that such a testbed approach is both relevant and useful. For some, the role of the EIT in testing approaches to the simplification of the EU's rules and regulations is of particular relevance. Others regard the set up phase of the EIT as having offered a valuable opportunity to learn from the experience to date. The EIT itself chooses to emphasise the learning process highlighting the importance of continuous learning between the EIT and the KICs, to

⁷⁷ Steven Johnson 2010 *Where Good Ideas Come From: The Natural History of Innovation*. Riverhead see also http://www.ted.com/talks/steven_johnson_where_good_ideas_come_from.html

⁷⁸ SIA leaflet

⁷⁹ Speaking at Lisbon Council 2010 Innovation Summit. EIT Press Release

“establish and facilitate a culture that helps unlock Europe’s underused potential to leverage people, technology and business innovation for greater innovation impact”⁸⁰.

Set within this the EIT also aims to establish its own credibility, stating that it intends to be “an established and recognised driver of innovation in Europe⁸¹”, to establish itself as a “convincing new instrument for stimulating innovation in Europe⁸²”, and to develop the EIT as “a successful European Innovation Instrument⁸³”. This relates to what the EIT describes as its “overall goal” that is “to create a new European way of delivering essential economic growth and societal benefits through innovation”⁸⁴.

5.1.3 Objectives of the KICs

The objectives set for the KICs in the Regulation⁸⁵ are presented in Table 5.1:

Table 5.1 KIC objectives

	KIC objectives
1	Undertake innovation activities and investments with European added value, fully integrating the HE and research dimensions to attain critical mass and stimulating the dissemination and exploitation of results.
2	Undertake cutting edge and innovation-driven research in areas of key economic and societal interest and drawing on the results of European and national research, with the potential to strengthen Europe’s competitiveness at international level.
3	Undertake education and training activities at masters and doctoral level in disciplines with the potential to meet future European socio-economic needs and which promote the development of innovation-related skills, the improvement of managerial and entrepreneurial skills and the mobility of researchers and students.
4	Disseminate best practices in the innovation sector with a focus on the development of cooperation between HE, research and business, including the financial and service sectors.

These are very much operational objectives and it is useful to examine the more specific objectives that each KIC identifies. The three KICs all share a common focus on entrepreneurship, education (both entrepreneurial and other specific skills) and innovation. The objectives of EIT-ICT labs provide one example of this (Box 5.3). All aspire to global or sectoral leadership. There is also a strong emphasis within each of the KICs on the co-location centres which form part of their structures.

⁸⁰ Strategic Innovation Agenda Information Leaflet (http://eit.europa.eu/fileadmin/Content/Downloads/PDF/SIA_Conference/PDF/SIA_Information_Leaflet.pdf)

⁸¹ Triennial Work Programme 2011-13 p.7

⁸² Triennial Work Programme 2011-13 p.12

⁸³ Triennial Work Programme 2010-12 p.4

⁸⁴ EIT Factsheet <http://eit.europa.eu/about-eit/at-a-glance/milestones.html>

⁸⁵ Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

Box 5.3 Objectives of EIT ICT-Labs

The mission of EIT ICT Labs is to make Europe a global leader in ICT Innovation:

- Breed entrepreneurial ICT top talent via the transformation of higher education to promote creativity and entrepreneurial spirit
- Speed up ICT innovation through providing (experimental) ICT Labs for researchers, innovators and entrepreneurs
- Generate world-class ICT business via broader and faster industrialization of research results

Source: adapted from EIT ICT-Labs Business Plan 2011

The integration of the knowledge triangle is a recurring theme, most clearly expressed in the following part of the mission statement of KIC Innoenergy:

“InnoEnergy will build more agile and dynamic interfaces between industry and academia as well as a new partnership among all stakeholders facilitating knowledge-sharing and cross-fertilisation. Innovation knowledge existing but fragmented throughout Europe will be connected and synergies identified. Moreover, central to the mission of InnoEnergy are people as the drivers of innovation. Thus, the joint venture will strive for the development of leaders in technology and entrepreneurship, and promote and disseminate the entrepreneurial mindset throughout the knowledge triangle”⁸⁶.

The focus of activity is also clear for Climate-KIC: entrepreneurship, education and innovation. Its intent to forge a single innovation space integrating the knowledge triangle is also strongly stated, with the message that: *Climate-KIC should build critical mass and forge alliances among existing businesses and new businesses with the aim of creating partnerships that jointly cover all elements of emerging value chains*⁸⁷.

It is apparent that the objectives of the three KICs all reinforce the focus which is established by the EIT. This provides a consistency of purpose and a coherence in approach. Together they contribute to the overall objectives established for the EIT.

5.2 Complementarity with EU policies

The EIT is intended to complement existing Community and national policies and initiatives by fostering the integration of the knowledge triangle⁸⁸ in support of innovation.

5.2.1 The policy framework

At the European level there has been a steady stream of policy statements about the importance of innovation⁸⁹ since the mid-1990s, with a dramatic upturn from 2000 onwards. The publication of the

⁸⁶ KIC Innoenergy Triennial Workplan 2011-13 p.7

⁸⁷ Climate KIC Business Plan 2011 p.4

⁸⁸ Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

Lisbon Strategy in 2000⁹⁰, and its review in 2005⁹¹, proved to be a turning point in launching the research and innovation agenda and its embedding in European policies. The emphasis on stimulating research and innovation was subsequently maintained in a series of publications⁹² as well as being embedded in the Commission's principal policy programmes planned from 2007 onwards, i.e. the Structural Funds, the RTD Framework Programmes (FP4, FP5, FP6 and now FP7) and the Competitiveness and Innovation Framework Programme (CIP).

Maintaining the momentum, the 2006 Spring Council called for the development of a broad-based innovation strategy, reflecting the issue's importance, but also the need for an overarching framework, given the range of innovation-related policies and activities, and the many cross-sectoral components covered. The Council Conclusions of December 2006 and Commission Communications on "*Putting knowledge into practice: a broad-based innovation strategy for the EU*"⁹³ and "An innovation-friendly modern Europe"⁹⁴ provided further detail on setting innovation objectives and types of activities required. More recently, Europe 2020 with its emphasis on smart, sustainable and inclusive growth, and associated flagship initiatives such as that on Innovation Union, continue to illustrate the important role that the EIT can play in helping to achieve key objectives of EU policy.

The focus on research and innovation policies has been renewed with the advent of the new Commission in 2010. For example Research, Innovation and Science Commissioner⁹⁵ Geoghegan-Quinn has recently been reported as planning a "step-change in innovation policy"⁹⁶, heralding in particular a greater emphasis on the cross-cutting nature of the innovation agenda, as well as a commitment to measure the outcomes of R&D investment more robustly and to set different targets for R&D spending by individual Member States within the overall 3% of GDP target.

The EIT is one of four dimensions to EU research and innovation funding and initiatives in the current programming period (2007-2013) identified in the Green Paper published by the European Commission proposing a common strategic framework for research and innovation in the future. The other aspects are the 7th Framework Programme, the Competitiveness and Innovation Programmes (CIP) and Cohesion Policy. The EIT is in strong company, the budgets of each of these for research and innovation activities range from €3.6bn for the CIP to €86bn through the Structural Funds in the current programming period.

The Commission proposes a common strategic framework to provide coherent goals and shared strategic objectives. In the Green Paper the Commission also suggests that "various evaluations have also identified a number of shortcomings and deficiencies, in particular the lack of a whole chain approach to research and innovation, the complexity of instruments, over-bureaucratic rules and procedures and a

⁸⁹ See for example CEC 1995 Green Paper on Innovation; CEC 1996 First Action Plan for Innovation in Europe; CEC 2000 Challenges for enterprise policy in the knowledge-driven economy; CEC 2000 Innovation in a knowledge-driven economy

⁹⁰ European Council of Lisbon March 2000

⁹¹ CEC (2004) Facing the challenge - the Lisbon Strategy for growth and employment

⁹² CEC (2005) More Research and Innovation – a common approach; Aho Report 2006

⁹³ CEC (2006) 502 final: Putting knowledge into practice: A broad-based innovation strategy for the EU, 13.09.2006

⁹⁴ CEC (2006) 589 final: An innovation-friendly, modern Europe, 12.10.2006

⁹⁵ This post is itself an innovation, in expanding the role of the previous science and research portfolio

⁹⁶ <http://www.euractiv.com/en/innovation/eu-commissioner-planning-step-change-in-innovation-policy-news-493693>

lack of transparency” (p.5) which future development of Commission actions in this area need to address. This forms an important context for the future development of the EIT.

The EIT also features explicitly in two of the EU’s recently published Flagship Initiatives: Innovation Union and Youth on the Move. The Innovation Union Communication portrays the EIT as a new model for innovation governance and finance in the EU, arguing that it is “a pioneer and a role model” (p.13)⁹⁷, a sentiment which is also emphasised in the Green Paper. The Innovation Union also argues that the EIT should “set out a Strategic Innovation Agenda to expand its activities as a showcase for Innovation in Europe” (p.13). In the Youth on the Move Communication, the role of the EIT in stimulating entrepreneurial education is highlighted as a means to “step up the entrepreneurship mobility of young people” (p.19)⁹⁸.

The wider policy context in which the EIT is set is also highlighted in the Communication: Regional Policy contributing to smart growth in Europe 2020 (Com(2010) 553 Final). Here, DG Regio, identifies the potential contribution that EIT, and more especially the KICs, can make to regional policy strategies, under the heading Embedding Lifelong Learning in Research and Innovation. The role of the KICs, and the universities and co-located institutions involved, are regarded as potential contributors to the development of ‘smart specialisation’ strategies within Europe’s regions.

At a policy level then it is readily apparent that the EIT not only complements current aims and objectives, but is also explicitly acknowledged across a diverse policy base covering enterprise, research, education and regional policy. Links between the work of individual KICs and other policy areas, such as the recent Communication on a Resource Efficient Europe can also be clearly identified. Whilst this wide-ranging relevance is to be welcomed it might also be seen as a challenge. It is crucial that in seeking to develop over the coming years the EIT is able to focus upon its core objectives and develops a coherent approach to achieving these. Yet, the success of the EIT may also be judged on its ability to support wider objectives of the EU.

5.2.2 Programmes and initiatives

In terms of the extent to which the EIT complements other EU programmes, it is readily apparent that there exist a wide range of programmes, initiatives and instruments seeking to address the challenge of stimulating innovation in the EU. This is partly the consequence of the explicit aim of the EIT to integrate different facets of the knowledge triangle in support of innovation and partly due to the plethora of EU supported activities in particular areas. A selected list of initiatives and programmes is set out in Annex 8.

Indeed it is the view of one observer that the EIT represents an institutional novelty but offers little added value⁹⁹. However, although the landscape is undoubtedly crowded it is also apparent that the EIT is unique not only as an institution but also in its offer. No other instrument combines the educational, research and enterprise dimensions to such a scale, nor does any other instrument seek to combine the

⁹⁷ European Commission (2010) Europe 2020 Flagship Initiative Innovation Union. Brussels, 6.10.2010 COM(2010) 546 final

⁹⁸ European Commission (2010) Youth on the Move: An initiative to unleash the potential of young people to achieve smart, sustainable and inclusive growth in the European Union COM(2010) 477 final

⁹⁹ Didier, A. (2010) The European Institute of Innovation and Technology (EIT): A New Way for Promoting Innovation in Europe. College of Europe Bruges Political Research Papers No.13

partners within a single legal entity. Some initiatives do address the entrepreneurialism agenda and the HE sector, such as those promoted by DG Enterprise, but these tend to be relatively small and to exclude the research dimension.

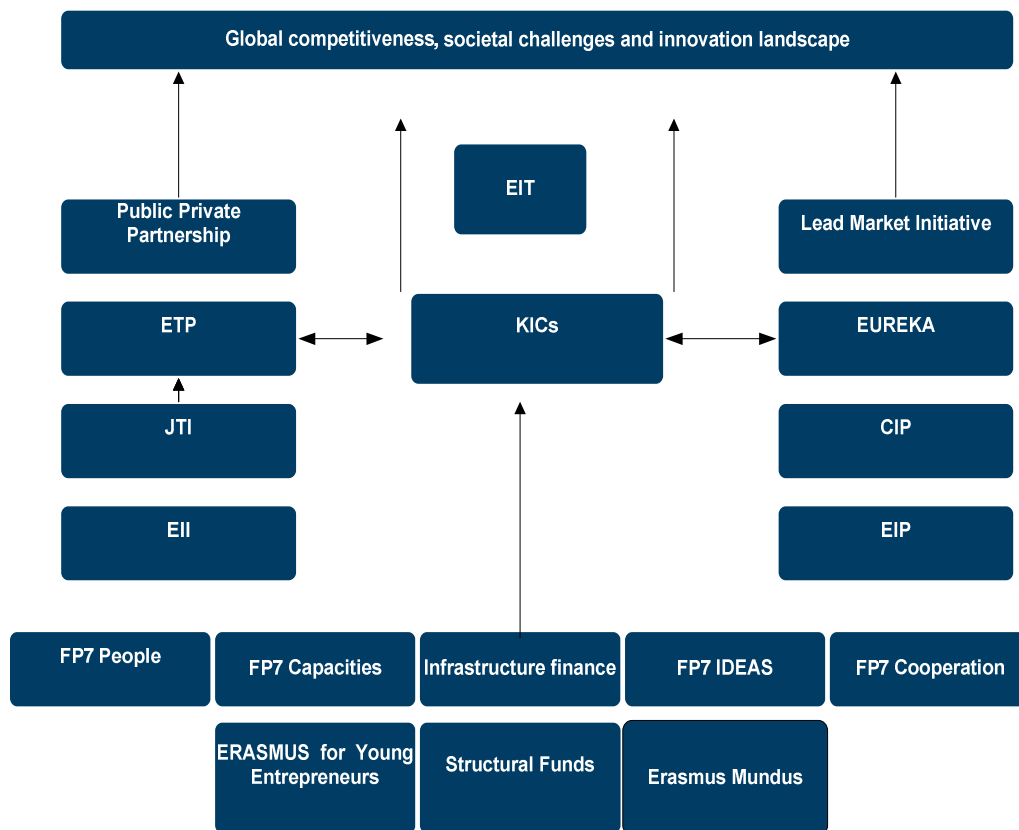
A number of those consulted for this study acknowledge that a lot of instruments already exist which link businesses and research, but they emphasise that there is no HE component to these. This is the case for both European Technology Platforms and Joint Technology Initiatives, which are often regarded as the closest cousins to the KICs. It is the inclusion of the HE dimension which is recognised as the novel part of EIT. The independent structure of the EIT and the KICs are also highlighted as a strong differentiating factor. In essence the EIT is contributing to the development of a new institutional landscape for innovation in the EU.

The EIT also reflects the regional reconfiguration of research thinking (as illustrated by the Regions of Knowledge and Research Potentials dimensions of the FP7), as well as the development of territorially focused cluster initiatives. However, once again, the KICs and the EIT are very different from these programmes which tend to focus upon individual regions and lack the structures to fully integrate knowledge which is being generated from outside of the region. This provides a strong potential for the EIT and KICs to add value to these initiatives, and to other cluster-based activities.

In practice the EIT offers a valuable opportunity to assist in delivering the objectives of a range of these programmes as there is no reason that the capacity and capability developed by the EIT should not then engage in wider EU programmes. If done intelligently this could play a powerful role in contributing to the step-change in the innovation landscape of the EU foreseen by Commissioner Geoghegan-Quinn. The EIT may not be the answer to the EU's innovation difficulties but it may form an important part of the answer.

A schematic of the potential relationships is set out in Figure 5.1. The EU programmes which could potentially support the development of innovation capacity within the KIC are set out in the base of the Figure. National or regional programmes might also play a role here. The vertically arranged programmes are those which are tackling identified EU challenges in some manner (either through a sector, technology or societal theme approach) and which the KICs also contribute to. The EIT provides a means to synthesise the work of the KICs, to act as a high-profile interface and to support mutual learning and on-going development. It can also act as an influential lobbyist in its sphere of competence.

Figure 5.1 Schematic representation of potential complementarity



In summary, EU programmes could support the development of KIC capacity and capability through investments in institutions which participate in a KIC. KICs themselves provide a particular input to addressing identified societal challenges and developing the global competitive performance of the EU. Strong potential linkages could develop with other initiatives which have similar aims but take a different approach. The EIT itself offers an opportunity to synthesise the lessons learnt through the actions of the KICs to shape the future development of the EU’s innovation landscape and to become a credible player on the world-stage. It’s activities at this level could be enhanced through constructive engagement with other like-minded initiatives.

However, at present we find no evidence of the EIT seeking to explicitly develop linkages with potential complementary programmes and initiatives. The language has been more strongly directed towards differentiating the EIT rather than demonstrating where joint arrangements might add additional value. In practice, any complementarity appears to be a matter for the KICs to pursue rather than be developed at a more strategic level by the EIT. Within the KICs we find no evidence of these potential avenues of complementarity being explicitly drawn out, although they are certainly present.

This is not to say that the EIT is not beginning to have an influence. We are aware for example that DG INFSO has recently taken into account the EIT-ICT LABS in its development of a new call for proposals for research and development actions under the FP7 Cooperation Programme.

What is clear from Annex 8 is the complex landscape of initiatives which have emerged over time at the EU level, particularly the range of themes being addressed. It is not for the EIT to seek to simplify this congested geography, however, it does need to be able to chart its position within it.

6.0 Securing the EIT's objectives

6.1 Mission and objectives of EIT in practice

In this chapter we review the available evidence to describe how the KICs have been appointed and set up, the structures adopted and the activities upon which they are embarking. This allows us to assess the extent to which it is likely that the KICs will deliver the objectives the EIT has set for them.

6.1.1 KIC objectives and structures

The objectives set for the KICs in the Regulation¹⁰⁰ were presented in Table 5.1 in Section 5.1.3, above. The first call for proposals for KICs was launched on 2 April 2009 (with an August deadline), and the first three successful KICs were appointed on 16 December 2009¹⁰¹. These are:

- Climate KIC
- InnoEnergy KIC
- EIT ICT-Labs

Contractual arrangements between the KICs and the EIT were completed in December 2010 (InnoEnergy and ICTLabs) and February 2011 (Climate KIC). As noted elsewhere (see Annex 7), the negotiation period between the appointment of the KICs and the signature of the Framework Partnership Agreements was longer than originally envisaged. This has meant that KICs have only relatively recently been able to start the delivery of activity. However, we have been able to gather data and information regarding the initial structuring of KICs, their plans for future activity¹⁰², together with some examples of current activity. Reflecting the early stage of development of the EIT/KICs the findings here rely mainly on qualitative information gathered via stakeholder consultations, together with published material from KICs' own presentations (based on the original applications).

The following Business Plans provide information on how the KICs have evolved since the initial application stage:

- Climate-KIC Revised Business Plan 2011 (10 February 2010);
- EIT KIC InnoEnergy Tri-annual Work Programme 2011-2013 (25 October 2010);
- EIT KIC Labs – Business Plan 2010 and Business Plan 2011 (version 1.2, 23 July 2010).

InnoEnergy is a commercial company (Dutch legal entity) now comprising 29 shareholders or 'formal partners'¹⁰³, reduced from 35 included in the original application. In addition, there are 60 'associated partners' and 'network partners'. Of the total of 89 shareholding and associated partners 44 are industrial,

¹⁰⁰ Regulation (EC) No 294/2008 of the European Parliament and of the Council establishing the EIT

¹⁰¹ from a shortlist of six candidates

¹⁰² From material contained in the KIC Business Plans covering 2010, 2011, 2012 and 2013

¹⁰³ The TWP reports the assumption that this will increase to 40 by 2013

15 are research centres, 28 universities and 2 business schools)¹⁰⁴. Comparing this with information gleaned from the initial InnoEnergy presentations the number of partners appears to have increased, while the co-location structure (based around six geographical nodes constituted as separate legal entities) appears to have remained stable. An Executive Board comprises the CEO, Chief Financial Officer, and the six co-location centre Managers and is supported by an IP Board, a Scientific Board and (potentially) an Industry Board. Each Co-Location Centre also has its own Board.

Climate-KIC proposed a structure which was significantly different from the other two KICs at the application stage; seeking to marry core corporate partners with co-locational clusters (CLCs) and geographically discrete regional innovation and implementation communities (RICs). The relevant Business Plan reports a significant re-structuring at the end of 2010 and beginning of 2011. This includes the establishment of a legal entity. As contracted, the overall structure remains similar to the application and this regional dimension continues to set those KIC apart from the other two in terms of structure. CLCs Directors and RIC Coordinators are included in the Executive Team, reporting to the CEO, Governing Board and Assembly¹⁰⁵. RICs have a Steering Group and central coordinator. Overall the Climate-KIC partnership appears to have experienced some changes: while all the CLCs and RICs identified remain the same several partners highlighted at the application stage appear to have withdrawn (e.g. Bayer, Beluga Shipping, Cisco). The Business Plan indicates variations in the development of the individuals CCLs; the French one (and to some extent the German one) appear larger and the UK and Dutch CCLs comparatively less well developed.

ICT Labs has been established as a legal entity under Belgian Law (not for profit Association of all partners with limited liability), although with the aspiration to develop into a not for profit company at a later date. Like InnoEnergy the ICT Labs governance model has a 'general assembly' where all core members are represented and have voting rights. There is an Executive Steering Board and Management Committee. There are three categories of partners – Core, Associate and Affiliate, where the latter two are not members of the Association. There are 23 core partners across five nodes: comprising 10 companies, six research institutes and seven universities. The core partners in remain the same as in the application¹⁰⁶. Not all co-location nodes have chosen at this stage to set up their own legal entities. For example the Helsinki node has opted to continue to operate as a three-partner consortium and has not established a legal entity, whereas the Stockholm node has. In the future the Helsinki node may opt for a legal entity, in particular to provide a mechanism for the node as a whole to own any IP rights.

The **co-locational dimension** of the KICs was an important feature of the call and of the scoring criteria. Whilst all of the selected KICs meet the criteria of 6-8 co-locational nodes. The analysis above suggests that, fundamentally, the co-location approach remains largely intact. Governance and legal arrangements are being put in place and partnerships finalised. How these will operate in practice remains to be seen.

A simple geographical analysis illustrates that in some cases organisations that are identified to be within a co-locational node may lie some distance from each other (for example Madrid and Barcelona, and the various nodes with the Central Alps Valley co-location). Within ICTLabs organisations in Saarbrücken

¹⁰⁴ As reported in the 2010 Business Plan from October 2010

¹⁰⁵ Revised Business Plan, 10 February 2011.

¹⁰⁶ In the Paris CC, Thomson SA has changed its name to Technicolor.

and Darmstadt appear to fall under the Berlin Co-location banner despite being hundreds of kilometres away, and the same is the case for Rennes and Nice, which are part of the Paris node.

As mentioned above, the Climate KIC is significantly different from the other two KICs in one important respect in that it includes a set of nodes in addition to the co-locations built from academic and business partners: these are the Regional Innovation and Implementation Communities (RICs) built around mini-partnerships with a regional basis, involving government actors for example. It is not clear at this stage how these will articulate with the structure as a whole, neither is it clear how some of the co-locational nodes identified are represented in practice, being little more than one institution in some cases. Whereas the ICT Labs KIC has allocated specific subject areas for research to individual co-location centres, Climate-KIC has adopted a different, more centralised, approach.

The key issue going forward is the extent to which the objective to stimulate productive collaboration within and between co-locations/nodes is likely to be achieved, and the degree to which there is an issue of distributed (de-centralised or devolved) activity within nodes and conversely a need to for centralised control; since it could be argued that if all the co-locations contain all the necessary components of the innovation chain (as was required by the application process) then the need for centralised action may be limited. At the same time the benefits of cross-fertilisation between nodes will depend very much on the sub-thematic activity within these and whether there are any potential synergies (again this is something that should have been addressed at the application stage and reflects on the approach adopted to the main overarching theme).

From our preliminary analysis there appears to be some diversity in the interpretation of the co-location requirement. The call for proposals suggests that it represents lead nodes where geographically distributed people can be brought together to work for significant periods of time. Arguably, this does not require more than one institution to be involved in the co-locational node. Alternatively a co-locational node might be regarded as a geographically proximate cluster of activity, enabling the generation of positive externalities and knowledge spillovers and so generating additional economic and knowledge-based benefits. A third model could envisage co-locational nodes as the hubs of specialised and integrated knowledge networks, as is suggested by the provision for each co-locational node in a KIC to lead on a particular theme.

At present the KIC models adopted appear to be a hybrid of these three approaches. The approaches add a degree of complexity to the overall management and co-ordination of the KIC and realising the potential benefits intended by the idea of co-location will deliver challenges. How effective this will be depends upon the implementation of the idea of co-location in practice.

The evidence from the consultations indicates wide agreement on the importance of the concepts that underpin co-location¹⁰⁷ and the potential benefits: the value of bringing teams together in one place (especially where research projects are complex), providing a 'centre of gravity'¹⁰⁸, and the role it can play in ensuring sustainability over the longer term (accessing complementary funding sources such as Structural Funds for example). The value of establishing a hub or focal point at a physical location (where people can come together) is also recognised by KICs. Consultees also highlighted the potential benefits

¹⁰⁷ KIC interview: "Physical proximity can be a key to successful collaboration at local level, particularly for business start-ups".

¹⁰⁸ EIT Headquarters interviews

of linking between co-location centres – networking the partners in different countries to provide access to a wider group of collaborators, with respect to access to finance for example (where start-up or growth businesses might have searched locally before, they might now have access to a broader range of potential backers).

Several KICs also recognise potential pit-falls of failure to develop a successful co-location strategy – notably the danger of nodes competing rather than collaborating; suggesting the need for KICs to keep stressing the importance of the European dimension of KICs. The EIT also recognises the need to develop cross-KIC and intra-KIC collaboration and also plans to visit 12-15 co-location centres¹⁰⁹. The need to ensure integrated collaboration across co-location centres and eliminate barriers (including cultural ones) is also recognised by the EIT Governing Board¹¹⁰.

In general, it remains too early to assess how the co-location dimension will play out in practice, although the EIT's view is that this development aspect of KICs is progressing satisfactorily, albeit at varying speeds¹¹¹. However there are a number of examples of activity in this field. For example:

In **ICT Labs**, the idea of physical nodes in small geographical areas is considered to be very important. Helsinki and Stockholm were hot-spots already, but even where there was collaboration previously (e.g. Helsinki-Stockholm) it is considered that EIT/KICs adds a significant new dimension.

In **ICT Labs** Helsinki co-location a new facility will be built (*'Open Innovation House'* due to open June 2012) and ICT Labs will occupy two of the floors (200 sq. metres). Project teams will spend time there working together: it will be a magnet and meeting place. KIC partner Nokia will lease space from the university, which will own the building. The investment has been made by the university but EIT funding will support activities that take place within it.

In conclusion, the patterns of co-location design and activity are variable across the KICs, all are demonstrating valid and appropriate approaches, this should not necessarily be seen as problematic at this early stage. The extent to which any particular approach is more effective will only become clear later in the development process.

6.1.2 Current and planned KIC activity

The KIC Business Plans provide a useful source of data that indicates both the scale and focus of intended activity over the period 2011-2013. The table below sets out planned expenditure by a series of activity categories that broadly reflects the categorisation used by KICs in their Business Plans.

¹⁰⁹ EIT Headquarters interviews

¹¹⁰ EIT Governing Board interviews: re the challenge of KICs operating as one whole team rather than as 'coordinated individual teams'.

¹¹¹ EIT Headquarters interviews

Table 6.1 Planned KIC expenditure 2011-2013 (as a percentage of the totals)

	2011	2012	2013
InnoEnergy			
Education	21.5	26.7	24.4
Innovation Projects	67.0	64.6	68.8
Enterprise	2.1	1.5	1.1
Innovation Infrastructure	3.2	3.4	2.8
Management and Admin	6.2	3.9	2.9
ICT			
Education	13.6	23.0	25.5
Innovation Projects	73.1	59.6	58.2
Enterprise	7.8	12.9	12.8
Innovation Infrastructure	0.8	0.0	0.0
Management and Admin	4.8	4.6	3.5
Climate Change			
Education	4.2	5.2	5.0
Innovation Projects (inc Pathfinder)	80.6	79.8	80.6
Enterprise	9.7	9.8	9.7
Innovation Infrastructure	1.1	1.3	1.2
Management and Admin	4.5	3.9	3.6

Source: KIC business plans

Although based on estimates and presumably very tentative ones for 2012 and 2013, this data indicates a significant overall emphasis on “innovation projects” and “education”, but also suggests a significant difference in focus between the InnoEnergy and ICT Labs KICs on one hand and the Climate KIC on the other – the latter appearing to place more emphasis on the research element; but more on enterprise than InnoEnergy for example. Looking at the share across the activity categories over time (again bearing in mind the tentative nature of these figures), we can see that the InnoEnergy and Climate KICs appear to be estimating that they will maintain the 2011 balance going forward, while ICT Labs would appear to be planning for growth in education activity (almost doubling).

The table below shows the estimates, taken from the Business Plans, in terms of the amount of the EIT’s contribution.

Table 6.2 Planned EIT contribution to KICs by activity type (2011)

2011 Summary	Total value (€'000s)	EIT input (€'000s)	EIT %
Education	42.6	11.6	27
Innovation Projects	227.7	27.2	12
Enterprise	19.1	9.2	48
Innovation Infrastructure	5.8	3.2	55
Management and Admin	16.4	11.2	68
Total	311.6	47.3	15

Source: KIC business plans

This table demonstrates significant variation in the intervention rate for EU funding to support KIC activity, presumably with the highest rates being applied to the areas where KICs may have fewer additional resources to call upon at least in the short term (setting up new HE courses or intensive business support for example), and the lowest where they may already have considerable resources and infrastructure in place (research projects for example).

Behind the average expenditures above there are also variations between intervention rates for the different KICs. To take one example, EIT funding represents 44% of the total resources to be applied to the Climate-KIC's education component and 28% of the ICT Labs education component. The Climate-KIC Business Plan sets out the three educational products: Scholars Programme (Masters students); Fellows Programme (PhDs) and Executives Programmes. In comparison the ICT Labs Business Plan appears to foresee a broader range of activity under this heading including affiliate as well as core masters and doctoral programmes, setting up Masters and Doctoral Schools, a mobility programme, outreach programme and schools and camps. A key difference appears to be that while the ICT Labs KIC will develop a specific core MSc programme, students participating in the Climate-KIC Scholars programme will receive an EIT Certificate confirming them as a 'Climate-KIC Scholar'.

The information available on planned activity by KICs (Table 6.3, below derived from KIC Business Plans) sets out estimates of the numbers of students that will be supported and confirms a significant difference between the scale of the education components between the three KICs: by 2013 the InnoEnergy KIC intends to have three times the number of students than feature in the Climate-KICs plans¹¹². Planned Innoenergy education programmes comprise a generic masters course, five specialised masters courses an MSc Innovation Management and Entrepreneurship Programme, PhD programmes based at three of the six co-locations, and seven education support projects (lifelong learning, summer schools, alumni programme, educational chairs etc.)

¹¹² Using projected 2013 figures gives a tentative cumulative cost per student of €92 for InnoEnergy and €64 for Climate-KIC.

Table 6.3 Planned student numbers for KIC education activity 2011-2013

KIC		2011	2012	2013
InnoEnergy	PhD	115	175	230
-	MSc	255	520	605
-	Total students	370	695	835
Climate-KIC	PhD	50	71	75
-	MSc	117	166	175
-	Total students	167	236	251
ICT Labs	PhD	81	165	237
-	MSc	189	385	554
-	Total students	269	549	791
All KICs	Total students	806	1481	1877

Source: KIC business plans

The first intake of students to EIT degree courses is scheduled for the 2011/2012 academic year¹¹³.

While these figures should clearly be treated with caution, they give an indication of the scale of the education-based activity envisaged. HE courses have a lead-in time of at least a year, and it is estimated in the Business Plans that that the number of students will plateau at the 2013 figure and continue at that level until 2020. This would result in a total of 17,300 students being supported over the period 2011-2020.

6.2 Securing KIC excellence

6.2.1 KIC participants

At this stage of the development of the EIT, and the KICs, it is not possible to comment upon the quality of the activities which each intends to pursue. In terms of the quality of the make-up of each KIC we can comment that the quality of the main actors, from business, research and education is uniformly high. The EIT is concept based upon strengthening existing centres of excellence and the players are, broadly, institutions with reputations for excellent expertise and performance. In the Academic Ranking of World Universities (Shanghai Index)¹¹⁴, 8 of the 42 universities involved (at the application stage) within KICs are ranked within the world's top-100 universities, with a further 4 in the top 200. Similarly, the more partial Times Higher Education World University Rankings places 13 of the universities involved in the successful KIC applications in the world's top-200, with these 13 also in Europe's top-80. In the field of industry, participants in KICs include industry-leaders and many household names. Most industry participants are large corporations with a strong proportion of multinational corporations. Overall, the EIT has succeeded in attracting educational and research bodies with reputations for world-class excellence to the KICs. There is a consensus amongst respondents to the study that very strong consortia have been formed with all the components to deliver world-class excellence. Names of partners are included in Annex 6.

¹¹³ EIT HQ interviews

¹¹⁴ <http://www.arwu.org/index.jsp>

Overall, mechanisms applied by the Commission and the EIT for generating and selecting KICs have resulted in securing bodies comprised of enterprises and institutions renowned for their excellence. Of course not all partners within the KICs are positioned in rankings of the world's top 100 or 200, nor are all of Europe's world-leading firms, research institutes or educational bodies represented in the KICs. This should be seen as a strength. The EIT should provide a mechanism to further develop Europe's centres of excellence and expertise. The competition provided by the KICs should spur those not involved to further efforts to maintain their competitive positions, whilst those involved should realise positive externalities which serve to further develop their own relative strengths on the world stage.

Taking the analysis of the KIC Business Plans together with the evidence from consultations with KICs, indicates a strong start in terms of the approaches and mechanisms KICs are establishing to ensure excellence in their activities. A number of examples also provide valuable insights into the way KICs are approaching the next phase of the initiative.

6.2.2 Activity in the education field

In the education field, KICs are keen to produce a sufficient number of EIT graduates (to raise quality in HE institutions, access talent, achieve visibility and create synergies with research and start-ups), without compromising the quality and appeal of courses by generating excessively large numbers of EIT graduates¹¹⁵. The InnoEnergy business plan notes that excellence will be supported by exploiting the 'talent pool of the whole alliance' to secure roles for the best teachers and technical specialists, complemented by experts from outside. Certainly, the capacity to draw upon people from across the range of expertise contained in each KIC should support the development of excellence, while recourse to external expertise should not be discounted.

It is not possible to assess at this stage whether the numbers discussed represent an appropriate cohort. While volume is clearly an issue (one which is also relevant to the building of an EIT brand), referring to one of the key objectives set for KICs¹¹⁶, indicates that it is equally important that courses developed contain strong entrepreneurship elements and address subjects that demonstrate a strategic fit with socio-economic policies (to some extent this is already built in, via the choice of KIC themes). In addition, the prevailing view of KIC organisations is that quality is of paramount importance, implying that (even if it were practical), supporting numbers of students in excess of those in the Business Plans would risk compromising excellence.

As noted by several consultees, education activity is relatively straightforward and rapid to initiate, compared with longer term research and development for example. This certainly appears to be reflected in what we know of the early stages of KIC activity: setting up new courses that include strong elements of entrepreneurship and mobility, feature prominently. The EIT itself appears satisfied that KICs are embedding entrepreneurship in their Masters and PhD courses¹¹⁷. Plans for such activities are already fairly well advanced in all KICs. One consultee noted that having an EIT degree up and running was a

¹¹⁵ KIC partner interviews

¹¹⁶ Undertake education and training activities at masters and doctoral level in disciplines with the potential to meet future European socio-economic needs and which promote the development of innovation-related skills, the improvement of managerial and entrepreneurial skills and the mobility of researchers and students.

¹¹⁷ EIT HQ interview

'useful pump-priming tool' in the early stages of a KIC. Another highlighted the importance of ensuring strong industry participation in any EIT degree¹¹⁸.

By and large, KICs place a strong emphasis on developing synergies between education and entrepreneurship/business development; in terms of the content of courses, but for example also where novel technological ideas emerging from the 'education population' can be picked up and taken to the next developmental stage. Industry involvement in PhD programmes is also targeted strongly by the KICs in their business plans. For example ICT Labs 'education catalyst' includes a programme for recruiting innovation-oriented postdoctoral researchers to work in co-location centres.

Examples gathered through the consultations suggest a strong start to this aspect of KIC activity:

ICT Labs, Helsinki node: In Finland, engineering and ICT education have not historically included a strong tradition of entrepreneurship, but the new ICT Labs masters course is intended to address this. This represents a significant change in Finnish engineering education, with the number of graduates predicted to peak at 100-150 per year by 2015. The EIT/ICTLabs masters programme dedicated to engineering with a business component (one year masters with 6 months MBA-type component) – will be labelled EIT as a diploma supplement. The KIC believes this will bring added value to the course and be very attractive to students. An important element will be student mobility (moving between collocation centres) – involving 3 to 5 of the KIC institutions with common modules.

InnoEnergy - the Poland plus Co-location Centre (Krakow) is already preparing a number of EIT/KIC courses, since these need approval one year in advance. These include masters and PhD studies. A new two-year masters course on clean coal technology will be launched, which is currently in the process of being accredited – this will conform with KIC rules by including mobility, and a package on business/entrepreneurship. The aim is to have 40-50 students taking the course in two years time. InnoEnergy is also implementing of an entrepreneurship programme (*'From Science to Business'*) for 27 participating PhD students starting in 2010.

In July/August 2010 the **Climate-KIC** held a Summer School on Entrepreneurship in Climate Change¹¹⁹. This was aimed at PhD and masters students and 'young professionals'. This comprised activity at three locations: Paris 5-17 July, London 17-30 July and Zurich 31 July to 13 August. This attracted 50 participants and was considered a significant success¹²⁰. A second summer school will be held in 2011, led by KIC partner the Postdam Institute for Climate Impact Research (PIK).

6.2.3 Activity in the field of innovation projects

Table 6.2, above, shows that 'innovation projects' make up the bulk of planned KIC activity: 73% of all planned expenditure for 2011, breaking down into 80.6%, 73.1% and 67% respectively for Climate-KIC, ICT Labs and InnoEnergy. At 12% the intervention rate this category of activity also attracts the lowest funding contribution from the EIT (compared with for example with 55% for innovation infrastructure), suggesting this an area where support from EIT funds is considered less critical. Consultations with KICs suggest partners are confident the individual 'best firms and scientists' are involved, while recognising the

¹¹⁸ KIC partner interview: "No industry, no label; it must be more than a marketing exercise for the university".

¹¹⁹ <http://www.climate-kic.org/education/summer-school-2010/>

¹²⁰ KIC interviews

challenge of integrating business, research and education. Many also feel that the greater autonomy offered by EIT (compared with FP7) and focus on industry outcomes will be key factor in making this aspect of KICs work.

However, information gathered from consultations with KICs suggests that activities concerning research collaboration projects are still at an early stage of development. Nonetheless, looking at what types of activities KICs intend to implement in this field, (as set out in the KIC Business Plans), we can start to obtain a picture of how KICs will develop over the next several years:

The **Climate-KIC's** Pathfinder aims to employ a coalition of experts from industry, academia, NGOs and policy-makers to identify obstacles to large-scale climate innovation and guide the selection of research projects. The same KIC includes a Chief Innovation Officer and Strategy and Policy Director in the Executive Team. The Business Plan 2011 indicates six innovation projects (*Climate-KIC Innovations*) were launched before the end of 2010, and nine new projects have been identified for implementation during 2011. The former range in size (including EIT contribution) from €600,000 to €1.2 million and involve a range of KIC and non-KIC industrial partners (Thales, Bayer, IBM, Siemens, BP and Vattenfall for example). Innovation projects also include '*Climate-KIC Pathfinder*', which is designed to provide a framework for identifying and implementing a portfolio of projects and activities, including assessing potential markets and building project delivery partnerships.

The **InnoEnergy** Tri-annual Work Programme proposes 37 innovation projects, grouped under six thematic priorities, over the period 2011-2013. The intention is that these will be selected to align with European goals as set out on the Strategic Energy Technologies (SET) plan. Selection criteria will include clear "*innovation outputs, and market potential and impact*". Cross-cutting "*key enabling technologies*" will be targeted. Each co-location centre has been given responsibility for a particular theme and set of associated projects (33 selected). A strategy is also in place ('lighthouse innodrivers') to ensure four cross-thematic 'framework projects' are also implemented.

ICT Labs 'Research Innovation' and 'Integrated Innovation' Action Lines will frame individual innovation actions (projects with a project leader, budget and KPIs). The projects are based around 'innovation catalysts' (interfaces between the three dimensions of the knowledge triangle). Research catalysts encompass 'spearhead research', co-funded research activity between core partners, common test beds and experimental labs for use by the whole ICT Labs 'community', as well as dissemination, inter-nodal mobility and thematic workshops. Notably, ICT Labs also plans to monitor closely the strategies and policies employed by key competitors in the US and Asia, to inform R&D investment decisions.

6.2.4 Activity concerning enterprise and innovation support/infrastructure

Table 6.2, above, shows that 'enterprise' and 'innovation infrastructure' makes up €24.9 million of planned KIC activity in 2011, or 8% of total planned activity for that year. EIT intervention rates are quite high for this type of activity (at around 50%). Again drawing on the information in KIC Business Plans provides an indication of future direction:

InnoEnergy's planned activity in this field encompass: services for business creation; exploration and networking activities; innovation infrastructure (incubators, knowledge and innovation market platform, observatory and pre-seed fund), Innovation Network Development Unit and IP support activities.

Climate-KIC's 'Climate-KIC Entrepreneurs' innovation support component' *"seeks to offer support to the wider climate change entrepreneurs' community"*, aiming to provide shared workspace and research facilities; as well as to exploit existing instruments and facilities at co-location centres (e.g. incubators and science parks, and courses). The intention is to expand existing innovation support infrastructures at co-location centres. Other activities planned include an Ideas Market Place (for entrepreneurs to share ideas), Greenhouse (providing six-month stipends for entrepreneurs to develop their innovative concepts up to proof-of-concept stage), SME innovation vouchers, a start-up advisory group and a climate venture competition.

In its 2011 Business Plan **ICT Labs** targets entrepreneurship support systems (*"...a programme to stimulate birth and growth of new companies"*); the EIT Innovation Radar (a virtual expert panel to assist in attaining "global thought leadership" in ICT); international best-practice benchmarking; networking platform for networking between entrepreneurs and venture capitalists; access to finance service; and pre-venture grants (fixed loans for researchers to pursue commercialisation possibilities).

In terms of commercialisation activity, KICs are largely still considering various types of support; but the indications are that technology transfer (large established firms and newer, smaller ones); product development and SME engagement will be targeted. There is evidence of enhanced institutional cooperation via KIC structures, and plans to use KICs to target the provision of support for start-up businesses, primarily by augmenting and/or exploiting existing provision in this field. Since many KIC partners already have access to technology/science parks and incubation facilities, the value of KICs is more concerned with scale – for example, KICs have reported leasing additional work-space in existing provision (to be used for industry partners to re-locate staff to work on joint projects).

Another likely outcome is that the rate of spin-offs emerging from existing incubation capacity will be increased through the application of KIC resources – for example:

At the **ICT Labs** node in Helsinki it was reported that although a significant amount of new business creation active is already underway at Aalto there is a need to add a stronger European dimension, for example by presenting innovative ideas to potential collaborators (e.g. researchers and/or financiers) at the different collocations. The view here is that a reasonable target would be 10 start-ups in 2012. Support will also be targeted at early-stage growth businesses, where, again, the collocation dimension should open up new markets to these. Also at ICT Labs, this time at the Stockholm node, whereas local incubators are typically graduating one company per month, the KIC estimates KIC that this may double in future.

An **InnoEnergy** partner in Krakow reported one 'very promising' start up currently (the first for the KIC). There are incubator and business support facilities in Krakow and Katowice, which involve a range of KIC partners. A system to link these in to KIC activity should be fully operational by the end of 2011. An agreement is also in place with Krakow Business Park. Next year (2012) the target is to achieve two start-ups and one spin-off, and in four years time to have five or six of these per year.

Within the **Climate-KIC** Polish partner EIT Plus (a limited company) is concerned with regional/institutional strengthening and securing access to wider research expertise to build capacity (to give them *'access to the best in Europe'*), with a focus on technology transfer of environmental

applications, in line with Wroclaw's low emissions city aspiration. EIT Plus also intends to establish a Climate Change Faculty within 3-4 years.

In addition, estimates on other KIC outputs are contained in the KIC business plans. For example:

- ▶ **InnoEnergy** 2011-2013: 55 new products or services; 37 patents registered and more than 20 spin-offs/start-ups; 600 scientific publications.
- ▶ **ICT Labs** KPIs for 2011 include six new ventures, six third party investments, two co-funded carrier activities (collaborative research projects); two patent applications per research FTE for co-funded research activity; take-up of three ICT Labs catalysed products or services; three instances of use of ICT Labs platforms (test-beds, labs etc.); and four examples of co-located working.
- ▶ **Climate-KIC:** In 2011 award at least 20 Greenhouse research stipends; fund more than ten proofs of concept; and more than 20 SME Innovation Vouchers.

6.3 Monitoring and objective setting within the KICs

6.3.1 Monitoring progress and outcomes

The EIT's workplans are noticeable for their lack of indicators or measures. There are no indications of how it is intending to measure, and report on, its own performance, nor of what it expects to achieve. Its emphasis instead is on the performance of the KICs. We understand that there has been some debate within the EIT as to the value of developing standard performance indicators for the KICs. We are told that one viewpoint is that this will potentially kill the 'entrepreneurial spirit' of the KICs, whilst an opposing viewpoint holds that it is impossible to learn unless there are some measures of performance.

The published documentation of the EIT stresses the importance of monitoring progress and outcomes. In the most recent Triennial Work Plan (2011-13), the EIT states in that: "The KICs' impact in their priority areas will be regularly reviewed through a scoreboard jointly agreed upon between the EIT and the KICs"¹²¹. It also recognises the importance of the comparative performance of the KICs, stating that "Benchmarking the KICs' results against the outcome of other instruments and means used elsewhere in the world to enhance innovation performance will be another key source of learning..... The EIT will look for step-changes in the outcome of current programmes brought in by partners in the initial operation of the KICs"¹²². The measures which will be used to develop the proposed scoreboard or benchmarking exercise are not given.

In their own Business Plans covering activities in 2011 the KICs demonstrate a high level of variation in their coverage of monitoring and performance indicators. All include at least some Key Performance Indicators but, in the case of Climate KIC and EIT-ICT Labs the coverage is partial both in the numbers of indicators (less than 9) and in their content, which in both cases covers only inputs and outputs. Not all of these proposed indicators have been quantified. Innoenergy KIC provides a more comprehensive coverage of proposed monitoring indicators. It sets out a comprehensive set of measures of the deliverables anticipated in 2011. These focus on inputs and outputs and are quantified. The Innoenergy

¹²¹ Section I.2.2 A "learning by doing" approach – results and scoreboard

¹²² I.2.5 Benchmarking

KIC Business Plan also sets out a proposed scorecard of measures of anticipated outputs, outcomes and results. This aspect is not yet quantified but contains a useful approach, differentiating between:

- Labour impact
- Economic growth and competitiveness
- Sustainable energy
- Awareness
- KIC sustainability

The EIT has developed a proposed scoreboard of its own. This focuses on nine 'strategic objectives' of the EIT, namely:

- Develop EIT Brand and Label
- Create new businesses
- Provide growth to Existing Businesses
- Attract, keep and work with top-class talents
- Develop educational ecosystem for entrepreneurship
- Produce research and innovation breakthroughs
- Organize people mobility
- Bring together partners and people
- Attract contribution from third parties

Against each of these objectives are assigned a number of measures (typically 2-3). These are set out in Box 6.1.

Box 6.1: Proposed Measures of KIC performance

- KIC Activities: KICs organized conferences, other activities with high visibility, Google search results...
- EIT Brand : survey on criteria like entrepreneurship (how many people choose the EIT for its entrepreneurial reputation)
- EIT labeled degrees and diplomas
- #of new spin-off companies created by the KICs, and KICs employees (incl. two years after resignation from the KIC) with business age, jobs, market value and revenue growth
- # of licenses
- Major improvements generated by co-location centers in products, processes and services

- KIC Employee Value Proposition (vision/mission, management, job interest, development, rewards, work environment, network activity...)
- # top-class faculty, post-docs, PhD students and entrepreneurs in KICs
- # of Entrepreneurship training courses developed
- # of Entrepreneurs teaching pathways
- Bibliometrics analysis : Major results published in reputable magazines (qualitative and quantitative, collaboration-based...)
- Patents filed by EPO
- User driven innovation: integration of end users with R&D and innovation projects (technology and innovation platforms, living lab environments, test beds, user communities, virtual customer environments, open source and open innovation arrangements)
- # of organized people mobility across co-location centers and academia, business and research
- Degree of cross-functional interactions within KICs as measured by Social Network Analysis tools
- Mobility in / out KIC : long term (4 months +) visitors, KIC staff outside, international collaborative ventures
- Level of funding from third parties

Source: EIT internal documentation

The list has no formal standing at the present time and has been described by one person as representing an 'empty shell' as without information from the KICs it is impossible to fill. The proposed indicators are a useful starting point for any development of monitoring procedures within the EIT and merit some reflection. In general the proposal consists of a relatively standard list of measures, with one or two novelties included – such as the employee value proposition. Most of the indicators reflect input or output measures, with very few focusing on results. This is at odds with the EITs expressed desire to focus on a results-orientated approach. Given that it is widely accepted that the value of the KICs is in acting as a catalyst to existing activities the indicators might do well to reflect the increase in activity as a consequence of the KICs, rather than focusing on absolute values. It is not clear how the more novel indicators might be measured.

When assessed against standard criteria such as whether the proposed indicators are specific, measurable, attainable, relevant and timebound, or are relevant, accepted, credible, easy to monitor and robust, we would counsel caution. None of the indicators are explicitly timebound. Several are easy to monitor but many are not. It is not evident how relevant some of the indicators are to the overall objective of increasing the innovation capacity of the EU and Member States, and the EIT will be aware that the use of measures such as bibliometric analysis may lead to unintended effects, particularly where the emphasis may be on using results rather than publishing them.

We have not been able to determine the performance of the three KICs during 2010 as the Performance Reports submitted by the KICs to EIT in 2011 covering their first year of operation are not available to us. Consequently we are not in a position to comment upon the actual indicators being used to monitor and report on progress.

6.4 Integrating HE and businesses

Here, the pertinent objective set for KICs is to:

*Undertake innovation activities and investments with European added value, **fully integrating the HE and research dimensions** to attain critical mass and stimulating the dissemination and exploitation of results.*

As noted above, at this early stage the education dimension is coming into focus more clearly than is the case for collaborative research, commercialisation and business stimulation¹²³. There is widespread agreement among all stakeholders that the success of the KICs depend on fulfilling the promise of greater collaboration between the HE sector and private sector industry. However, concerns have been expressed about the lower than expected level of participation of industrial partners in the application process; and while the KICs include a significant number of high quality European businesses, there is also a sense amongst consultees that several of these are 'waiting to see' and that this aspect of the KICs remains untested and a potential weakness in future.

The KIC, and its legal structure, provides the basic mechanism for industry-HE collaboration; but the practical challenges of such collaboration have not yet been tackled. The challenge of finding ways to collaborate, where a large number of partners of different types and from different sectors bring different expectations and ways of working, is not underestimated by KICs and other stakeholders.

The establishment of legal entities provides one concrete way to secure the commitment of industrial and academic partners alike to deliver outputs. Equally the flexibility offered to KICs by the EIT should offer increased scope for partners from different sectors and culture to find ways to work together effectively.

Governance and management structures being implemented by KICs certainly appear to recognise the importance of systems that allow HE and business perspectives to be heard, together with the value of providing a specific space for industrial concerns to work directly with research/education institutions (one of the few opportunities to do this according to one consultee). In this sense industry has been given an opportunity to play a more substantial role in EU-supported research activity.

6.5 EIT brand

There is a great deal of emphasis made of the notion of an EIT 'brand', particularly in discussions with those involved in the concept. It appears that the brand concept is one of world-class excellence. This is

¹²³ Reflected in KIC Business Plans and evidence from consultations

one area where there seems to remain a strong connection to the normative appeal of developing a European 'equivalent' to the Massachusetts Institute of Technology (MIT).

What the brand constitutes is more difficult to discern. There appears to be a consensus that the value of the brand will develop organically over time and that this will not be a swift process. Yet there are differences of opinion as to whether the brand will be institutional (applying to the EIT) or networked-based (adding to the reputation of constituent institutions)¹²⁴. In this respect it is certainly the case that, at present, it cannot be said that an identifiable EIT brand has emerged with agreed qualities, although there is a strong consensus that developing a positive brand image is desirable.

To be successful, this is an area where the EIT will need to dedicate significant efforts in the coming months and years. In doing so it will need to focus on the core qualities which it seeks to promote and protect. These are not firmly visible at the current time, although the emphasis on entrepreneurship appears most prevalent – as illustrated by the proposed EIT Award for entrepreneurship in universities and proposed EIT Academy for Entrepreneurship as set out in the Triennial Work Plan 2011-13.

The strong inclusion of entrepreneurship within the educational offer of the KICs might be considered to be part of a brand offer. In different ways, and to a varying extent, the KICs have already built this element strongly into their activities. This would also link strongly to the notion of an EIT labelled degree or diploma. The EIT is positively working towards this and a range of Universities have signalled their support for this. However, the modalities for this remain unclear. In particular, the means and procedures for validating or awarding such labels, in a manner which would develop brand value, remains to be stated. It is, perhaps, worth mentioning here that in its latest publication regarding the production of the Strategic Innovation Agenda, the EIT speaks of introducing "EIT degrees" in 2011, as an "internationally recognised label of excellence"¹²⁵.

The value of establishing an EIT brand is widely recognised by stakeholders¹²⁶. The Brand itself is, however, not yet developed, and its value-proposition remains ill-defined. There is some evidence that brand value is currently most developed in the education field, where HE partners are beginning to think of the EIT label as a unique selling point and mark of quality (increasing the attractiveness of the courses and so securing the participation of the best students, teachers and business partners). The value of an 'EIT degree' is one of the most obvious and likely manifestations of an emerging brand. The appeal of an EIT brand to industrial partners is mentioned less frequently by consultees and there are some concerns that developing a brand may present a challenge given the 'distributed' (or fragmented) nature of the EIT/KICs, as well as its relatively small scale. Another possible risk is that HE institutions take on the EIT brand more quickly and easily than other partners and it therefore develops a perceived educational bias.

¹²⁴ See for example, Didier, A-C. (2010) The European Institute of Innovation and Technology (EIT): A New Way for Promoting Innovation in Europe? Bruges Political Research Papers / Cahiers de recherche politique de Bruges No 13

¹²⁵ <http://eit.europa.eu/activities/sia.html>

¹²⁶ Consultations

7.0 Added Value and Sustainability of the EIT

7.1 Community Added Value

The concept of Community added value is long established in the EU, being related to the notion of subsidiarity. Definitions of added value vary but essentially it implies that spending at an EU level “means a better deal for citizens than spending at a national level”¹²⁷. This is an argument based on the increase in efficiency offered by acting at the EU level, owing to the ability to realise economies of scale, reduce levels of duplication or overlapping activities, and address cross-border challenges.

Community added value can also address an effectiveness argument whereby actions at the EU level deliver “clear and visible benefits for the Union and its citizens that could not be attained by spending at national, regional or local levels”¹²⁸. It is suggested that this can include delivering the EU’s policy priorities, driving results, providing mutual benefits through subsidiarity, and/or reform of the budget’s financing¹²⁹.

Community added value may also occur where EU initiatives promote innovative approaches which support the development of more refined policies and practices across the Union as a whole.

In practice, the strongest area of Community added value is presented by the integration of businesses, research institutes and higher education institutions in the form of the KIC legal entities. There is widespread agreement that this would not have occurred in the absence of the EIT, as neither the funding nor the structures were available to enable it, nor were incentives to encourage it.

The integration of this knowledge triangle is beginning to demonstrate a number of potential efficiency gains. KIC partners highlighted that there was better communication between players, and that the KICs were acting as a catalyst adding value to existing activities. In the case of those themes where the sectoral linkages are weakly defined the KIC is also assisting to build contacts between potential actors and to structure the sector. These actions may all assist in realising greater value from investments made, and in preventing the unnecessary duplication of education, research and innovation activities. However, the realised value of these activities remains untested as actions are only just beginning to get fully underway.

Respondents also pointed to other areas where the KICs were adding value. These included such elements as facilitating knowledge spillovers, assembling a critical mass of activities, developing an effective infrastructure and facilitating recruitment to partner organisations. The human capital development of the KICs was regarded positively, as was the promotion of entrepreneurship, both in education and in research and innovation. Taken together these various elements suggest that the KICs

¹²⁷ Resolution of 25 March 2009 on the Mid-Term Review of the 2007-2013 Financial Framework, available at <http://www.europarl.europa.eu>

¹²⁸ Resolution of 25 March 2009 on the Mid-Term Review of the 2007-2013 Financial Framework, available at <http://www.europarl.europa.eu>

¹²⁹ See for example: <http://www.publications.parliament.uk/pa/ld201011/ldselect/lducom/125/12505.htm>

have the potential to realise valuable effectiveness gains. Again though, the Community added value presented by the EIT in this area remains to be fully realised.

Whether this activity yet constitutes a 'step change in the EU innovation landscape' as envisaged is a moot point. The KICs are a mosaic of multiple partners connected by webs of interlocking linkages. Not all parts of the knowledge triangle are represented in all activities, although the opportunities are there. Developing an integrated network of linkages may well take some time to develop. We have not yet seen the sudden and discontinuous change that a 'step change' represents. But we have seen the beginnings of such change in a way that indicates strong levels of Community added value underpinning the EIT.

The pan-European nature of the EIT offers a strong element of Community added value. Although this can be replicated by other groupings of organizations they do not have the same institutional dimension. The international outlook of the EIT was an area of added value for one respondent, whilst others argued that they could not have done something at the EU level without the EIT and that the EIT acts as a system for pooling the EU's resources. For one member of the Governing Board it was this fact that the EIT is an institution, as opposed to a funding agency, that represents its key area of added value.

Officials within the EIT HQ and the EC strongly identify the experimental nature of the EIT as a further source of Community added value. The EIT itself highlights that it is "gaining recognition as a change agent and an "ice-breaker" in the European innovation landscape"¹³⁰. It certainly offers an innovative approach and one which the EIT itself regards as unique within the EU¹³¹. Our research for this study suggests that there are indeed many valuable lessons to be learnt from the operation of the EIT. In this we agree with the sentiment expressed by one official within the EIT who suggested that the dissemination of the results of EIT activities is of more importance than Member State participation.

This highlights the fundamental requirement of realising the potential Community added value in this area: the results and findings of the EIT 'experiment' need to be collated, analysed and widely diffused. This evaluation is one part of that process. Other actions which are ongoing include cross-KIC learning events such as the entrepreneurship and entrepreneurial education workshops. These actions though are primarily aimed at sharing and developing learning amongst the KICs and the EIT community. In this respect we find that the level of Community added value being provided by the EIT in this area is presently limited.

7.2 Sustainability

The EIT regards itself as an investor rather than a grant-giver. This is an important distinction as it seeks to 'seed' activities within the KICs. This is not a perspective that is universally shared by all in the KICs (or - we are told – members of the Governing Board) but it is well received by others. The need for KICs to become self-sustaining is explicitly recognised by the EIT¹³². At present it is rather early to make any judgement as to the likelihood that this will be achieved, but a number of key messages are emerging.

¹³⁰ EIT 2010 Annual Report 2009

¹³¹ SIA leaflet

¹³² SIA leaflet

The KICs are well-placed to secure additional funds. These will come from both public and private sources. There are already signs of additional investments being made from both sources within the KICs. The co-location structure is proving beneficial in securing funds from some sources.

The added value to KIC partners, and other commercial contacts, of KIC activities are not yet fully apparent. This is leading some partners to adopt a cautious approach to making additional investments. One interview respondent also suggested that uncertainty as to how the EIT would deal with external funding (particularly whether there was a risk of 'clawback') was leading some partners to hesitate on investments.

There is a strong consensus amongst those interviewed for this study that public funding programmes (EU, national and regional) are likely to provide a substantial foundation to the activities of the KICs. The comparison was made with MIT, which is strongly dependent on public funding for its core activities. The value of MIT is the additional value that it is able to generate on the back of such activities.

The EIT 'brand' is seen as an important element in securing the long-term sustainability of the KICs by several respondents. As one consultee commented: the visibility of the EIT helps to make it attractive and private partners are keen to get engaged. The integration of the knowledge triangle has certainly proved an attractive proposition, with KIC CEOs reporting on a number of enquiries regarding potential engagement from within and outside of the EU.

There is some disagreement as to the potential offered by Intellectual Property ownership to provide a sustainable income stream. One KIC has declared that this is not a realistic proposition and does not regard this as a potential income stream. Another regards such revenues as offering some potential.

Approaches to securing internal income from partners also vary. One KIC charges a 'membership fee', with the level of contribution dependent upon partnership status. Another KIC regards this as unreasonable regarding it as 'just moving money around'. The fee-based model provides benefits in terms of cashflow in the early stages of the KIC lifecycle.

In the early stages of the KIC there was strong agreement that EU funds were essential to build the foundations for securing future sustainability. There was less consensus as to how long this funding might be required for, but all respondents suggested that it will take longer than 3-4 years. As one respondent put it, there is a need to be realistic here.

Whether the EIT has ambitions to develop an independent sustainability itself is not apparent. At present the EIT is dependent on EU funds for its Headquarters functions and there are no indications that this might change in the future. One respondent suggested that it was likely that the EIT would require long-term financing from the EU to secure the new innovation infrastructures that it is developing.

The role of the EIT Foundation in supporting the development of sustainable activities is not yet apparent and very few respondents made any reference to its potential role. It remains at a very early stage in its development.

8.0 Governance of the EIT

8.1 Governance structure

The EIT is an autonomous body, the structure of which is set out in Section 1. The key body in the governance of the EIT is the Governing Board. The Governing Board has extensive authority in determining the strategic priorities and operating principles of the EIT.

There are 18 Governing Board members, including a Chair and Vice-Chair. These Board Members are all appointed in an individual capacity. They were proposed by an Identification Committee, based on potential members' reputation and standing in the worlds of education, business and research. An attempt appears to have been made to identify a number of members who have successfully worked across these boundaries. A list of Governing Board members is appended. Four further members, representing the KICs, are in the process of appointment to the Governing Board. An Executive Committee, consisting of 4 members of the Governing Board - elected by the Board as a whole - and the Chair, provides a forum for decision-taking between Governing Board meetings.

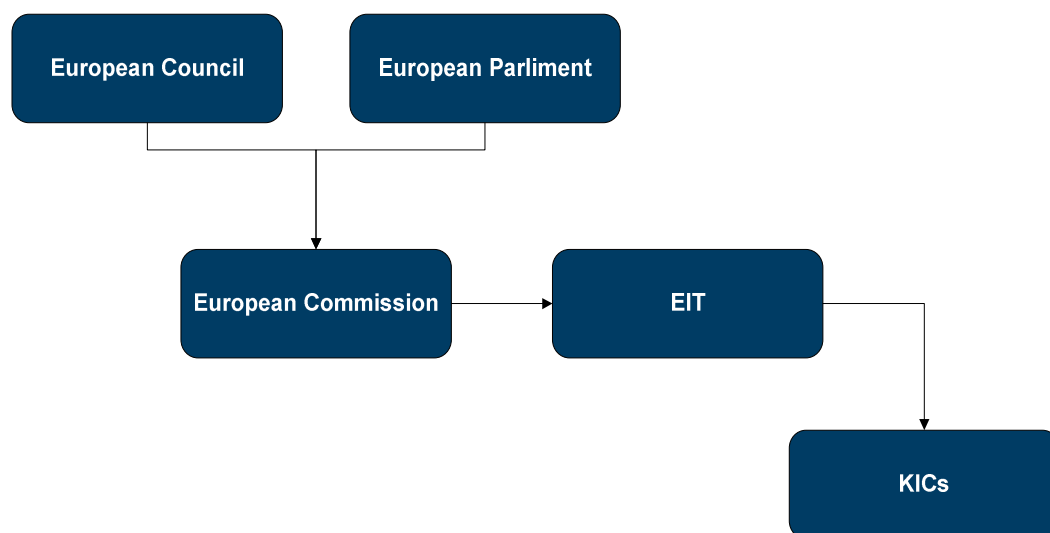
The initial selection of Board members drew criticism from some member states, most notably that the original suggestions lacked geographical and political balance¹³³, demonstrating the importance and sensitivity of this issue. The present Board comprises 15 members from the old member states and 3 from the new member states (Estonia, Poland and Hungary). Just under 30% of the Board is female, slightly below the Commission's own equalities targets of 40%.

A debate on the appropriate size of the Board is currently being proposed by the EIT. The Governing Board has suggested that a smaller Board would be more appropriate. This has been echoed by the EIT HQ in our interviews with personnel, with a figure of 10 persons suggested. The argument given is that a smaller Board would be more decisive. We are not able to assess the validity of this argument but note that it is in keeping with the image that the EIT is now projecting as an 'impact investor'.

The Governing Board is not the only party in the governance structures of the EIT (Figure 8.1). Formally, the EIT is an Agency of the European Union and is accountable to the European Council and the European Parliament through the European Commission (DG EAC). The implementation of EIT activities primarily occurs through the autonomous and legally-independent KICs.

¹³³ <http://www.europolitics.info/board-selection-draws-heat-from-member-states-artr147706-10.html>

Figure 8.1 The governance structure of the EIT



8.2 Governance arrangements

8.2.1 The Governing Board

The role of the Governing Board has been enthusiastically championed by the Chair, Dr. Schuurmans, who has provided strong and dynamic leadership. Under his leadership the Governing Board has played a dominant role in the developing evolution of the EIT. The Chair has been very strong on ensuring that conflicts of interest are avoided at times of key decisions, with all members with any interest in the applicant KICs excluded from related discussions.

The breadth of decisions taken by the Governing Board to December 2010 are illustrated in Annex 9. These have ranged from the fundamental, such as increasing the minimum number of countries to be represented in a KIC and agreeing the criteria for selecting KIC, through the procedural, to the administrative, such as electing the EIT's first Director. It has been very much an operational Board and its actions have been a strong determinant of the timetable for the development of the EIT.

The Governing Board has been very active during the implementation phase, perhaps more so than was originally anticipated, with several members committing more than the 4 days nominally allocated per year. All parties have described its role as strongly operational, with many – including EIT HQ – suggesting that this may need to change in the future. Governing Board members describe their role as providing strategy and leadership, rather than acting as a Supervisory Board. Even so, their extensive engagement seems to go beyond this remit.

Examples of the operational role taken by Governing Board members include their leadership of workshops with the KICs around the themes of entrepreneurship and education, the review by individual members of the Business Plans for the individual KICs and the authorship of the EIT's Strategic Innovation Agenda. Governing Board members are currently proposing personal visits to 15-20 of the KIC Co-location Centres.

The Governing Board is also proving to be very self-reliant and somewhat self-contained. One example is that the membership of the proposed Academy of Entrepreneurs will draw solely on the personal recommendations of Board Members. The reliance on Board Members to author the Strategic Innovation Agenda is a further example here. The developing approach towards a stronger entrepreneurial agenda, particularly the notion of the EIT as an 'impact investor' with constant analogies made by individual members of the Governing Board and the EIT HQ to acting like a Venture Capital organisation draws heavily on this independent outlook.

Whilst there is a unanimous view from all those we interviewed in the course of this study that Board members are extremely knowledgeable and "bright and impressive" individuals, this in itself is an insufficient reason to take such a strong level of operational involvement. One explanation which has been given for their strong involvement by members of the Governing Board themselves is that the KICs needed much guidance as they began to become operational and that the EIT HQ lacked the capacity and capability to provide this advice. Whilst this may have been true at the outset it should no longer be the case. If it is then alternative solutions are available. There is a risk that continuing to take such an operational role may undermine the credibility of the EIT HQ itself. A respondent within the EIT HQ itself notes that the Governing Board members may need to be reminded of "where their responsibilities begin and end"¹³⁴ going forward".

8.2.2 The European Commission

The role of the European Commission in the governance of the EIT is ambiguous. Formally, the EIT is an agency of the European Union and it is attached to DG EAC. The EIT provides reports on its activities and planned activities to the European Commission, and, through the Commission, to the Council and Parliament. The EIT is not dependent, though, on the Commission for its links to Parliament, Council or Member States and meets with representatives of these independently.

DG EAC attends meetings of the Governing Board as an observer. In this capacity it can offer opinions and advice but has no formal voice. This places the European Commission in the strange position of being able to advise on discussions and of being able to later offer opinions on the decisions taken by the EIT but of having no voice in the taking of those decisions.

DG EAC has also played a very operational role in the governance of the EIT, owing to the delays in the securing of financial autonomy for the EIT. They were an instrumental party in the negotiation of the EIT-KIC contracts, as they would share legal responsibility for the financial agreements with the KICs, and continue to play a role in overseeing the operations of the EIT.

The operational role of DG EAC in the EIT is diminishing. Initially it was responsible for supporting the work of the Governing Board and took responsibility for managing the call for applications and the call for experts to advise on the selection of the proposals. Once the EIT HQ was established DG EAC reduced its direct support to the EIT but continued to assist the Governing Board with certain functions and provided advice to both the Governing Board and the EIT HQ.

Several of those interviewed, both from KICs and EIT HQ, were critical of the extent to which DG EAC has 'freed up' the EIT to act independently following the establishment of the EIT HQ. There is a view

¹³⁴ EIT interview

that DG EAC has kept a too close control of the EIT, with one person suggesting that DG EAC was acting like a parent that could not let go of their child. There is some merit in this statement but a full understanding of the position requires a more nuanced consideration of the governance relations involved.

8.3 Governance relations

The governance structures of the EIT have created a number of tensions. These have been most visible in the practical implementation of the EIT but are also present in the development of a future strategic agenda for the EIT. Some members of EIT HQ suggest that they feel that, at times, they are at the centre of a three-way governance tussle between the Governing Board, the European Commission and the KICs. This is illuminating but downplays the HQs' own role within the governance process too far.

In practice, governance tensions have been visible around the balance between the role of the European Commission in ensuring compliance with EU financial rules and regulations and the expressed desire of the EIT and the KICs to secure as the maximum level of flexibility in the interpretation of these rules and regulations. Several of those interviewed (from the EIT and KICs) felt that the Commission had overplayed their responsibility for public finances and were acting too cautiously and conservatively. For its part DG EAC was concerned at what one staff member described as a rather cavalier attitude towards risk within the EIT itself, particularly during its early months of operation. DG EAC also points out that the EIT did not always make use of the derogations available to it, preferring to push for further flexibility rather than seeking to develop the opportunities already agreed. Correspondence from DG EAC to the EIT actively encourages the EIT to avail itself of these opportunities.

Tension has also emerged around the extent to which the monitoring frameworks being adopted will be sufficiently robust to provide the evidence for payments to be made to the KICs for expenditures incurred. Again it appears that the EIT is taking a very laissez-faire approach to the activities of the KICs, advocating a light-touch and bottom-up process. Whilst this has much merit it appears to have become a tenet of belief and it is not apparent to this evaluation that the procedures adopted (at least initially) by EIT are sufficiently robust. EU procedures add time, bureaucracy and delay and we are sympathetic to the desire to simplify these. EU procurement rules are a source of much frustration and ways should be found to make these more efficient. The debate revolves around the extent to which the simplification remit of the EIT, in terms of applying the financial rules and regulations of the EU, is to be applied but, in governance terms, has morphed into a question of the practical limits to the autonomy of the EIT.

Tensions have also been visible in the extent to which the EIT should 'fit' within wider European Commission processes. The process of developing the SIA is instructive here. Initially, the Governing Board took the decision to develop the SIA independently of the European Commission. It would then provide a draft SIA to the Commission by 30th June 2011, as per the Regulation. However, the Commission has to complete an Impact Assessment exercise in the early part of 2011 if it is to amend the Regulation establishing the EIT. This requires close knowledge of the EIT's proposals. In practice the EIT has brought forward its timetable and shared content with the Commission. The EIT also chose not to undertake an extensive stakeholder consultation exercise regarding the SIA, leaving this to the European Commission which has an obligation to do so. There is no EIT logo or branding on the publicity for the consultation website, issued at the EIT Stakeholder Conference, nor on the consultation

web-site or questionnaire itself. The consultation will remain open until 30th June and so will not be able to inform the EIT's own draft proposal to the European Commission.

The strategic development of the EIT may be a source of emerging tension. As an autonomous body the EIT is charting a strongly independent path. At present this is placing much stronger emphasis on stimulating entrepreneurship by acting as an 'impact investor' than was envisaged in the enabling Regulation. This could create potential tensions regarding policy alignment. It is proposed that the EIT be one of four pillars to the Common Strategic Framework for Research and Innovation, a move which is welcomed by the EIT, which also wishes to retain strong links with the European Higher Education Area¹³⁵. It is conceivable that both policy areas may promote strategic agendas which differ from the entrepreneurship focus foreseen by the EIT. If so, the governance arrangements determining how such tensions are addressed becomes fundamental. At present there is no clear mechanism for this.

A final sign of emerging tension was displayed at the Stakeholder Conference with both the Governing Board and EIT HQ representatives choosing to emphasise that starting to launch new KICs in 2014 will be too late, "the world does not wait" as one put it. The EIT Governing Board members also suggested that the themes they were proposing would be subject to change by the Council and Parliament, citing the manner in which the original themes were identified as justification for this. If this were to be so then it could indeed add further delay to the process, call into question the autonomy of the EIT and establish strong governance tensions.

None of these tensions are particularly unique to the EIT. A recent evaluation of the Artemis and ENIAC Joint Technology Initiatives found that although both had achieved decentralized management procedures they remain "bound by regulations - including financial regulations and staff regulations - that seriously constrain their autonomy"¹³⁶. Similarly in an evaluation of EU Agencies it was found that "Coordination with the parent DGs has in the past sometimes been assessed as problematic from the standpoint of the Commission, for instance in terms of unclear sharing of roles. A recurrent problem identified was the alleged difficulty of agencies to produce outputs that met precise information needs of the Commission services"¹³⁷ and that "Real and timely coherence may ... be a problem ... where an agency is meant to feed the policy-making process"¹³⁸.

8.4 Wider relationships

The EIT is not alone in seeking to influence and shape the innovation landscape of the EU. In this respect it is pertinent to examine its relationships in this wider governance context. Limited evidence makes this more difficult, but the example of the Strategic Innovation Agenda – which develops its plans for the future - provides a valuable insight.

The EIT has not yet engaged in extensive consultation on its proposals for the future development of the EIT. Its own consultation plan, which covers the period from September 2010-July 2011, highlights the Stakeholder Conference as the main event in its schedule of wider engagement. Outside of the

¹³⁵ SIA promotional leaflet

¹³⁶ DG INFSO (2010) First Interim Evaluation of the ARTEMIS and ENIAC Joint Technology Initiatives p.22

¹³⁷ Eureval 2008 Meta-study on decentralised agencies: cross-cutting analysis of evaluation findings, p.iv

¹³⁸ Eureval 2008 Meta-study on decentralised agencies: cross-cutting analysis of evaluation findings, p.iv

Stakeholder Conference the EIT has met with, or is planning to meet with, three organizations (Table 8.1). Attendees at this Conference were critical of the lack of consultation to date and the Governing Board members proposed that the Stakeholder event marked the start of a consultation process.

Table 8.1 EIT consultation with institutions of the knowledge triangle

Organisation	Date of Meeting
Association of Europe's specialised research and technology organisations (EARTO)	29 March 2011
BusinessEurope	29 March 2011
European Student Union (ESU)	30 March 2011

Source: adapted from 'EIT Input Seeking Process on Draft SIA (2010-2011)'

The EIT's consultation plan suggests that it is focusing on the political sphere rather than actors of the knowledge triangle itself. It has met with the Council Secretariat, the ITRE Committee of the European Parliament and the European Parliament's Rapporteur for the Innovation Union flagship initiative. Meetings between Governing Board Members and 'Member State Government representatives' are also proposed.

During the Stakeholder Conference Governing Board Members stressed that they had, in practice, met with a number of individual leaders of businesses and universities to test their plans. There is no indication of who these individuals might be and there is no reference to these meetings in the EIT's consultation plan. The influence of these reported meetings on the EIT's draft SIA is not set out in any documentation available to this study.

There is a risk that the EIT begins to give the impression that some parties have privileged access to the deliberations of the EIT. This is a concern in the case of the reported meetings referenced by the EIT Governing Board. It is also a concern with respect to emerging deliberations as to the themes of potential KICs. A small number of participants at the Stakeholder Conference confirmed to the study team that they had been given prior notice of the probable themes for future KICs and were present at the Conference in order to continue the process of building a consortium to bid into a future theme. This is no more than very partial and anecdotal evidence at the present time but is a matter which the EIT should be careful to guard against.

9.0 Conclusions and Recommendations

The evaluation of the EIT has considered a number of themes. In this final section we address the key evaluation questions under the headings of: efficiency, effectiveness, sustainability, relevance, complementarity and added value.

We follow this with a brief summary of the principal conclusions of the evaluation study. This highlights the value of the EIT and its success in meeting its key objectives. It also raises key issues emerging from the evaluation.

We conclude this section with some key recommendations. These are presented in draft form and are intended to be discussed as part of the Steering Group meeting.

9.1 Evaluation Questions

9.1.1 Efficiency

1. *How efficient was the set up process of the EIT? How has the interim support role of the Commission been fulfilled?*

The establishment of the EIT was very efficient in terms of meeting the timetable set out in the Regulation. All deadlines were met. The one area where progress was slightly slower than originally anticipated was in the signing of contracts with the KICs. However, the original timetable for this was very ambitious. In practice, the time taken was reasonable and seen as a significant achievement, particularly by those involved from the KICs.

Participants in the process of establishing the EIT highlight a number of issues in the set up process. In themselves these issues did not result in significant problems in setting up the EIT but do highlight lessons from which the EIT should learn. These relate to the call for applications and, more especially, to the process of negotiating the legal agreements between the KICs and the EIT.

Staffing and capacity issues within the EIT in the first six months of its establishment had an impact on the efficiency of the organisation at this time. The decision to establish the EIT HQ as an independent entity within Budapest at this time, with limited opportunities to shadow Commission staff, respected the independence of the EIT but created its own operational difficulties.

The interim support role of the Commission was fulfilled well up until the establishment of the EIT HQ. The level of support was continued on a reduced basis after the establishment of the EIT, with an increase in the level of involvement of the Commission in the negotiation of the agreements between the EIT and the KICs. This extended both the length and depth of the Commission's involvement. The Chair of the Governing Board is positive about the support role played by the Commission¹³⁹.

The support role has been the source of some tension and frustration. This relates to the extent to which the EIT should fit within the overall rules, regulations and procedures of the European Union, and how

¹³⁹ Statement to EIT Stakeholder Conference 14 April 2011

these would be applied to the autonomous KICs. The EIT is an autonomous agency of the European Union, but it is not independent of its rules and procedures. These tensions are not unique to the EIT but have strained the relations between all parties at times.

- 2. Was the size of budget sufficient for reaching a critical mass of KICs? Could the use of other policy instruments or governance mechanisms have provided better cost-effectiveness? As a result, could the total budget per KIC be considered appropriate and proportional to what the EIT has set out to achieve?*

Overall the budget available to the EIT has been sufficient to finance its early years of operation. It has been both appropriate and proportional to the objectives established for the EIT. It has not been sufficient, however, for the EIT to reach a critical mass of KICs. Although there is no consensus as to what constitutes a critical mass of KICs: most respondents believed that somewhere between 6 and 10 KICs would be an appropriate scale for the future.

The size of the EIT's HQ function is partly driven by the EU's rules on financial procedures. It also reflects an anticipation that there will be more than just 3 KICs in the future. The current structure has been a valuable experimental scale but with only three KICs is administratively inefficient. We can find no evidence that other policy instruments or governance mechanisms could provide better cost-effectiveness whilst retaining the approach and objectives set out for the EIT. There is no room for complacency however and the EIT is likely to be subject to vigorous external scrutiny in terms of its perceived efficiency and cost-effectiveness.

- 3. To what extent have the mechanisms applied by the Commission and the EIT for selecting KIC, and the subsequent implementation and monitoring mechanisms, ensured world class excellence?*

Overall, the mechanisms applied by the Commission and the EIT for selecting KIC's has resulted in partnerships which have the potential to deliver world-class excellence. Individual partners tend to be of high-standing with strong reputations in their respective fields. Bidders felt that there were challenges in the selection process but these did not detract from the final outcome. The actions which the KICs have now embarked upon, as set out within their Business Plans, suggest that the potential for world-class excellence is present. It is not clear to what extent the monitoring mechanisms being developed by the EIT will serve to ensure that this is the case in practice. This is one area where further consideration by the EIT is required.

9.1.2 Effectiveness

- 4. To what extent can the EIT's mission objectives be said to have been addressed? What positive effects has this had? Where expectations have not been met, what factors have hindered the development of the EIT?*

Overall, the EIT has made good progress towards the tasks established for it in the establishing Regulation. It is operating through excellence-driven, autonomous partnerships of higher education institutions, research organisations, companies and other stakeholders. Through these it has facilitated and enhanced networking and cooperation, has begun to address strategic long-term challenges for innovation in Europe, and is giving priority to the transfer of its higher education, research and innovation activities to the business context and their commercial application, as well as to supporting the creation of

start-ups, spin-offs and small and medium-sized enterprises (SMEs)¹⁴⁰. In addition the EIT has placed strong emphasis on the encouragement of entrepreneurial education and good progress is being made in this area. It is also promoting mobility of researchers and students, through the KICs.

There are many signs of positive activity within the KICs but the effects of this activity are not yet fully apparent. This is accepted by external observers, such as Member States and representative organisations from industry and Higher Education. These observers stress though that they now expect to see the EIT to begin to deliver concrete results over 2011 and 2012. Without such a demonstration of positive effects there will be little support for the further development of the EIT into the future.

5. Has the setting up of EIT provided an impetus for higher education institutions to become an integral component of the innovation chain?

The establishment of the EIT has certainly assisted in integrating a number of businesses and Higher Education institutions more closely together. However, the effects of this remain to be seen. Those HE institutions involved in the KICs already tended to have strong business relationships and a good record of collaborative activity. Ongoing monitoring will be required to assess the extent to which they have become an integral component of innovation chains.

6. What has been the experience of KIC applicants in terms of the application procedure and the subsequent implementation and negotiation phase? Can any common difficulties be identified and, if so, how might these be overcome? Do the procedures prove to be appealing in attracting the best applicants?

KIC applicants were broadly satisfied with the application process. The negotiation phase was less satisfactory for all of those involved. Specific conclusions and recommendations have been made on this separately (Annex 7). Some common messages emerge:

- KIC applicants appreciate guidance as to the EIT's expectations. Guidance was insufficiently detailed at both the application phase and during negotiations.
- Consistency in message is required. There were criticisms that guidance as to the EIT's requirements changed over the course of the process. There were also criticisms that different individuals from the EIT (HQ or GB) sometimes provided different interpretations of guidance.
- Timescales should be realistic. A common criticism has been a tendency of the EIT to establish ambitious deadlines.
- The complexity of establishing KICs as legal entities was underestimated by both the European Commission and the EIT.
- The ambitions of the EIT to simplify the rules and regulations relating to the KICs often outstripped their ability to deliver this. This created frustration where expectations had been raised and then dashed.

¹⁴⁰ Adapted from establishing Regulation

7. *To what extent has the governance structure of the EIT been effective in setting up and developing EIT with a view to achieving EIT's objectives? To what extent has the governance structure of the EIT been effective in achieving EIT's objectives so far? Would a different governance structure have been more suited to contribute to the achievement of EIT's objective of becoming a world class body for excellence in higher education, research and innovation and what evidence is there for a modified approach?*

Overall, the EIT's governance structure has been effective to date but has not been without its tensions. The Governing Board has been instrumental in delivering the EIT in its current format, introducing the notion of co-location centres, highlighting the role of entrepreneurship, and now speaking of becoming an 'impact investor'.

There is widespread agreement that the Governing Board has taken on too strong an operational role in the development of the EIT to date. This has been due to weaknesses within the EIT HQ structure but there is a recognition that this now needs to change. That members of the Governing Board retain their close personal involvement in writing the SIA, and intend to personally visit individual co-location centres suggests that this change is not imminent.

Current governance arrangements have led to tensions between the European Commission and the EIT. The Commission has legal responsibility for the EIT, but limited opportunities to formally voice its opinion. The EIT has the responsibility to promote new approaches to developing innovation capacity but limited influence over the EU's wider framework of rules and regulations. There is nothing unique in these tensions, but the current structures do not provide means of addressing them. Differences in approach between the EIT HQ and DG EAC led to some of the frustrations felt by KIC participants during the negotiation of the legal arrangements between the EIT and KICs.

There are suggestions from both the EIT HQ and the Governing Board that a smaller Governing Board structure might be appropriate in the future. Currently the Governing Board consists of 22 members, 4 of whom have been recently appointed from the KICs. All are independent members. There is no representation from the Member States or the European Commission. A 10 person Board has been suggested as an alternative. The lack of Commission representation (they are only able to attend as observers) is a matter of concern to this evaluation given the importance of European Union funding to the EIT.

8. *Can an identifiable EIT "brand" be said to have emerged, and with what qualities is it associated? How well is it known and is it helping to boost the profile and attractiveness of the EIT? To what extent has the inclusion of entrepreneurship and entrepreneurial education as an overriding priority of the Governing Board helped to form an attractive brand?*

An identifiable EIT 'brand' has not yet emerged. This is understandable as a brand identity takes time to develop. There is consensus that a strong brand image is an important component of the EIT, but there is a debate as to what this might consist of, and of whether it will apply to the EIT, the KICs or the institutions which form the KICs. There is more consensus as to the values which might form features of a brand – particularly a reputation for excellence and for the integration of business, research and education.

Knowledge of the EIT is spreading, but “is not yet in the air” as one respondent put it. The EIT itself recognises that it needs to undertake a more proactive communication campaign to counter this. Developing the brand image of the EIT could form one part of this approach.

The strong focus by the Governing Board on entrepreneurship and entrepreneurial education is certainly beginning to impact on the image presented of the EIT. External observers recognise this aspect of the EIT’s approach and broadly welcome it. It is not yet apparent that this has had any discernable effect on the development of an attractive brand, but the potential is there. The EIT itself states that it wishes to focus on becoming an ‘entrepreneurial driven innovation impact investment institute’. It is important that in defining itself the brand value it is seeking to develop is clearly discernable.

9. To what extent has the EIT ensured SMART (specific, measurable, attainable, relevant, and time-bound) objectives for the KICs and RACER (relevant, accepted, credible, easy to monitor, and robust) indicators for the monitoring and measurement of the achievement of these objectives?

The EIT has yet to put in place a strong framework by which the performance of the KICs can be consistently monitored. It has initiated a scoreboard exercise but this is not yet being implemented. This is one of the most significant challenges facing the EIT.

There appears to be some debate as to the value of such performance monitoring systems, with some within the EIT regarding them as just another level of bureaucracy. We would urge caution against this view. The EIT is presiding over an innovative approach to stimulating innovation capacity within the EU, with each KIC adopting its own distinctive approach. There is much to be gained from the EIT working with the KICs to develop appropriate measures and to assess what works and what does not, lessons from which the rest of the EU might then benefit. This is not about the EIT checking the performance of the KICs, but about the EIT developing as a learning organisation in its own right.

9.1.3 Sustainability

10. Which of the current activities or elements of the EIT would be likely to continue and in which form if Community support was withdrawn or substantially decreased?

It is unlikely that many of the current activities of the EIT would continue if Community support was withdrawn or substantially decreased. The KICs remain at a very early stage of their development and are investing in innovative approaches to catalyse innovation and to developing entrepreneurial elements to post-graduate education. These are yet to deliver significant results and so are not yet sufficiently established to continue without external support.

It is possible that the KICs themselves might continue in some reduced form. Each KIC formed around existing collaboration networks and these have been strengthened through the process of KIC-formation. These connections would endure. The KIC legal entity structures remain dependent on Union support, with only one having an independent income stream. We find it unlikely that levels of funding would be made available by partners to sustain this support structure at this early stage in their development.

11. What efforts are being made by KIC to diversify sources of funding, through links with business, etc.? How successful have KIC been in attracting private funds and what are the factors influencing success rates? Is the level of investment in human resources sufficient to ensure viability of the KIC activities on a long term basis?

Each KIC has the ambition to be self-sustaining, although the timeframes given for this vary. Each KIC is taking a different approach. There will be valuable cross-KIC lessons to be drawn here in the future. For the present, it is rather too soon to identify the success with which KICs are attracting private funds. Certainly, some investments are being attracted – both from private sources and national sources – but most potential investors will require evidence of successful delivery on the ground before committing investment.

9.1.4 Relevance

12. To what extent have the EIT general, specific and operational objectives proved relevant to the need to develop conditions which are attractive to investment in knowledge and innovation in Europe in order to boost competitiveness, growth and jobs in the European Union?

The general objective of the EIT “to contribute to sustainable European economic growth and competitiveness by reinforcing the innovation capacity of the Member States and the EU by promoting and integrating higher education, research and innovation of the highest standards” is very relevant to the desire to develop conditions which are attractive to investment in knowledge and innovation in Europe. In practice the EIT has concentrated rather less on the promotional aspect of this objective, but recognises the need for stronger activity in this area in the future – explicitly seeking to become a ‘reference model’.

The focus of the EIT is, almost exclusively, on the role of the KICs within this process: either through supporting them to develop the capacity for innovation, or through supporting them to develop the capacity for human capital development. By inference, through the KICs, the EIT aims to promote centres of existing excellence within the EU. This is a relevant approach in the context of intensifying global competition and the recognised weaknesses of the EU in realising the value of even those areas where it has research strengths. However, the implications of this for areas which may not be a part of the KIC clusters should not be overlooked.

The EIT’s operational objectives have been relevant to its aims and are appropriate to the approach that it is taking to address its overall objective.

13. To what extent have the KIC general, specific and operational objectives proved relevant to the need to foster the integration of the knowledge triangle — higher education, research and innovation — across the European Union?

In practice, each KIC has differing objectives but all three share a common focus on entrepreneurship, education (both entrepreneurial and other specific skills) and innovation. All aspire to global or sectoral leadership. The activities and objectives of the KICs broadly map to those of the EIT, providing a consistency of purpose.

The KICs’ objectives also lay great stress on integrating the knowledge triangle. Climate-KIC speaks of creating a single innovation ‘space’, whilst InnoEnergy highlights ‘dynamic interfaces’. The emphasis within each of the KICs on the co-location centres plays a key role in securing this integration.

9.1.5 Complementarity

14. To what extent have the EIT and KIC proved complementary to other Community initiatives in the field of research, innovation and education?

The EIT and KICs have the potential to complement other Community initiatives in the field of research, innovation and education. There are many initiatives in these fields but no other initiatives integrate all three elements of the knowledge triangle. The KICs have the potential to build upon a range of initiatives and to add value to them through the particular focus that they take. The EIT can also complement other initiatives in seeking to stimulate the innovation capacity of Member States and the EU. The focus on societal challenges also has the potential to complement the work of other Community initiatives aimed at addressing these challenges. In practice there is little evidence to suggest the potential has been realised. The EIT has operated independently of other initiatives and there is no evidence of any explicit attempt to develop a complementary approach.

9.1.6 Value added

15. To what extent do the first KIC represent a step change in the European innovation landscape and what lessons can be learnt from the first KIC selection process?

The development of the first integrated Knowledge and Innovation Communities certainly represent the first moves towards a step change in the European innovation landscape. These are highly innovative institutional structures and are acting to bring together partners in new forms of collaboration that would not otherwise have occurred. With the Co-location Centres there are also signs of a potential shift in the structuring of the innovation landscape in Europe. These are early points in the development of the KICs though and it is too soon to speak of step changes in practice. For this to occur change will need to become more strongly embedded.

Strong lessons can be learnt from the first KIC selection process. The successful KICs formed around partnerships with a history of co-operation and collaboration. In two cases, previous collaboration had taken place among others in the framework of the knowledge triangle pilot projects previously launched by DG EAC, the third was centred on an established grouping of research universities. The successful bids were well resourced and invested significant sums in developing their bids. They had also begun to develop the partnership many months before the official Call for Applications was launched. Given the costs which are involved it is important that the Call for Applications is developed in a way which does not lead to significant number of unsuccessful bids. If individual partnerships are investing €0.3m-€1m each then the EIT should be willing to make substantial investments of its own to ensure the robustness of any Call for Applications.

HE institutions tend to be the driving force in launching the bid, often with support or encouragement from public authorities. The private sector is less visible in the early stages but, generally, plays a more active role once the bids begin to be implemented. Establishing the KIC legal entity, with a CEO, is an important stage in the development of the KIC as it provides focus and can speak collectively for the KIC in a way that no 'Lead Partner' is able to.

The co-location concept is seen by all interviewed for this study as an essential ingredient in the KIC concept. We concur with this view. There remains a great variation in the notion of a co-location centre. We do not find this problematic but hope that the EIT will seek to learn the strengths and weaknesses of

the different approaches adopted. It should also offer clear guidance on this point for any future Calls for Application.

16. To what extent does the EIT represent the integration of the knowledge triangle in the European innovation landscape and how well does it fulfil its role as a role model?

The EIT, through the KICs, is beginning to represent the integration of the knowledge triangle in the European innovation landscape. The KICs are bringing partners from different sides of the triangle together in ways that was not happening before. Through this they are beginning to develop new integrated practices. It is important that the KICs develop to their full potential in this area, developing fully integrated practices throughout their activities. It would be unfortunate if the KICs were to form integrated partnerships but where activities were less fully integrated. It is not clear that education, research and business aspects are being fully integrated in all activity areas. This may not always be appropriate but, if this is so, the EIT should seek to learn where the limits to integration might lie.

We are not aware of the EIT acting as a reference model to be emulated by others at the current time, although it has this ambition. To date it has focused on establishing itself and the KICs. This is understandable. To act as a role model it must now seek to deliver high quality outputs leading to identifiable results, which are demonstrably superior to alternative approaches. To do so it will need to demonstrate how its approach adds value in comparison to others.

9.2 Summary Conclusions

Overall, support for the EIT is strong. The concept of integrating the knowledge triangle is regarded as highly relevant and the themes around which the EIT is structured are well-received. The development of each KIC as a single legal entity led by a Chief Executive Officer is seen as beneficial, engendering stronger levels of collaboration. There is much support for the model which has been developed by the EIT, based around integrated networks of co-location centres. Respondents were also positive, and consistent, in their perspective that the value of the KICs was in acting as a catalyst to secure additional value from the activities which individual members already undertook.

In terms of its core objective the EIT has succeeded in establishing three KICs, which successfully integrate the three dimensions of the knowledge triangle: business, education and research. These KICs are comprised of partners who have strong reputations for excellence in the sectors concerned. Individually, not all partners would be considered to be world class, but collectively they form the potential to be so.

The process of establishing the KICs highlights a number of important features. They tend to be formed around partners who have previous experience of working closely together. The structure of the KICs reflects the traditional research and innovation landscape of the EU, both in terms of geographical location and the institutions involved. The costs of KIC formation are high, both in terms of developing the bid – which requires a substantial investment of time and resources - and developing the collaborative procedures and the KIC legal entity. This can act as a barrier to new entrants.

The EIT has also achieved all of its other established milestones, broadly within the timeframes anticipated. This has been a substantial achievement as the timetable was an ambitious one. There is widespread recognition by all parties contacted for this evaluation that the task set for the EIT was not straightforward and that much has been achieved in a short period of time. In particular the practical challenge of forming KIC legal entities is fully recognised.

The process of achieving these milestones has not been without its difficulties. The complexity of establishing the KICs as legal entities was underestimated at the outset, there have been criticisms that members of the EIT and its Governing Board have not always been consistent in their explanations of their expectations and that there has been a tendency to alter requirements over time. This has contributed to frustration and led to some inefficiencies in the implementation of the EIT. The KICs themselves have to balance a range of interests and have not always managed this process in the most efficient manner.

Many of the difficulties experienced are readily explained by the novelty of the undertaking. The EIT has broken new ground and its members freely admit that there has been much 'learning by doing'. The KICs also acknowledge that they too have been learning. The staffing of the EIT has contributed to some of the difficulties experienced, however. In the critical early months of its operation the EIT HQ was understaffed and the balance of competencies within the organisation was ill-suited to the operational role that it was trying to forge. As an organisation it has struggled to consistently provide a professional image, with the requisite balance of experience and expertise across all of its functions. It does not yet form the reference model to which it aspires.

The development of an EIT 'brand' remains at an early stage. All agree that this is important but there is no consistent view as what such a brand might constitute. There is strong support for the development of the EIT 'label' for degrees but how this will operate in practice remains unspecified. There is also strong support for the EIT's focus on entrepreneurialism as the missing link in the pursuit of innovation.

The EIT is gradually developing a stronger profile which is widely welcomed. The early momentum which had been generated behind the EIT has been dissipated in the process of establishing the first KICs and it is important that this momentum is regained. There are positive signs of this now occurring.

The ability of the EIT to act independently of the European Commission is widely welcomed. With this ability comes responsibility. There is an onus on the EIT to ensure that the funds it distributes are well spent. This includes ensuring that KICs deliver on the hard tasks and that they continue to innovate in their own approaches to stimulating the capacity for innovation through knowledge triangle integration. To do so will involve a sophisticated culture of performance monitoring and dissemination of the lessons being learnt. There remains scope for the EIT to continue to develop its own practices in key areas, particularly around the simplification agenda.

The novel institutional structures of the EIT present a number of challenges. These are by no means unique to the EIT but must be acknowledged. There have been issues relating to the coordination of policy development and the coherence of approach between the European Commission and the EIT. The tension is both in terms of roles but also cultural approach. At its best a creative tension could emerge seeking to develop best practice around a common vision in order to promote stronger innovation

capacity. Too often the tensions have proved to cause misunderstanding, frustration and inefficient behaviour.

The EIT is governed by a Board comprised of highly-regarded and well-respected individuals. The Governing Board and, more especially, some individual members have taken a very strong operational role in the development of the EIT. The circumstances surrounding the early years of the EIT provide only a partial justification for this. There is a strong consensus from all parties in the governance process that the operational leadership of the EIT should be reclaimed by the EIT HQ, under the strategic guidance of the Governing Board. This is particularly important given the legal accountability of the Director of EIT HQ for the actions of the EIT.

The autonomous nature of the EIT and the manner in which the Governing Board has been selected does raise some issues of accountability. The EIT is accountable through the Commission to the Council and Parliament through its regular reporting cycle (rolling Triennial Work Programme, Annual Report, Strategic Innovation Agenda). This places very significant emphasis on the role of the Strategic Innovation Agenda in setting out the strategic approach of the EIT. We are surprised by the limited level of consultation undertaken by the EIT in the development of their draft SIA. This is not in the spirit of openness and transparency as set out in the Regulation. We are also concerned by the tendency for the Governing Board to rely solely upon the knowledge of the members of the Governing Board and their personal contacts. A particular example of this is the proposed Academy of Entrepreneurs. We make no comment on the potential value of the Academy here, but record our concern that the membership will be based solely on personal recommendation by Governing Board members.

At present the focus of the EIT's activities is firmly focused on the KICs, with a secondary emphasis on stimulating entrepreneurship emerging. This approach strengthens those parties who are involved within the KICs and, through endogenous development, will promote economic growth in the economies connected to co-location centres. The risk is that this will fail to deliver benefits to areas of the EU which are not represented within the KICs. Whilst we agree that the KICs should retain their focus on excellence the EIT should also consider whether it has other means at its disposal to support the diffusion of the benefits of its activities – possibly through active dissemination routes – more widely.

The EIT has now reached a critical juncture. All parties accept that 2010 has been a year of development. There is now a strong expectation that it will start to deliver practical results and show signs of learning from the experience gained to date. In doing so the EIT will also need to illustrate the added value provided by its operations. Strong management and leadership will be essential if it is to do so and achieve its potential. At this crucial stage of its development, the EIT's Strategic Innovation Agenda takes on a critical importance. Through it the EIT must clearly set out its vision for its own future development, the choices that it has made and the reasons for doing so.

9.3 Recommendations

The approach and concept of the EIT is well-regarded and remains relevant. It is too early to make any assessment as to the practice that is currently developing within the KICs. The most important priority for the EIT is to consolidate its current practices and to develop robust internal procedures to secure the

long-term future of the EIT. We have made specific recommendations relating to the negotiation of KIC-EIT agreements separately.

In this light we make the following recommendations:

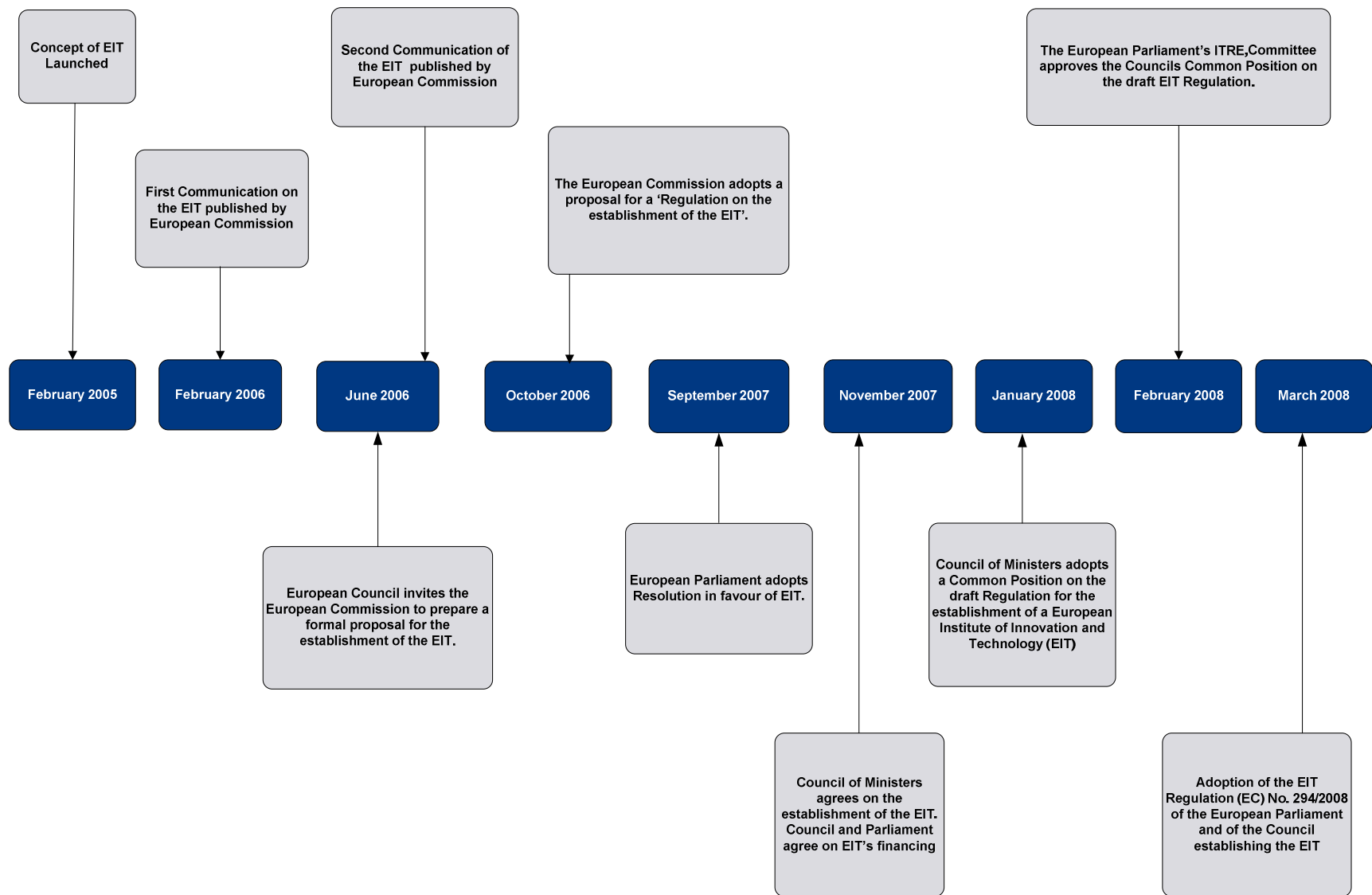
1. The EIT should continue in its current format for the next multiannual financial framework, The approach has merit and demonstrates strong potential. Additional time is required to secure this potential. The EIT should expand on an incremental basis during the coming multiannual financial framework. The EIT should continue to focus on strengthening existing centres of excellence. Additional KICs should be considered from 2014 onwards with similar levels of funding to those designated in 2009. A broad consultation should be held regarding appropriate themes.
2. In future calls for the formation of KICs the EIT should provide clear and consistent guidance as to its expectations. Sufficient notice of potential themes should be given to enable sufficiently developed partnerships to be formed to respond to a Call for Applications. We recommend that the EIT provide public notice of the broad themes of interest at least 12 months in advance of the Call to allow consortia to develop their plans. The EIT should also ensure an adequate duration, allowing for any holiday periods, for responses to be made to the Call for Applications.
3. The focus of the EIT for the period 2011-2014 should be on consolidation and delivery. It should put in place robust procedures developed through a mutual learning process with the existing KICs. These should ensure the foundations for the long-term success of the EIT and enable robust guidance to be provided on the expectations, obligations and responsibilities for future KICs. The EIT should use this opportunity to continue to develop, in collaboration with the European Commission and the current KICs, further simplified procedures for the operation of the EIT in the forthcoming multiannual financial framework.
4. The EIT must establish robust monitoring procedures in association with the KICs. This should include the measurement of the performance of the EIT against its own objectives. The focus should be on establishing a results-based approach. An immediate priority is to use the results of such a monitoring procedure to assess the performance of the individual KICs and of the EIT overall. The challenges of developing an appropriate procedure is recognised by this evaluation, but the risks of adopting an inappropriate approach must also be acknowledged. We propose that the EIT consider inviting the Court of Auditors to contribute to their thinking on appropriate monitoring procedures. The Court has previously reported that it would welcome early involvement in the development of similar monitoring frameworks. The procedures adopted will also need to satisfy the requirements of any audits undertaken by the Court of Auditors in the future.
5. In its approach to monitoring the EIT should be a critical, challenging and constructive partner for the KICs. It should ensure the integration of the knowledge triangle in practice and use the opportunity of the divergent approaches being taken by the KICs to test the effectiveness of different approaches and to learn lessons for future applications. The monitoring process must

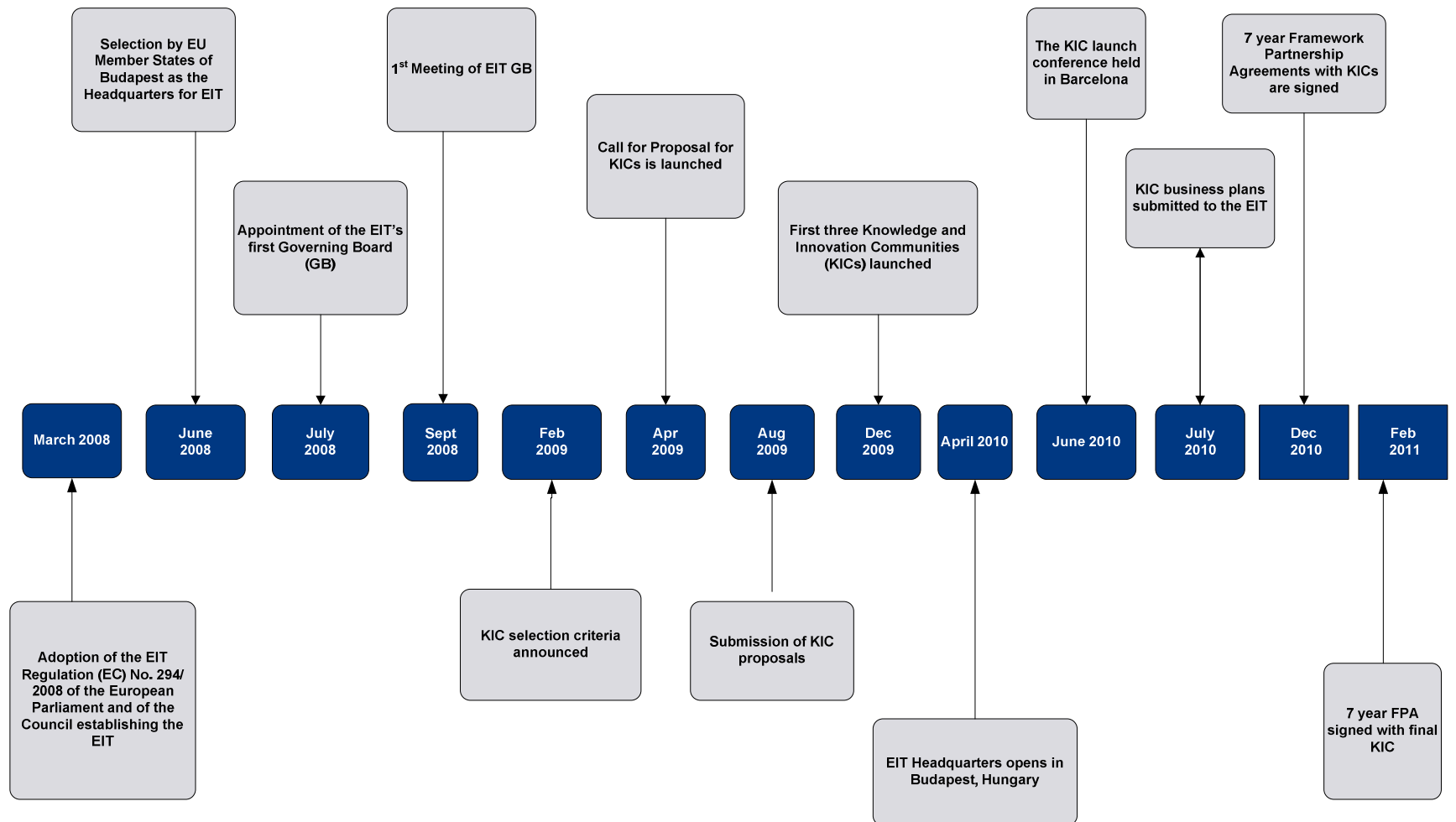
also be sufficiently robust to guard against the known risks to the approach being taken with the KICs. It should ensure that the potential for deadweight is minimised, that added value is realised and that anti-competitive practices and market distortions are avoided. The EIT may wish to consider engaging an external partner in this process in order to emphasise the objective learning-based approach being facilitated.

6. The EIT should embrace a culture of openness and external engagement through which it can develop and share lessons of practice. It should seek to engage with external expertise in developing new models of entrepreneurialism, innovation and education, actively work *with other initiatives* with similar aims and consider how its activities can assist in building capacity across the EU. It should seek to build on and stimulate existing good practice, of which there is a rich vein to tap in to, in its field of activity. The EIT should actively guard against simply strengthening the competitive performance of individual KICs.
7. The EIT and the KICs should build closer ties to other EU and *Member State initiatives seeking* to promote common agendas. The EIT should be distinctive in its offer but should seek to add value to other inputs. It should demonstrate its place in the family of measures seeking to develop the innovation capacity of the EU. Equally, the European Union should identify how the EIT is expected to add value to existing EU initiatives, whilst recognising the independence and autonomy of the EIT itself. The proposals for a Common Strategic Framework for Research and Innovation provide a valuable opportunity for this constructive dialogue.
8. The EIT should publish the lessons it has learnt in the application of the derogations available to it regarding the financial rules and regulations governing its operations. The EIT should further state what its expectations are regarding the applicable rules and regulations under the forthcoming multi-annual financial framework. This should be based upon the lessons learnt from the development of the first KICs and should seek to balance a desire for flexibility and a simplified approach with the need for responsibility for public monies. This submission would have a wider value in the future development of the Common Strategic Framework for Research and Innovation. The European Commission should give a response to this submission.
9. The EIT should review its communications strategy and the development of the EIT brand. A much stronger presence is required in this area if it is to achieve its own stated objectives of providing inspiration to others and good practice. The EIT must take a more pro-active approach to brand development and identify clearly the values that it is seeking to promote. In promoting these values the EIT must develop a more active communications strategy.
10. The EIT should review its staffing levels, resource plan and internal management procedures in the light of the chosen strategic model for the institution. The currently proposed staffing complement appears excessive for the 'holding company' model proposed by members of the Governing Board. Staffing increases from the present complement to the planned 50+ should be gradual, tied to any increase in the functions of the EIT, and be fully justified in the forthcoming Strategic Innovation Agenda.

11. The Strategic Innovation Agenda for the EIT should consider broadening the current approach of the EIT HQ. The emphasis on entrepreneurialism is a valuable development but the approach to this at the level of the HQ appears insufficient to achieve its wider mission. The SIA should also include an assessment of the extent to which the focus on excellence limits the parts of the EU which are engaged with the EIT and the implications of this. We recommend that the requirement for excellence is retained in the selection of the KICs but that consideration be given as to the role of the EIT HQ in supporting the development of innovation capacity in all EU Member States through acting as a knowledge-partner for responsible agencies.
12. Strong consideration should be given to developing the strategic role of the EIT further. This should focus on how the lessons learnt from the operation of the KICs – in stimulating innovation capacity – can be used to build the capacity for innovation in Member States throughout the EU. This is not a resource intensive activity but should complement the work undertaken by the KICs. In doing so the EIT can develop its capacity as an institution in its own right to provide credibility to its objective to act as a 'reference model' in this field. This will also act to provide a wider distribution of the benefits of the EIT throughout the EU.
13. The Governance structures of the EIT should be reviewed by the European Commission as part of its drafting of a revised Regulation. We support the principal of independent members but feel that a restatement of the roles and responsibilities of Governing Board members to emphasise that the EIT HQ should take on the operational leadership of the EIT, to reflect the accountability of the Director, is required. In this review the European Commission should reconsider the structure of the Governing Board. We recommend that the principle of independent members is retained but consideration should be given to reducing the size of the Governing Board. This is particularly pertinent with the possibility of additional KICs. We further recommend that the membership should include at least one official of the European Commission at the level of Director-General or Deputy-Director General. We propose a Board of 12 persons comprised of: 8 independent members, one representative of the European Commission and 3 members elected from the KICs.

Annex One: Timeline





Annex Two: Evaluation Questions

Key evaluation questions

Principle evaluation topic	Evaluation questions
Relevance	- To what extent <i>are</i> the EIT general, specific and operational objectives <i>proving</i> relevant to the need to develop conditions which are attractive to investment in knowledge and innovation in Europe in order to boost competitiveness, growth and jobs in the EU?
	- To what extent <i>are</i> the KIC general, specific and operational objectives <i>proving</i> relevant to the need to foster the integration of the knowledge triangle – higher education, research and innovation – across the EU?
	- Given the requirement for "critical mass" how far will the EIT/KIC model be sufficient to achieve the desired scale and scope effect?
	- To what extent is the label "world class" one readily accepted by key stakeholders as appropriate to long run expectations for the impact of the EIT/KIC model?
Complementarity	- To what extent <i>are</i> the EIT and KICs <i>proving</i> complementary to other Community initiatives in the field of research, innovation and education?
	- How far is it possible even at this stage to see where the EIT/KIC model might result in deadweight or displacement effects?
Efficiency	Initial phase: <ul style="list-style-type: none"> - How efficient was the set up process of the EIT? - To what extent was the actual timescale for the launch phase the right one in the circumstances? - How has the interim support role of the Commission been fulfilled? - What lessons can be learned in reviewing the Commission role? - On reflection, to what extent might the set-up phase for the enterprise have been handled more efficiently?
	Budget: <ul style="list-style-type: none"> - To what extent is the size of budget likely to be sufficient for reaching a critical mass of KICs? - How far was the budget for the set-up phase of EIT as whole of the right scale? - To what extent is it likely that the use of other policy instruments or governance mechanisms would provide better cost-effectiveness? - As a result, could the total budget per KIC be considered appropriate and proportional to what the EIT has set out to achieve? - How far and in what way was the "leverage effect" apparent in the launch phase? - How far was the allocation of funds to activities the most efficient one over the launch phase?
	KIC excellence: <ul style="list-style-type: none"> - To what extent <i>are</i> the mechanisms applied by the Commission and the EIT for selecting KIC, and the subsequent implementation and monitoring mechanisms, <i>likely to</i> ensure world class excellence?
Effectiveness	EIT mission, operational objectives and launch phase <ul style="list-style-type: none"> - Are the operational objectives set for the EIT likely to achieve the desired outcomes? - To what extent can the EIT's mission objectives be said to have been addressed? - What positive effects has this had? - Where expectations have not been met, what factors are hindering the development of the EIT? - Has the launch phase of the EIT/KIC model been effective in setting the conditions to deliver a sound platform for the future?

Principle evaluation topic	Evaluation questions
	<ul style="list-style-type: none"> - How effectively has the selection process for the initial strategic themes been in setting the conditions for a sound first phase of the EIT/KIC enterprise? - To what extent has the initial selection of the Board of Management and Key Officials proved to be effective in delivering an effective, high profile launch for the EIT/KIC enterprise? - To what extent has the choice of the headquarters location contributed to the effective launch of EIT?
	<p>Higher education and business</p> <ul style="list-style-type: none"> - To what extent is the setting up of EIT likely to provide an impetus for higher education institutions to become an integral component of the innovation chain? - How far has the launch phase of the EIT provided the right conditions to ensure the full inclusion of the higher education institutions in the enterprise? - To what extent has the entrepreneurial focus of the EIT enterprise been valuable in capturing the combined interest of the higher education and business communities at the launch stage? - How far has the setting up of the EIT captured the interest of the business and investment community in its ambitions as a high profile initiative? - What evidence is there that the "leverage effect" that is central to the EIT/KIC model will be forthcoming at the scale envisaged? - To what extent can the first generation of KICs be expected to have the required high profile effect in their strategic areas of innovation from the perspective of both higher education and business?
	<p>KIC application process:</p> <ul style="list-style-type: none"> - What has been the experience of KIC applicants in terms of the application procedure and the subsequent implementation and negotiation phase? - Can any common difficulties be identified and, if so, how might these be overcome? - Do the procedures prove to be appealing in attracting the best applicants?
	<p>Governance structure:</p> <ul style="list-style-type: none"> - To what extent has the governance structure of the EIT been effective in setting up and developing EIT with a view to achieving EIT's objectives? - How effective will the current configuration of governance in EIT be in delivering the right long-run strategic focus for the enterprise? - How far has the right balance been achieved between the representation of stakeholder interests and the need for decisive decision-making? - To what extent has the governance structure of the EIT been effective in achieving EIT's objectives so far? - Would a different governance structure have been more suited to contribute to the achievement of EIT's objective of becoming a world class body for excellence in higher education, research and innovation and what evidence is there for a modified approach?
	<p>EIT Brand:</p> <ul style="list-style-type: none"> - Can an identifiable EIT "brand" be said to have emerged, and with what qualities is it associated? How well is it known and is it helping to boost the profile and attractiveness of the EIT? - To what extent has the inclusion of entrepreneurship and entrepreneurial education as an overriding priority of the Governing Board helped to form an attractive brand? - From a stakeholder perspective – peers, supporters and rivals – what issues need to be taken into account in further developing the EIT "brand"?
	<p>Objective-setting and monitoring progress and outcomes:</p> <ul style="list-style-type: none"> - To what extent is the EIT ensuring the establishment of SMART (specific, measurable, attainable, relevant, and time-bound) objectives for the KICs and

Principle evaluation topic	Evaluation questions
	<p>RACER (relevant, accepted, credible, easy to monitor, and robust) indicators for the monitoring and measurement of the achievement of these objectives?</p> <ul style="list-style-type: none"> - To what extent did the Commission ensure effectiveness of its actions, guidance and monitoring with regard to the setting up and initial development of the EIT? - What arrangements for monitoring have been put in place at Commission, EIT and KIC levels and how far will these be appropriate to the effective evaluation of the overall enterprise in the future?
Value added	<ul style="list-style-type: none"> - To what extent <i>are the</i> first KICs <i>likely to</i> represent a step change in the European research landscape and what lessons can be learnt from the first KIC selection process? - To what extent does the EIT represent the integration of the knowledge triangle in the European innovation landscape and how well does it fulfil its role as a role model? - To what extent can the EIT venture be regarded as able to generate significant Community Added Value?
Sustainability	<ul style="list-style-type: none"> - Which of the current activities or elements of the EIT would be likely to continue and in which form if Community support was withdrawn or substantially decreased? - To what extent might the "brand value" associated with a successful implementation of the EIT/KIC model be a means to carry the process forward beyond the application of public sources of funding? - How might the balance between public and private sources of funding be best allocated for long-run sustainability and what impact might this have on the governance and management of EIT? <p>Funding leverage:</p> <ul style="list-style-type: none"> - What efforts are being made by KIC to diversify sources of funding, through links with business, etc.? - How successful <i>are</i> KICs <i>being</i> in attracting private funds and what are the factors influencing success rates? - Is the level of investment in human resources <i>likely to be sufficient</i> to ensure viability of the KIC activities on a long term basis?

Annex Three: Topic Guides

Evaluation of the European Institute of Technology and Innovation (EIT)

Topic Guide

Research objectives:

- Collect views on the effectiveness of the EIT as it is currently established; specifically whether the structure and activity is appropriate in terms of meeting the EIT's objectives.
- Explore views on the main challenges that the EIT faces in achieving its objectives.
- Collect any perspectives from individual DGs on the extent to which its own policies and activities take account of the EIT.

About the interviewee

- 1. Please describe your DG's interest and role in the field of innovation and technology in general.
 2. Please outline your own involvement in and experience of the development of the EIT specifically.

Relevance

3. How relevant are the EIT's general objectives within the context of the challenges that Europe faces?

"...to be a key driver of sustainable European growth and competitiveness through the stimulation of world-leading innovations with a positive impact on economy and society"

"...to grow and capitalise on the innovation capacity and capability of actors from higher education, research, business and entrepreneurship from the EU and beyond through the creation of highly integrated Knowledge and Innovation Communities (KICs)".

4. How relevant are the EIT's specific and operational objectives?
 - It should contribute to the development of the EU and Member State's innovation capacity, by involving higher education, research and innovation activities at the highest standards;
 - In so doing this implies facilitating and enhancing networking and cooperation and creating synergies between European innovation communities;
 - EIT activities should address longer-term strategic innovation challenges facing Europe, with a focus on inter- and trans-disciplinary areas;
 - Priority should be given to transferring HE, education, research and innovation activities to the business context and to commercial application in support of the creation of start-up firms, SMEs and spin-offs.

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- [from legal basis]

Complementarity

- The EIT should complement existing Community and national policies and initiatives by fostering the integration of the knowledge triangle; [legal basis]
5. What has been the extent of transversal co-operation in the development of the EIT (in the sense of across policy areas and DGs), to ensure complementarity? For example, via the Inter-service Group?
 6. To what extent are the EIT and KICs proving complementary to other Community initiatives in the field (in particular policies and activities for which your DG is responsible)?
 7. Can you foresee, at this stage, any potential for significant deadweight or displacement effects? What evidence would we expect to see if these effects do occur and how might these be mitigated?

Efficiency

8. How efficient was the process of setting up the EIT? For example was the timetable satisfactory, was the budget for setting up sufficient and was the support role of the Commission fulfilled?
9. Can any lessons be learned in terms of the Commission's role during the set-up phase? For example, was the way the budget was applied to the different components of the set-up phase appropriate?
10. Were any other policy instruments or mechanisms considered – for example where these might potentially offer better cost-effectiveness compared with the approach that was finally adopted?
11. Is the budget allocated for the EIT and KICs sufficient and proportionate, given the objectives (in particular the aspiration to reach a critical mass of KICs)?
12. How was the intended “leverage effect” (bringing in private sector investment) emphasised during the set-up and launch phase and was this sufficient?
13. To what extent is the process for selecting KICs, and monitoring the implementation of their activities, likely to ensure world-class excellence?

Effectiveness (of the setting up of the EIT and the way it is set up)

14. EIT mission, operational objectives and launch phase
 - Has the launch phase resulted in the establishment of a sound platform for the future?

- What other positive effects has the setting up of the EIT had?
- Have any expectations not been met so far, and if not what factors have hindered development of the EIT?
- How effective has the process been for selecting the strategic themes for the first phase of KICs?
- What role has the composition of the Board of Management and appointment of key officials had in terms of achieving a high-profile for the EIT through the launch phase?

15. Higher education and business

- How likely is it that the conditions set during the launch phase provide for the engagement of HE institutions in the EIT initiative?
- To what extent has activity during the launch phase sparked the combined interest of the HE and business communities?
- Is there evidence that the scale of the “leverage effect” envisaged is achievable?
- How strong an effect should we expect the first generation of KICs to have, in terms of profile and strategic impact in their respective fields?

16. KIC application process

- Insofar as you had any involvement, was the application and selection process effective, for example in terms of securing the participation of players of sufficient quality?

17. Governance structure

- To what extent has the governance structure been effective in setting up the EIT to deliver its objectives and in delivering the objectives so far?
- How likely is it that the current configuration will require to be modified in the longer term?
- Were other governance structures considered?

18. EIT brand

- What evidence is there that an identifiable EIT brand has emerged and if so what qualities would you say are associated with it?
- How do you see the brand developing in future and what issues need to be taken into account in developing it?

19. Objective-setting and monitoring progress and outcomes

- How should the EIT be ensuring it has SMART objectives for the KICs and that relevant, accepted, credible and easy to monitor indicators are applied to measure achievement of their objectives?
- How appropriate are the monitoring arrangements at Commission, EIT and KIC levels?

Value added

20. To what extent does the EIT have the potential to integrate the three components of the knowledge triangle?
21. Can the EIT act as a role model? How?
22. How can the EIT generate significant Community Added Value?
23. Do the KICs represent (or have the potential to represent) a step-change in the European research landscape?

Sustainability

24. Which elements of current EIT activity are likely to continue if public funding were to be withdrawn or reduced significantly?
25. What would an appropriate balance be between public and private sources of funding, to ensure viability over the longer term?
26. To what extent are you aware that KICs are making sufficient efforts to diversify sources of funding? How successful are they likely to be in attracting funding from the business community?

Conclusions

- Would you like to make any additional comments?

Evaluation of the European Institute of Technology and Innovation (EIT)

Topic Guide: Interviews with unsuccessful KICs

Research objectives:

- was the process open, fair and credible?
- was the process effective in attracting and securing high-quality applications?
- was it effective in terms of the appointment of KICs in a way that meets the objectives of the EIT?

About the interviewee

1. Please describe your organisation/consortium

Background

2. Please briefly outline your thematic area of interest and reasons for applying to the EIT.
3. Does your organisation/consortium currently receive support through other EU schemes, such as FP7 for example?
4. What benefits would you have received from having KIC status that are not available from other schemes?

Application process

5. How did you become aware of the opportunity to apply for KIC status? e.g EIT website, word of mouth, national source etc.
6. To what extent was the information and guidance provided to potential applicants clear and appropriate? For example in terms of strategic themes given priority, the types of players to be involved and structures to be established.
7. Were the requirements placed on applicants reasonable (amount and type of information that had to be supplied)?
8. Was the timetable reasonable and did the EIT adhere to it?
9. Were you kept informed about the progress of your bid?
10. Was the process and criteria for selecting the winning bids fair and transparent?
11. Did the timing and quality of feedback meet your expectations?

12. Should the EIT consider doing anything differently for future calls for applications for KICs?

13. Would you consider applying to any future KIC rounds?

Conclusion

Would you like to make any additional comments?

Evaluation of the European Institute of Technology and Innovation (EIT)

Topic Guide: Interviews with national policy-makers, sectoral and representative bodies and wider stakeholders

Research objectives:

- Collect views on the effectiveness of the EIT as it is currently established; specifically whether the structure and activity is appropriate in terms of meeting the EIT's objectives.
- Explore views on the main challenges that the EIT faces in achieving its objectives.
- Collect any national perspectives on the extent to which national policy and activity take account of the EIT.

About the interviewee

1. Please describe your interest and role in the field of innovation and technology in general.
2. Please outline your own involvement in and experience of the development of the EIT specifically.

Relevance

3. How relevant are the EIT's general objectives within the context of the challenges that Europe faces?

"...to be a key driver of sustainable European growth and competitiveness through the stimulation of world-leading innovations with a positive impact on economy and society"

"...to grow and capitalise on the innovation capacity and capability of actors from higher education, research, business and entrepreneurship from the EU and beyond through the creation of highly integrated Knowledge and Innovation Communities (KICs)".

4. How relevant are the EIT's specific and operational objectives?
- It should contribute to the development of the EU and Member State's innovation capacity, by involving higher education, research and innovation activities at the highest standards;
 - In so doing this implies facilitating and enhancing networking and cooperation and creating synergies between European innovation communities;
 - EIT activities should address longer-term strategic innovation challenges facing Europe, with a focus on inter- and trans-disciplinary areas;

- Priority should be given to transferring HE, education, research and innovation activities to the business context and to commercial application in support of the creation of start-up firms, SMEs and spin-offs.
- [from legal basis]

Complementarity

- The EIT should complement existing Community and national policies and initiatives by fostering the integration of the knowledge triangle; [legal basis]
5. To what extent do you think EIT/KIC activity will complement national level policy and activity?
 6. How relevant is the EIT and KICs to the HE and business sectors in your country and/or in your sector?
 7. To what extent are the EIT and KICs proving complementary to other EU-level initiatives in the field?
 8. Can you foresee, at this stage, any potential for significant deadweight or displacement effects, concerning both national and EU activity? What evidence would we expect to see if these effects do occur and how might these be mitigated?

Efficiency

9. How efficient was the process of setting up the EIT? For example was the timetable satisfactory, and resources sufficient?
10. Can any lessons be learned in terms of the Commission's role during the set-up phase?
11. Do you think any other policy instruments or mechanisms should have been considered – for example where these might potentially offer better cost-effectiveness compared with the approach that was finally adopted?
12. Is the budget allocated for the EIT and KICs sufficient and proportionate, given the objectives (in particular the aspiration to reach a critical mass of KICs)?
13. How was the intended “leverage effect” (bringing in private sector investment) emphasised during the set-up and launch phase and was this sufficient?
14. To what extent is the process for selecting KICs, and monitoring the implementation of their activities, likely to ensure world-class excellence?

Effectiveness (of the setting up of the EIT and the way it is set up)

15. EIT mission, operational objectives and launch phase

- Has the launch phase resulted in the establishment of a sound platform for the future?
- What other positive effects has the setting up of the EIT had?
- Have any expectations not been met so far, and if not what factors have hindered development of the EIT?
- Were the appropriate strategic themes selected for the first phase of KICs?
- Did the EIT achieve a high profile during the launch phase?

16. Higher education and business

- How likely is it that the conditions set during the launch phase provide for the engagement of HE institutions in the EIT initiative?
- To what extent has activity during the launch phase sparked the combined interest of the HE and business communities?
- Is there evidence that the scale of the “leverage effect” envisaged is achievable?
- How strong an effect should we expect the first generation of KICs to have, in terms of profile and strategic impact in their respective fields?

17. KIC application process

- Insofar as you had any involvement, was the application and selection process effective, for example in terms of securing the participation of players of sufficient quality?

18. Governance structure

- To what extent has the governance structure been effective in setting up the EIT to deliver its objectives and in delivering the objectives so far?
- How likely is it that the current configuration will require to be modified in the longer term?
- Were other governance structures considered?

19. EIT brand

- What evidence is there that an identifiable EIT brand has emerged and if so what qualities would you say are associated with it?

- How do you see the brand developing in future and what issues need to be taken into account in developing it?

20. Objective-setting and monitoring progress and outcomes

- How should the EIT be ensuring it has SMART objectives for the KICs and that relevant, accepted, credible and easy to monitor indicators are applied to measure achievement of their objectives?
- How appropriate are the monitoring arrangements at Commission, EIT and KIC levels?

Value added

21. To what extent does the EIT have the potential to integrate the three components of the knowledge triangle?

22. Can the EIT act as a role model? How?

23. How can the EIT generate significant Community Added Value?

24. Do the KICs represent (or have the potential to represent) a step-change in the European research landscape?

Sustainability

25. Which elements of current EIT activity are likely to continue if public funding were to be withdrawn or reduced significantly?

26. What would an appropriate balance be between public and private sources of funding, to ensure viability over the longer term?

27. To what extent are you aware that KICs are making sufficient efforts to diversify sources of funding? How successful are they likely to be in attracting funding from the business community?

Conclusions

Would you like to make any additional comments?

Evaluation of the European Institute of Technology and Innovation (EIT)

Topic Guide: Interviews with expert assessors

Research objectives:

- was the process open, fair and credible?
- was the process effective in attracting and securing high-quality applications?
- was it effective in terms of the appointment of KICs in a way that meets the objectives of the EIT?

About the interviewee

1. Please describe yourself or organisation

Background

2. Please briefly outline your thematic area of interest and how and why you became involved in the KIC selection process.
3. Describe any involvement with other EU schemes, such as FP7 for example, either as an assessor or project co-ordinator or partner.
4. Was the procedure for being appointed as an expert assessor efficient, fair and transparent in your view?
5. Is there any aspect of the appointment process that the EIT should consider modifying?

Application process

6. To what extent was the information and guidance provided to potential applicants clear and appropriate? For example in terms of indications of strategic themes given priority, the types of players to be involved and structures to be established.
7. How was this reflected in the applications received?
8. Were the requirements placed on applicants sufficient (amount and type of information that had to be supplied) to allow expert assessors to carry out their assessment efficiently and effectively?
9. Were you provided with all of the information and facilities you needed to carry out the assessment effectively and within the time allotted? Did you have to request any additional information?

10. How would you rate the quality of applications overall? In particular as measured against the aspiration towards world-class excellence?
11. Could anything else have been done to improve the quality of applications?
12. Are there any weaknesses in the system that should be addressed for future calls?
13. Was the timetable reasonable and were there any significant delays in the process?
14. Was the guidance and assessment criteria provided to assessors appropriate, clear, fair and transparent?
15. Was the process itself appropriate, including procedures for scoring, normalising and peer reviewing etc?
16. Would you consider acting as an expert assessor for the EIT in future?

Conclusion

Would you like to make any additional comments?

Annex Four: List of Consultees

Organisation

Secretariat-General, European Commission
DG Research representative
DG Budget representative
DG Enterprise representative
DG Info representative
Thematic Coordination: Innovation, DG Regio
EAC representative
Head of Unit C2, EAC
EAC representative
EAC representative
Ex-HR Manager, EIT HQ
Contract Officer, EIT HQ
Head of the Resources Unit & Internal Auditor, EIT HQ
Communications Officer, EIT HQ
Senior Strategy Officer, EIT HQ
Acting Director, EIT HQ
Head of Strategy and Communication Unit, EIT HQ
Senior Projects Officer, EIT HQ
EIT Governing Board member
EIT Governing Board member
EIT Governing Board Chair
EIT Governing Board member
Secretary of State for Economy and two Ministry of Economy Representatives, Hungarian Government
CEO InnoEnergy
Ex-CEO InnoEnergy
Acting CEO Climate KIC
CEO ICT Labs
Head of Innovation Unit, Consilium
Ex-advisor on R&D and HE to President Barroso
German Ministry for Research representative
Chair of ITRE Committee
Consultant for KIC Energy setup
EIT Foundation board member
OECD representative
Director and Head of Unit of Operations, EIT HQ
KIC Senior Project Officer , EIT HQ
Communications Officer, EIT HQ
Human Resources Officer, EIT HQ
Head of Unit – Resources, EIT HQ
EIT Expert (application and selection process)
EIT Expert (application and selection process)

EIT Expert (application and selection process)
EIT Expert (application and selection process)
Director of Technology at Gas Natural Fenosa (InnoEnergy partner)
CEA and Director of the Paris co-location centre (Climate KIC)
Director of Research at EDF (InnoEnergy and Climate KIC partners)
National Institute for Research in Computer Science and Control (ICTLabs partner)
Head of Executive Staff at Postdam Institute for Climate Impact Research (Climate KIC partner)
Royal Institute of Technology (InnoEnergy partner)
ABBV (InnoEnergy partner)
Novay Netherlands (ICTLabs partner)
KTH Stockholm (ICTLab partner)
Head of EU Policy and Presidency Unit, Polish Ministry of Science and Higher Education
Director of the European Office for International Cooperation and Institutional Affairs, Spanish Ministry of Science and Innovation
Director of Policy and Foresight, Aalto University
President of APRE and an advisor to the European Government for education and innovation
Edinburgh University (co-ordinator for unsuccessful KIC bid)
Involved in unsuccessful KIC application
Involved in unsuccessful KIC application (MENON representative)
Secretary General of League of European Research Universities (LERU)
Climate-KIC applicant (Advantage West Midlands)
EU and International Innovation Policy, BIS, UK
Head of Ericsson, Chair of Swedish Nord EIT city labs
President of Wroclaw Research Centre
Dean of AGH University of Science and Technology
Director of ICTLabs Hesinki Node

Annex Five: Documentary sources

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Annex Six: KIC partners

InnoEnergy:

Core partners:

- ABB
- AGH University of Science and Technology
- AREVA
- Central Mining Institute (GIG)
- Centre of Energy, Environmental and Technological Research (CIEMAT) - not sure
- Commissariat à l'Énergie Atomique (CEA)
- Eandis
- Electricité de France
- EnBW
- ESADE Business School
- Gas Natural Fenosa
- Grenoble Ecole de Management (GEM)
- Grenoble INP (INPG)
- Institut de Recerca en Energia in Catalunya (IREC)
- Institut National des Sciences Appliquées Lyon (INSA)
- Institute of Chemical Processing of Coal (IChPW)
- Instituto Superior Técnico Lisboa (IST)
- Karlsruhe Institute of Technology (KIT)
- Katholieke Universiteit Leuven (KUL)
- Royal Institute of Technology Stockholm (KTH)
- Schneider Electric - not sure
- Silesian University of Technology (SUT)
- Technische Universiteit Eindhoven (TU/e)
- Tecnia
- TNO
- Total
- Universitat Politècnica de Catalunya (UPC)
- University of Stuttgart (US)
- Uppsala University
- Vattenfall
- Vito

Other partners

- | | | |
|--|-------------------------------------|---------------------|
| • AGBAR | • Forschungszentrum Karlsruhe (FZK) | • LB-BW |
| • Alstom-Ecotecnica | • Galp Energia | • LOTOS S.A. |
| • Atersa IS | • German Aerospace Centre (DLR) | • Mines de Nantes |
| • Centre for Innovation and Entrepreneurship (CIE) | • Gravit | • MIRO |
| • DLR | • Grenoble Alps Incubation (GRAIN) | • NXP |
| • ECN | • IMEC | • ParisTech |
| • EDP | • Intel | • PGA BOT Belchatów |
| • Elia | | • Philips Research |
| • Energy Delta Institute | | • RAFAKO S.A. |
| | | • Renault |

- SAP
- Seabase
- Steinbels-Europa-Zentrum
- STING
- Svenska Kraftnät
- Swedish University of Agricultural Sciences (SLU)
- Tauron Polska Energia S.A.
- Technion
- Technologiefabrik
- Technologiepark Karlsruhe (TPK)
- Tecnia
- Université d'Aix-Marseille
- ZAK SA

Climate-KIC:

Core partners

- ETH Zurich
- Imperial College London
- Potsdam Institute for Climate Impact Research (PIK)
- Technische Universität Berlin
- Forschungszentrum Jülich GmbH
- GFZ German Research Centre for Geosciences
- Commissariat à l'énergie atomique et aux énergies alternatives (CEA)
- l'Institut national de la recherche agronomique (INRA)
- L'Université de Versailles Saint-Quentin-en-Yvelines (USVQ)
- Delft University of Technology
- Utrecht University
- Wageningen University
- EDF
- DSM
- Amsterdam Airport Schiphol
- Bayer Technology Services GmbH
- GDF Suez SA
- Netherlands Organisation of Applied Scientific Research TNO
- Stichting Deltares
- Thames Gateway Institute for Sustainability

Other partners

- Aberystwyth University
- Adding Technology, S.A.
- AgroParisTech
- ARIA Technologies SA
- Asociación Agrupación Marmol Innovación
- Asociación de Investigación de las Industrias Cerámicas
- ASTER Societa Consortile per Azioni
- Aston University
- Bayer MaterialScience
- Birmingham City Council
- Birmingham City University
- Birmingham Science Park - Aston Ltd
- Carbon Management Hungary
- Centre national de la recherche scientifique CNRS
- Climpact SA
- Coopers International Associates
- Dave Green Energy Services
- Dirección General de Obras Públicas
- Ecole Polytechnique
- EDINN Global S.A.
- EVO Electric Ltd
- Federación Valenciana de Empresarios de la Construcción
- Fondation de Cooperation Scientifique Campus Paris Saclay
- Fundación Comunidad Valenciana-Región Europea
- GASAG Berliner Gaswerke AG
- Gradepoint
- Green Hill Sustainability Ltd
- Greenwatt Technology Ltd
- Hamburg University
- HBCC
- Imperial Innovations Ltd.

- Innovation-Bridge-Consulting
- Instituto Tecnológico de la Construcción (AIDICO)
- Instituto Tecnológico de la Energía
- Instituto Valenciano de la Edificación
- L'Association pour le developpement du pôle de compétitivité Advancity
- Météo-France
- MIDEME S.L.U.
- Mines ParisTech
- Mycologix Ltd.
- Novacem Ltd.
- Noveltis
- NUMTECH
- ParisTech
- Planetary Skin Institute
- Plaxica Ltd.
- Process Systems Enterprise Ltd.
- Provadis School of International Management and Technology
- QinetiQ
- Rothamsted Research Ltd.
- Solar Valley GmbH
- Stichting Dienst Landbouw Kundig Onderzoek
- Stichting Historie der Techniek
- Suez Environnement SA
- Technische Universität Darmstadt
- Technische Universität München
- Thales Alenia Space France SAS
- The Province of Utrecht
- Universidad Cardenal Herrera-CEU
- Universidad de Alicante
- Universitat Politècnica de Valencia
- Université Pierre et Marie Curie - Paris 6
- University of Birmingham
- University of Reading
- University of Warwick
- Valencian Federation of Cities and Provinces
- Vattenfall Europe AG
- Wroclawskie Centrum Badan EIT+ sp. z o.o.

ICT Labs:

Core Partners

- 3TU /NIRICT
- Aalto University
- Alcatel Lucent
- DFKI
- Ericsson
- Fraunhofer Gesellschaft (FHG)
- INRIA
- Institut Télécom
- KTH
- NOKIA
- NOVAY
- Paris-Sud XI University
- Philips
- SAP
- SICS
- SIEMENS
- T-Labs
- TU Berlin
- UPMC
- VTT

Other partners

- Acreo
- BT Research
- Budapest University of Technology and Economics
- Cap Digital
- Center for Internet Excellence
- Center for Wireless Communication
- Cisco
- CSC – IT Center for Science Ltd
- CWI – Center Wiskunde & Informatica
- Digitéo
- EICT
- Electrum Foundation /Kista Science City
- Eötvös Lorand University of Sciences
- GE Healthcare
- Hermia
- Holst Centre
- HP Labs
- IBM
- Images & Reseaux
- Imperial College London
- KCC
- KIT – Karlsruhe Institute of Technology
- Logica
- LTU – Luleå University of Technology
- LU – Lund University
- Max Planck Institute
- Nice-Sophia-Antipolis University
- Oulu Innovation Oy
- Point One
- Rennes 1 University
- Saarland University
- Secured Communication Systems
- Sitra
- Stockholm Innovation & Growth
- Stockholm University, DSV
- System@tic
- Tampere University of Technology
- Technische Universität Darmstadt - CASED
- Technische Universität München
- Technopolis
- TiViT Oy
- TNO ICT
- Trento Rise
- Turku Centre for Computer Science
- University College London
- University of Helsinki
- University of Oulu
- University of Tampere

Source: KIC Website (May 2011)

Annex Seven: Negotiation report

1.0 Introduction

1.1 Context

In December 2009 three Knowledge and Innovation Communities (KICs) were designated by the European Institute of Innovation and Technology (EIT) following a call for applications issued earlier that year. The three successful KICs were Climate KIC, Innoenergy KIC and ICT Labs KIC. Formal agreements between the EIT, DG EAC and the three KICs were signed in December 2010 in the case of Innoenergy KIC and ICT Labs KIC and in February 2011 in the case of Climate KIC. In each case two agreements were signed: a Framework Partnership Agreement (FPA) and an Annual Grant Agreement for 2010 (AGA).

2010 was a crucial year for the EIT. This was its first year of operational activity, its Headquarters function gradually began to be established during this year and the roles and responsibilities for operational functions began to be transferred from DG EAC to the EIT staff now being employed. During this year the KICs also established themselves as legal entities, rather than the partnerships which had submitted the original proposals in response to the call for applications. 2010 was a year of new institutional formation, where working practices began to be established and the operational procedures anticipated in the development of the EIT were tested in practice.

1.2 Purpose

ECORYS has been commissioned by DG EAC to undertake an evaluation of the European Institute of Innovation and Technology (EIT). In early 2011 the contract was amended to include a more detailed consideration of the effectiveness and efficiency of the negotiations between the EIT and the Knowledge and Innovation Communities (KICs) leading to the signing of Framework Partnership Agreements and Annual Grant Agreements. The purpose of the amendment is twofold:

1. to provide an evaluation of the negotiations between EIT and KIC from the designation of the KICs in December 2009 through to the signing of the Framework Partnership Agreements in 2010/11.
2. to identify possible obstacles or enablers of the negotiations and include proposals and recommendations for possible remedies.

In specifying this amendment DG EAC requested that the following questions be addressed:

- How were the negotiations structured in terms of planning, milestones and deadlines?
- Was there clear guidance in the negotiation process from the EIT?
- What expectations did the EIT and KICs have from the negotiations? Have the subsequent actions matched expectations on either side?
- Did EIT communicate clearly its strategic objectives vis-à-vis the negotiation process with KIC? Did this have any influence on the negotiation process.
- Did particular attributes of the process facilitate or enable efficient negotiation arrangements?

- Were there particular obstacles to an efficient negotiation process?
- To what extent have the following had an impact on the negotiations:
 - handover of management functions (e.g. handover from interim CEO to current CEO of KIC or former EIT Director to current Acting EIT Director)?
 - the diverse level of commitment of KIC partners?
 - the delay of parts of the negotiation?
 - physical relocation of the EIT?
 - negotiators' expectations and subsequent (non-)actions on the side of EIT and KICs? communication of the EIT strategic objectives?
 - (perceived) priority setting of EIT management attention?
- How would you qualify the role of the following bodies in the negotiations?
 - EIT Governing Board
 - the European Commission
 - KIC partners and co-location centres
- Did participants in the negotiation process have substantive contact with the EIT Governing Board or the European Commission outside of the formal process? Did this assist the process?
- How well do the KIC annual business plans reflect the KIC proposals?
- From the experience of today, did the whole negotiation lead to a satisfying result? Would there be a KIC if there was no EIT?
- Compared with Framework Programme experience in negotiation, how can the negotiation process with the EIT be qualified¹⁴¹?

1.3 Approach

In this study we focus on the structures and the processes at play during the negotiation phase. Our aim is to examine the process as it occurred, particularly the efficiency of the process and the effectiveness of the process. That is to understand whether the process was well organised, was commonly understood and was completed with the minimum of delay, whilst securing an outcome that all parties regard as acceptable and

¹⁴¹ The 7th RTD Framework Programmes (FP7) is often cited as a comparator to the EIT. *Inter alia*, the 7th Framework Programme funds transnational collaborative research projects involving researchers from business, Higher Education and Research Institutes. Each of these collaborative projects involves a negotiated grant agreement. The comparison between the EIT and FP7 is made in terms of validity of comparison, speed of conclusion and complexity of process.

which help secure the objectives of the EIT as a whole. Within this study we make no comment on the role, or actions, of any particular individuals. We also seek to preserve the anonymity of those interviewed in terms of particular comments made. Where it is unavoidable we refer to particular institutions or to job titles. All contributions to this study were made by individuals in a personal capacity and we wish to stress that the interpretation of these comments and the conclusions drawn are our responsibility alone.

Our approach to this evaluation has been primarily a qualitative one. This is partly due to the importance of individual perspectives in forming a balanced view of the negotiation process, but also due to a lack of documentary evidence. As far as we are able to ascertain there is no complete record of the negotiation process. We have interviewed all of those directly involved in the negotiation process. This includes the Director and Acting Director of the EIT, staff employed by EIT; Chief Executive Officers (CEOs) and Interim CEOs of the three KICs¹⁴², and staff employed by DG EAC. A total of 14 interviews were specified for the study, these were undertaken in the period February-March 2011. In practice we have also drawn on information from a further 5 interviews undertaken as part of a wider evaluation study of the EIT and which have taken place between November 2010 and March 2011.

We have been able to support our qualitative analysis with a partial documentary analysis. We have requested copies of meeting schedules, attendance lists, minutes of meetings and the initial (or early) drafts of the Framework Partnership Agreement and the Annual Grant Agreement. We have been provided with copies of the final Framework Programme Agreement (minus Annexes) and the Annual Grant Agreements. These are the base documents rather than the final signed copies for each KIC. We understand that there are no further changes.

We have been provided with Minutes for some meetings, agendas for others and several early drafts of both the FPA and the AGA. A list of the documents provided is attached in Annex A. There is no suggestion that this is a full and complete record of the process but it does prove a useful check to the qualitative record.

We refer to the following bodies:

- the EIT, an autonomous agency consisting of the EIT Governing Board (GB), which consists of individually appointed members charged with the strategic direction of the EIT, and the EIT Headquarters (EIT HQ)¹⁴³, which is responsible for supporting the GB and administering, managing and implementing the work of the EIT;
- the EC, namely DG EAC which is the partner DG for the EIT and was responsible for its launch; DG Budget and Legal Services, which each provide technical advice and support to DG EAC;
- KICs, consisting of a KIC legal entity which manages the KIC, and KIC partners, which are the businesses, Higher Education Institutions, Research Institutes and other bodies which form the KIC legal entity.

We structure the rest of this report as follows:

¹⁴² For the purposes of this work references to CEO should be taken to refer to both full-time and interim CEOs unless explicitly stated otherwise.

¹⁴³ EIT HQ is also occasionally referred to as the EIT Directorate. We maintain the more common terminology of HQ throughout this report.

- A description of the background to the negotiations and our understanding of the negotiation process in practice
- Analysis of the evidence relating to the questions set in the ToR
- A summation of all the evidence evaluating the key points
- Identification of broad conclusions and recommendations

2.0 The Negotiation Process

2.1 Background to the negotiations

The Regulation governing the establishment of the EIT was published in April 2008. A Governing Board was appointed in July of 2008 and in April 2009 a call for proposals for three KICs was launched, generating some 20 applications. The call closed in August 2009 and the selection of KICs was completed with the designation of three KICs in December 2009. Each KIC was led by an Interim CEO. Up to this point support for the work of the EIT was provided by Unit C2 of DG EAC.

The first staff were appointed to the EIT in September/October 2009, with the Director of EIT taking post in November 2009. This marked the beginning of the transition of responsibility for managing and administering the EIT from DG EAC to the EIT HQ. By the end of 2009 the EIT had some 6 staff, mainly in posts associated with logistics, IT and Human Resources. Additional support for the EIT continued to be provided by Unit C2 of DG EAC.

The EIT moved from Brussels (where it was co-located with Unit C2, DG EAC) to its Headquarters in Budapest in April 2010. At this point 10 staff were employed by the EIT (rising to 17 by the end of that month). In August 2010 the Director of the EIT left for personal reasons and was replaced as Acting Director by his former Head of Unit, who had taken up that post less than three months previously. Other personnel changes during this period included the replacement of the three KIC Interim CEOs with full-time replacements (one of whom subsequently resigned later in 2010).

During the period December 2010 to February 2011 the EIT established its Headquarters in Budapest, increased its staff numbers (to around 34 staff), began the process of developing its Strategic Innovation Agenda, undertook publicity and communication activities and initiated other actions – such as the Academy of Entrepreneurs, Entrepreneurship Awards and the EIT Foundation. However, the KICs remain at the heart of EIT activities and are fundamental to its long-term success¹⁴⁴. A table of the staffing profile at four points in time is set out in Table 9.1. This covers the end of December 2009 (at the time the KICs had been designated and negotiations started); 1st April 2010 (when EIT moved into its new headquarters and 3 months into the negotiation period); the beginning of July 2010 (when it had been hoped by EIT that agreements might have been signed) and 31st December 2010 (once agreements had been finalised with two KICs and were almost concluded with the third).

The Framework Partnership Agreements between the EIT and each KIC and Annual Grant Agreements for 2010 were signed with two KICs in December 2010 and with the third in February 2011. In the latter case the Annual Grant Agreement for 2010 is for 14 months (and the corresponding agreement for 2011 will be for 10 months). The Framework Partnership Agreement presents the framework for KIC operations and the contractual basis of the relationship between the EIT and the KIC whilst the Annual Grant Agreement sets out the implementation details on an annual basis (particularly around agreed funding and activities). The three signatories to the agreements are the Acting Director of the EIT; the Director of Unit C, DG EAC, and the CEO of the KIC.

¹⁴⁴ Perspective of Governing Board based on interview records.

Table 9.1 Profile of staff composition of EIT HQ

<i>31st Dec 2009</i>	<i>1st April 2010</i>	<i>1st July 2010</i>	<i>31st Dec 2010</i>
Director of EIT	Director of EIT	Director of EIT	HoU/Director (Acting)
HR Officer	Accountant	HoU/Director (Acting)	Accountant
HR Officer	Building Management	Accountant	Budget Officer
IT Officer	HoU EIT Resources	Budget Officer	Budget Officer
Logistics Officer	HR assistant	Building Management	Building Management
KICs Project Officer	HR Officer	Communication Officer	Communication Assistant
	HR Officer	Finance Officer	Communication Officer
	IT Officer	HoU EIT Resources	Finance Assistant
	KICs Project Officer	HR assistant	Finance Assistant
	Logistics Officer	HR Officer	Finance Officer
		HR Officer	GB-Assistant
			HoU EIT Strategy & Communication
		IT Officer	HR assistant
		IT Officer	HR Officer
		Legal Officer	Internal Auditor
		Legal Officer	IT Officer
		Logistics Officer	Legal Officer
		Secretary to the Director	
		Secretary to the HoU - EIT Financial Services	Legal Officer
		Secretary to the HoU - EIT Resources	Logistics Officer
		Secretary to the HoU - EIT Strategy & Communication	Secretary to the Director
		Senior KICs Project Officer	Secretary to the HoU - EIT Financial Services
		Senior KICs Project Officer	Secretary to the HoU - EIT Resources
		KICs Project Officer	Secretary to the HoU - EIT Strategy & Communication
		Unstated post	Senior Strategy Officer
			Senior KICs Project Officer
			Senior KICs Project Officer
			KICs Project Assistant
			KICs Project Officer
			Unstated post

Source: amended from data provided by DG EAC

9.2 Participants in the negotiation process

The negotiation process involved meetings, other discussions and the exchange of materials by email. Unfortunately, it has not been possible to identify categorically who has been involved throughout the process, although the main players and parties are clear. These are: the EIT HQ (2 representatives), the KICs (the CEO or interim CEO), and DG EAC (1-2 representatives). From the limited records of attendance at meetings, and the recollections of those involved, it is apparent that there were a number of changes in the personnel involved at different stages during the course of the negotiations. From our reconstruction the following pattern emerges:

- For the EIT HQ the personnel involved changed twice, with the Director replaced by the Acting Director around August 2010 (following the resignation of the former), and a change in the supporting staff member around May 2010 (as part of operational strategy). The presence of a legal firm retained by EIT¹⁴⁵ is recorded in some later meetings.
- For DG EAC there has been a strong consistency with the same two staff members involved throughout the process.
- For the KICs there has been some fluidity. For all 3 KICs the CEO has changed at least once during the negotiation period. The requirement to have a full-time CEO led each KIC to appoint a new individual to this post, replacing those individuals who had initially led the KIC bid. One new CEOs took up post in June 2010 (but left in October 2010) and the CEOs of the other two KICs took up post in September 2010. In early meetings it appears that there were a number of other individuals also involved from partner bodies, but that these individuals changed between meetings. For one KIC a consultancy company employed to support its establishment attended some meetings in an observer capacity.
- The Chair of the Governing Board together with one other member, participated in at least one meeting convened to negotiate the Framework Partnership Agreement and Annual Grant Agreement. In this meeting the Chair personally led an article-by-article discussion of the proposed draft agreements
- Outside of the meetings held it is apparent that others have played a key role in the negotiation of the FPAs and AGAs. This is most particularly so in the case of the Commission, where DG Budget and Legal Services were both closely involved through the provision of advice to DG EAC, and the KICs, where some partners were directly involved in the early months of the negotiations and were indirectly involved – through their relationship to the KIC legal entity - in later months.

It is also apparent that at certain points various parties were involved in direct discussions with the KICs, including the Director of Unit C in DG EAC and the Chairman of the EIT. Legal representation was also involved in the case of the KICs and the EIT (who retained their own legal advice).

¹⁴⁵ Based on the documents provided to us, it appears to have been this legal firm who drafted later versions of the Framework Partnership Agreements and the Annual Grant Agreements.

2.3 The process

The limited availability of any documentation regarding discussions held has led us to seek to recreate the pattern of activity following the designation of the KICs in December 2009, based upon the recollections of those involved. This necessarily means that some subjectivity might enter into the description of the process. We have sought to minimise this by triangulating different perspectives wherever possible.

Prior to December 2009, DG EAC had begun the process of developing a draft FPA (in Autumn 2009). This was described by staff involved as a difficult process. There were no 'off-the-shelf' model contracts available as they were trying to create something different. The aim was to draw up an agreement that was flexible and attractive to the business-like orientation they were trying to encourage within the KICs whilst at the same time incorporating a number of strong legal requirements.

The EIT HQ formally led the negotiation process from December 2009 through to the signing of the agreements in December 2010 and February 2011. DG EAC officials acted as observers at meetings, providing advice when invited or circumstances merited. There was a desire on all sides for the EIT HQ to be seen to lead the process. As far as we can ascertain, the initial focus of the meetings between the EIT and the KICs was threefold:

- Developing the KIC legal entity
- Securing Preparatory Grant Agreements
- Developing the content of proposed KIC activities

The emphasis for the first 2 months was on forming the legal entities which would be the KICs. KIC CEOs at the time suggest that they had no awareness at this point as to the proposed content of any FPA or AGA. Notes following up the meeting between the KICs and EIT in January 2010 make no reference to the proposed agreements and participants in these meetings confirm that the agreements were not subject to discussion. Contractual discussions occurred over the Preparatory Grant Agreements. Although we are informed that there was no negotiation as to their content there was discussion about matters such as eligible costs. These agreements are not part of this study.

The first meetings are described as collective discussions between the EIT and the three KICs. In the absence of Minutes of these meetings it is difficult to reconstruct the content of these discussions. We are informed that they tended to have been of a broadly general nature working up the concept of the KICs. In the words of one participant they were starting with a 'blank sheet of paper'. This view is not shared by all parties, but seems to capture the spirit of the discussions at the time.

As far as we are able to ascertain, negotiations on the content of the FPA and AGA began around March 2010. The months of March, April and May 2010 have been described as a time when the EIT HQ enjoyed a great deal of freedom to shape the agreements as they saw fit. At this point the process has been described by one participant as one of 'co-creation', with the aim of the EIT being to produce the simplest possible financial agreements, in line with what the EIT perceived to be its role in championing the simplification of financial regulations and operational flexibility for KICs. Others described the process as 'bottom-up'.

DG EAC began to become more strongly involved in the negotiations as 2010 progressed. Whilst EIT HQ still nominally led the negotiations, all parties suggest that as Summer 2010 approached the role of DG EAC and the European Commission intensified. The stronger involvement of DG EAC is reportedly due to their concerns as to the progress of negotiations and the content of the agreements, particularly the perceived weak coverage of many of the requirements of the Financial Regulations. It was also at this point in time that DG EAC accepted that their Director would be a signatory to the FPA and AGA¹⁴⁶, owing to the fact the EIT would not achieve Financial Autonomy prior to the time when the agreements would need to be signed. This served to encourage DG EAC to ensure that the agreements were well-defined. The Governing Board was also becoming concerned with the slow progress of the negotiations at this time. As the substantive contribution of the European Commission to the negotiation process increased so the role of EIT HQ staff appears to have contracted.

The Summer of 2010 also marked a sharp change in the approach to the negotiations. The content of the negotiation process was now much more detailed and very intensive. This appears to have been a response to the desires of both DG EAC and of the KICs themselves. Much of the negotiation process appears to have been through the iterative exchange of draft texts by email. Few meetings were held and where they were they tended to be between the individual KICs, the EIT and DG EAC (in contrast to the more collective approach previously). The process at this point has been described as sequential, with material being passed from KICs to their partners, from KICs to EIT, from EIT to DG EAC, from DG EAC to DG Budget and Legal Services, and back again (see Section 3.3).

2.4 The evolution of the FPA and AGA

Five versions of the Framework Partnership Agreement have been provided to this study. These are dated October 2009, November 2009, June 2010, August 2010 and October 2010. We have also been provided with two versions of the Annual Grant Agreement: dated January 2010 and October 2010. Both documents show substantive development during the period of the negotiations. Table 2.2 illustrates the substantial changes visible in the structure, coverage and wording of the Articles of the various draft FPAs made available to this study.

The draft FPA produced in October and as revised in November 2009 is a very general document which bears little resemblance to the draft FPA available in June 2010 and the final text of the FPA agreed in October 2010. Between November 2009 and June 2010 a much sharper, more focused and conceptually coherent document was produced. The broad shape of the FPA was arrived at by August 2010. However, although the Articles remained constant significant changes continued to be made up to the final draft in October 2010. In comparison to the August draft FPA the final text is more detailed, more specific, more tightly worded and generally presents a sharper legal document. Substantial changes were made to Articles 2, 6, 12, and 18. With a modest but significant change to Article 17. An entirely new Article (Art. 26) is also included in the final text.

Similarly, a comparison of the draft Annual Grant Agreement of January 2010 and that of August 2010 illustrates the substantial changes made. Again the later version is much sharper and more tightly defined. Significant progress was made within that 6 month period.

¹⁴⁶ As testified by the different versions of the draft FPA dated June 2010 and August 2010.

One of the small but significant changes in the draft FPA is the alteration in anticipated signatories. In the early drafts it was anticipated that the contracts would be signed by the Chair of the EIT Governing Board and the 'coordinator' of the KIC; by June 2010 this had change to a KIC 'representative' and the Director of the EIT HQ, and in the draft of August 2010, the signatories were to be the Acting Director of the EIT, the CEO for the KIC legal entity and a Director, DG EAC. This reflects both a sharpening of the understanding of the legal responsibilities involved in signing the agreements, and also the increased role of DG EAC in the absence of the anticipated Financial Autonomy of the EIT.

The Framework Partnership Agreement was finalised on the 12th October 2010. It is not overly long at 22 pages and contains 26 Articles. The Annual Grant Agreement, finalised on the same date, supplements this and is also modest in length at 17 pages and containing 17 Articles. The Articles of the Annual Grant Agreement are:

Article	
1	Purpose
2	Duration
3	KIC Business Plan 2010 including the estimated budget
4	Financing the KIC
5	Financial responsibility
6	Performance reporting
7	Provisions on costs
8	Sub-contracting
9	Sub-granting
10	Payments
11	Bank account
12	General provisions on payments
13	Determining the final grant
14	Recovery
15	Checks and audits
16	Administrative provisions
17	Role of the Commission and transfer of rights and obligations to the EIT

Table 9.2 Comparison of Articles across various drafts of the FPA

Art.	October 2009	November 2009	June 2010¹⁴⁷	August 2010	October 2010
			Preamble	Preamble	Preamble
1	General Provisions	General provisions	Purpose	Purpose	Purpose
2	Definitions	Definitions	Definitions	KIC composition and internal agreements	KIC composition and internal agreements
3	Organisation of the KIC	Organisation of the KIC	Duration	Duration	Duration
4	Nature of actions planned	Nature of actions planned	KIC composition	Nature of KIC activities	Nature of KIC activities
5	Financial provisions	Procedure for awarding grants	Nature of KIC activities	Undertakings by the KIC	Undertakings by the KIC
6	Monitoring, evaluation and reporting	Financial provisions	Undertakings by the KIC	EIT financial contribution	EIT financial contribution
7	IT-system	Planning of the KIC's work	EIT Financial contribution	Promotion of the KIC and of the EIT	Promotion of the KIC and of the EIT
8	General rights and obligations	Monitoring	Promotion of the KIC	EIT labelled degrees and diplomas	EIT labelled degrees and diplomas
9	Information and communication	Reporting regime	EIT labelled degrees and diplomas	Intellectual property rights within the KIC	Intellectual property rights within the KIC
10	Participation of non-EU partners	IT-system	Intellectual property rights within the KIC	Reporting	Reporting
11		Modification of the KIC partnership	Reporting	Evaluation	Evaluation
12		General rights and obligations	External evaluation	Checks and audits	Checks and audits
13		Information, communication and publicity	Checks and audits	Amendments	Amendments
14		Participation of non-EU partners	Amendments	Applicable law and jurisdiction	Applicable law and jurisdiction
15		Communication between the EIT and KIC	Applicable law and competent court	Compliance with EU and national competition rules	Compliance with EU and national competition rules
16		Law applicable and competent court	Liability	Compliance with state aid rules	Compliance with state aid rules
17		Data protection	Assignment	Liability	Liability
18		Annexes	Conflicts of interest	Assignment	Assignment

¹⁴⁷ Within this draft two Articles are numbered as Art. 12. Art. 13 in the table is thus numbered Art. 12 in the draft FPA, Art. 14 is numbered as Art. 13 in the draft FPA, and so on.

19			Force majeure	Conflicts of interest	Conflicts of interest
20			Confidentiality	Force majeure	Force majeure
21			Data protection	Confidentiality	Confidentiality
22			Suspension	Data protection	Data protection
23			Termination	Suspension	Suspension
24			Administrative provisions	Termination	Termination
25				Administrative provisions	Administrative provisions
26					Role of the Commission and transfer of rights and obligations to the EIT

2.5 Sticking points in the negotiation

There is a strong consensus as to the main sticking points in the negotiation of the FPA and AGA. The three points are:

- Article 17 of the FPA regarding liability
- Article 5 of the AGA regarding financial responsibility
- Article 10.1.2 of the AGA regarding the provision of a bank guarantee

At no point has it been suggested that these were reasons for extensive delay in the negotiation process. These three points - which can be summarized as the issue of financial responsibility (also interpreted as liability) - and the matter of a bank guarantee highlight many of the issues involved. To this can also be added the matter of developing the legal entity for each of the KICs and, more especially, their internal relationships. We explore each of these further below.

The matter of a legal entity was perhaps the first major stumbling block. The European Commission is not able to sign an agreement solely with the legal entity itself. The EC must have a contractual relationship with every institutional entity involved owing to limitations on sub-contracting/sub-granting. Consequently all KIC partners have to be identified in, and associated with, the FPA. The consequence of this requirement does not appear to have been fully realized at the outset of the process.

Some parties have suggested that many KIC partners thought that they would be signing a multi-party agreement with the EIT. However, the desire of the European Commission and the EIT was to bind the institutional partners to the legal entity by empowering the legal entity, in the personality of the CEO, to take decisions on their behalf. Institutions were, perhaps understandably, reluctant to do so unconditionally. Trying to define a relationship between the KIC legal entity and the partners that was acceptable to all parties was a challenge in the context where the relative responsibilities remained still to be fully defined.

The European Commission also seems to have overlooked this point in the early drafts of the FPA. Initial versions of the draft agreement refer to the 'KIC'. Although seemingly a small matter, from a contractual perspective it is quite significant. The KIC itself does not exist as a legal entity it is simply the sum of its partners. The assumption that it could be treated as a single entity provides an example of the view that the KIC might equate to an entrepreneurial body. This may be the aim, but the contractual reality is very different. The FPA now makes a clear distinction between the KIC legal entity and the partners.

Perhaps the strongest sticking point was the clauses surrounding financial responsibility and liability. For most parties in the Commission this is a straight-forward and non-contentious issue, which all KIC partners should be familiar with from their experience of other EU grant regimes. It is a matter of transparency and provision against fraud. It is also pointed out by Commission officials that these clauses are rarely invoked in practice – just once in the past 10 years was the example provided to the study team – and even then wilful negligence has to be demonstrated. Arguably, the clauses were also regarded as enshrining the principal of a fully integrated partnership.

The initial suggestion was that all partners were jointly and severally liable for the actions of all other partners. Whilst strongly reflecting the principle of joint engagement in a single legal entity this has a number of difficulties in practice. Some institutional partners were unable to agree to this owing to national rules and regulations surrounding public bodies, others would not do so as a matter of principle. In the end the matter was resolved that partners would be individually liable for any funds they received, and that liability for expenditure by the KIC legal entity would be shared across all partners in the KIC. Each KIC would determine how this internal division of responsibility would be managed. Even this arrangement has created strong debate within some KICs as to how it should be enacted.

Parties to the negotiations recognize that, in retrospect, the debate was perhaps disproportionate to its significance. Several acknowledge that with the benefit of hindsight the rationale for the requirement is more apparent. However they also note that there was never 'a mature discussion' over the general issues – debate instead focused on the detail of the clauses. The wider perspective got lost in the midst of the intense negotiations. Some KIC CEOs also readily acknowledge that they were very disappointed by the attitude of some partners towards what was effectively the minimal risk of a claim for relatively small amounts of money.

An early suggestion that partners were not only liable for all monies provided to the KIC by the EIT but also for potential reputational damage to EIT brand from actions of any member did not help to engender trust, we are told. This notion of open-ended joint liability reportedly led to "obsessive behaviour" by the partners as nobody was able to sign up to this. Even where negotiators could agree they were unable to get it through the legal departments that had to ratify contracts.

The final sticking point was the matter of a Bank Guarantee for a proportion of the pre-financing received by a KIC. As the KIC legal entity was newly established with no assets behind it the difficulty of obtaining a bank guarantee for several million euro was recognized by all parties. In the perspective of the Commission, there should have been no problem in partners developing a means of delivering the guarantee – in fact, this became something of a test for the European Commission and the EIT of the partners' commitment to the concept of the KIC. Equally, the EIT and the European Commission wished to be reassured of the ability of the EIT to reclaim any misspent funds. For the KIC partners, this reassurance was already provided by the clauses relating to financial responsibility and liability. It was, some CEOs felt, simply an additional clause which affected their ability to operate effectively.

In retrospect the matter of a Bank Guarantee perhaps assumed a greater importance than perhaps it deserved. It simply crystallised all of the issues surrounding the negotiations, issues of trust, of mutual understanding and of divergent expectations. There is discussion within the EIT of using a lower Bank Guarantee requirement as KICs develop and present a lower risk profile. We have been informed by DG EAC that this was discussed from the start, but there seems to continue to be misunderstanding in this area. No KIC CEO mentioned such discussions and this issue remains a source of contention for some KICs and their members.

3.0 Analysing the Evidence Relating to the ToR

The following section seeks to analyse the evidence available around a number of key themes which relate to the questions set out in the Terms of Reference. We have grouped different questions under a series of common themes. In each case the relevant questions are identified at the beginning of each subsection in the form of bullet points.

3.1 Structure of the negotiations

- How were the negotiations structured in terms of planning, milestones and deadlines?

EIT HQ states that a broad structure for the negotiations was established with a timetable, deadlines and roadmap. An example of one of the road maps produced is set out in Annex B. This dates from March 2010. We are told by EIT HQ that there were several others and that the roadmaps were constantly revised. Although this roadmap does contain a planned schedule, it is very light in terms of the detailed tasks required to achieve the milestones and deadlines set out.

In practice, four main streams of work were being carried out in parallel: preparation and discussion of the FPA/AGA documents; development of KIC legal statutes/contractual deeds; Preparatory Grant Agreement requests; and the development of KIC business plans. It is not clear to us that there was a clear structure for each of these different elements, nor that the inter-relationship of these different elements was fully taken into account.

Broadly, the early negotiation meetings appear to have focussed on KIC activities and the content of the KIC Business Plans. These discussions continued well into 2010 however, with the EIT still advising on their expectations regarding key concepts – such as education and co-location – in meetings in July 2010. Whether this was appropriate is a moot point. The European Commission states strongly that as this content was already contained in the accepted proposals it was not a priority for the negotiations.

The importance of forming a KIC legal entity was also strongly emphasised at this time. However, we have been unable to clarify how detailed the discussions were on this topic. The impression we have been given by the KIC Interim CEOs is that there was little support or guidance emerging on this point and that they were largely left to their own devices to form an appropriate legal structure. This suited all parties. For EIT it allowed the KICs to develop their own structures in the most appropriate manner, for DG EAC it preserved the autonomy of the KICs (and as officials of DG EAC note, for them to have prescribed anything would have violated the EIT Regulation), and the KICs were equally keen to assert their independence and autonomy. However, in practice the legal forms chosen were not always appropriate to the requirements of the EC-EIT-KIC contractual relationship. One KIC has since had to change their legal structure as its initial structure (developed on the basis of independent legal advice) was inappropriate to these requirements.

Overall, there does not appear to have been a great deal of detailed information shared at the beginning of the process. The Interim KIC CEOs, report that they received a letter informing them of the EITs requirements following their designation, but that this was not accompanied by any documentary material. We are not aware of the draft FPAs or AGAs being shared at this time and, by implication, there does not appear to have been a

shared structure for the negotiations. The first meeting between the EIT HQ and KICs (a collective workshop held in January 2010) focused on the ambitions of the EIT with respect to the KICs. The summary of the main issues addressed in the meeting highlights: Use of Preparatory Grant, Procurement Rules, Recruitment Rules and a Communication Protocol.

Many of those involved in the negotiations have suggested that, in practice, there was no formal schedule planned and that the negotiations were largely unstructured. This suggests to us that the structure and timetable, as identified by the EIT HQ, was either poorly communicated, or that it was not implemented. Certainly, we have found no evidence of a commonly shared notion of the structure of the negotiations, either in terms of the detailed content of tasks to be realised or a schedule of meetings. We have been unable to discern a structure to the negotiations from our review of the documentary evidence available and we see no sign of a critical path in the roadmap provided, or of a justified consideration for the timing of different elements.

Milestones and deadlines were, broadly, established for the signing of the FPAs and the AGAs. However, from our analysis, and in the opinion of those interviewed, these were ambitious and optimistic. There was a strong emphasis on the swift completion of the process. The deadlines were not achieved and were continuously revised. The roadmap of March (Annex B) identifies that a final review of the draft FPA will occur in May 2010. In a meeting in May 2010 it was then proposed that partners would 'agree on a clear and concise FPA', together with an agreed workplan. On July 6th parties to the negotiations agreed that the draft Agreements would be ready to sign by the end of August 2010. Later that month, on 29/30 July 2010, the deadline for signature was agreed as the end of October 2010. The first two KICs finally signed agreements with the EIT and EC in December 2010. The reasons for the missing of these milestones are set out in the following sections, particularly Section 4.

Following August 2010 there was less emphasis placed on establishing milestones and deadlines by the EIT. To have done so, the EIT HQ suggests, would have been to introduce artificial stresspoints into the process. From this point there also appear to have been very few meetings, parties to the negotiations suggest that no meetings occurred from September onwards. Much of the negotiation process was, in practice, carried out iteratively by email and telephone. We have been able to identify no planned schedule for this.

3.2 Expectations, guidance and communication

- Did EIT communicate clearly its strategic objectives vis-à-vis the negotiation process with KIC? Did this have any influence on the negotiation process.
- What expectations did the EIT and KICs have from the negotiations? Have the subsequent actions matched expectations on either side?
- Was there clear guidance in the negotiation process from the EIT?
- To what extent did negotiators' expectations and subsequent (non-)actions on the side of EIT and KICs impact on the negotiations? To what extent did communication of the EIT strategic objectives impact on the negotiations?

Although the questions set out in the Terms of Reference focus on the KICs and the EIT, the European Commission, through DG EAC, has also played a substantive role in the negotiations. Our consideration of the expectations, guidance and communication dimensions of the negotiation process thus consider all parties.

Overall, KIC CEOs state that they were very aware of these the strategic objectives of the EIT and these were well communicated. This appears to have been a strong focus of early discussions, such as the first joint workshop held in January 2010. From our interviews with the different parties involved we feel that the objectives of the negotiations themselves were less well communicated, and we have not been able to find evidence of any guidelines to the negotiations. This provided an opportunity for misunderstandings to arise as to the purpose of the negotiations between the EC, the EIT and the KICs.

For the EIT the purpose of the negotiations, at least initially, appears to have been to further develop the concept of the EIT and the KIC; to explore what the ideas of co-location, entrepreneurship and education meant in practice and how best to realize these. It was viewed as a process of co-creation.

For the EC the purpose of the negotiations was to implement the concept of the KICs as already established. That primarily involved developing acceptable grant agreements based on the original proposals submitted by each KIC and accepted by the EIT; to cement the integrated partnership enshrined in the idea of the KIC, and to fully establish the role of the CEO.

For the KICs the purpose was to secure the funding to develop the ideas set out in their proposals. One of the main points made, by all parties, is that many of the partners to the KICs were not aware of the implications of forming a KIC. Many had underestimated the level of commitment required and, at least initially, were of the opinion that a multi-partner agreement could be negotiated.

Whilst there was a good, common, understanding of the end goals – the notion of integrating the knowledge triangle and the concepts of autonomy and independence - there was less consensus around the detail, such as what this might mean in practice. As different participants put it:

- My problem was that we didn't share a common model of what we wanted to achieve with the contract.
- We were fighting over clauses, but fundamentally it was a conceptual problem.
- Nobody could tell me what a KIC is
- GB and EIT were very clear about what they wanted to achieve, but it was very abstract and at quite a high level.

Based upon the evidence available we suggest that both the EIT and the KICs were looking for the other to take a stronger initiative at the outset of the process. The EIT felt that its role was to provide a flexible framework within which KICs could develop innovative modes of working through which the wider ambitions of the EIT might be realised. For their part it seems that the KICs seeking more guidance and a stronger framework than was initially provided by the EIT.

Both DG EAC and the EIT also had much stronger expectations of the speed with which KICs would form legal entities than was the case in practice. One of the challenges here was that the practical implications of forming

a KIC legal entity, within the construct of the EU's Financial Regulations, had not been fully anticipated beforehand. This only became clear to the parties involved as the negotiations progressed, with DG EAC acknowledging that they themselves had not realized quite how complex it was until this time.

Expectations over the content of the FPA and AGA also differed, and changed over time. The EIT HQ began with the assumption that the FPA and AGA could be broadly drawn. This expectation appears, from very early drafts of the FPA, to have been shared by DG EAC. During the negotiations DG EAC's expectations were for more detailed agreements which more strongly reflected the Financial Regulations. EIT HQ did not always share this perspective and, as both parties acknowledge, this could generate a constructive debate between the parties but also provided opportunities for less constructive tensions to arise.

In what came as something of a surprise to the EIT HQ, the KICs were also demanding more clarity and detailed definition within the FPA and AGA. Partners in the KICs wanted to know precisely what their responsibilities were. They also felt that what these contracts were intended to achieve overall was itself ill-defined. As an example of this one participant liked the spirit of the early drafts of the FPA but from a legal perspective felt that it "was a bit amateur". However, for many of those involved in the negotiations the focus on the detail of specific clauses - rather than the core relationships between KICs and the EIT - was a real weakness in the negotiations, a situation exacerbated by all parties and the sense of trying to complete the negotiations within a very tight timescale.

From our own analysis of the situation we would suggest that no parties really communicated their expectations successfully, nor their concerns. This weakness in communication certainly had an impact on the efficiency and effectiveness of the initial negotiation process. Equally, we find no evidence that the risks of divergent expectations had been anticipated, nor that a procedure for managing this existed.

3.3 Efficiency of the negotiation process

- Did particular attributes of the process facilitate or enable efficient negotiation arrangements?
- Were there particular obstacles to an efficient negotiation process?

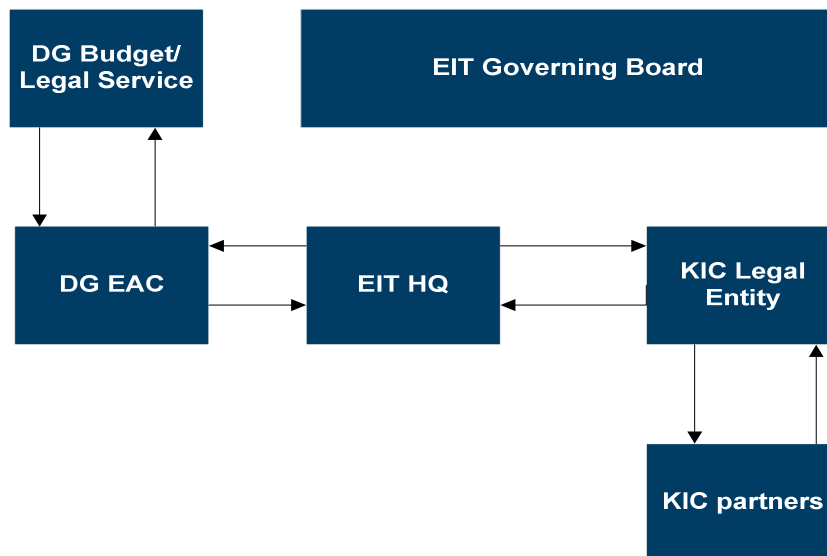
One of the challenges at the outset of the process was that there was no KIC legal entity and, it seems, no proto-KIC entity. This led some partners to be more directly involved in the process. The very fact that the KICs were being formed concurrently with the negotiations also added additional complexity to the process. The three KICs all take different forms, owing to their particular legal arrangements. Their internal structures also differ significantly. This process of setting up the KICs, within a shifting framework, doubtless impeded some aspects of the negotiations. One example of this is to be found with Climate KIC where their legal arrangements required the provision of a series of additional agreements establishing the relationship between individuals as representatives of their respective institutions.

A further area which impeded an efficient negotiation process may lie in the available institutional capabilities and capacities. Although EIT HQ was nominally running the negotiations from the outset it appears that they

did not have the resources for this, nor did they have the experience¹⁴⁸. EIT also appears to have wanted to illustrate its independence from the Commission, an impression which DG EAC – at least at the outset – was happy to encourage. For whatever reason there is no sign of DG EAC and the EIT HQ working in tandem to mount an efficient process. The handover of functions between the two bodies appears to have occurred in advance of the capabilities and capacity of the EIT being fully established. There is no doubt that this had a detrimental effect on the efficiency of the negotiation process. Parties to the negotiations stress that the view that the EIT was institutionally ill-prepared for the role adopted is not intended as a criticism of the staff involved.

The negotiation process itself has been described as sequential and is broadly as set out in Figure 3.1 below. The core parties were the EIT HQ, KIC Legal entities and DG EAC. Other parties were involved but only through these parties. The EIT Governing Board had no direct link to the negotiation process, although some individual members took a keen interest and the Board pressed for a swift resolution.

Figure 3.1 Sequential negotiation path



Parties to the negotiations describe the process as cumbersome and inefficient. It also incurs strong transaction costs. This is particularly the case for the KICs who recognize that their need to bring their partners on board added time to the process. Although DG EAC assures us that DG Budget would respond to a request from themselves within one or - at most - two days this still adds to the cumulative length of a process. Room for misunderstanding can also occur as parties further along the chain may not be fully aware of the wider context of the discussions. This was certainly so in some cases with KIC partners.

¹⁴⁸ At the start of the negotiations EIT had 6 staff in post, only 2 of whom were involved in operational matters (Table 2.1) including the Director who had, by his own admission, no knowledge of EU rules, regulations or procedures. By April 2010, staff numbers had risen to 10, but still with only the same 2 operations staff. By July 2010 there were 24 staff in EIT HQ, but still only 5 (including the Director and the Head of Unit who would replace the Director) who can be directly linked with the KICs.

Relevant officials in DG EAC (3 persons), DG Budget (1 person) and Legal Services (1 person) formed a formal working group which met to discuss the EIT. The Director of the EIT HQ attended at least one meeting of this group before the HQ moved to Budapest in April 2010. We are told that a sharp exchange of views occurred and that there was no further involvement by the EIT HQ in this group.

One aspect which was initially helpful was the process of working with all three KICs together. However, as the negotiations progressed it was apparent that the KICs were quite different, and that partners of different KICs had a varying ability to accept different conditions. This meant that discussions started to take place in separate meetings from the Summer of 2010 onwards. Individual negotiation meetings were also more feasible from this time forwards as the original notion that the KICs would compete against each other for funding had been amended.

Parties to the negotiation found it difficult to identify any other particular attributes of the process as a whole which facilitated or enabled efficient negotiation.

3.4 Factors potentially influencing the negotiation process

- To what extent have the following had an impact on the negotiations:

3.4.1 Handover of management functions

There were a number of changes of key personnel during the negotiation process. Each KIC transferred responsibility from an Interim CEO to a permanent CEO. This does not appear to have had a significant impact on the negotiations, although the appointment of a permanent CEO can be seen as advantageous in that they are focused on the development of the new institutional structure. Their appointment can also secure a level of negotiation capital to the extent that they negotiate certain levels of freedom of action as part of their appointment. Furthermore, the fact that the permanent CEO is not associated with any single partner can prove advantageous when tackling difficult issues.

The handover of management functions in the EIT HQ from the Director to Acting Director is a less ideal situation, particularly as the handover period was less than a month. For most parties, however, the handover made no substantive difference. Each individual had a different mode of working but the changes in the level of substance within the negotiations were in train before the Director left. The period during which the handover occurred marked a watershed in the approach to the negotiations but it would be wrong to ascribe this solely to the change in personnel.

3.4.2 The diverse level of commitment of KIC partners

KIC partners represent a highly diverse community. Not only do they come from many different countries, they also bring together business, HEIs and research institutes. None of these are homogenous groupings. The challenges of bringing these different cultures together into one legal entity should not be underestimated. It is, perhaps, a little simplistic to characterize the different degrees of 'readiness' to engage with the KIC-EIT as diverse levels of commitment.

Diverse levels of commitment can certainly be identified, as indicated by the fact that a small number of partners withdrew from KICs during the negotiation process. However, other partners also joined in some cases. It is something of a truism to state that different levels of commitment had an impact on the negotiation process. However, we find no evidence that this significantly influenced the negotiation process overall.

It was more the case that different partners had different conceptions of what a KIC might entail and some remained unengaged until quite late in the process. In some cases this was due to the partners adopting a 'wait and see' attitude where they only started to fully engage once the draft FPA and AGA were sufficiently developed. This situation could have been anticipated in advance.

In many respects the differences are more related to expectations rather than levels of commitment. DG EAC and the Governing Board believed that, through the application process, partners had demonstrated that they were fully committed to the concept of a KIC legal entity, and were aware of what this would entail. This is not a view entirely shared by KICs and their partners. They argue that they never 'hid' the level of commitment of their partners but that, for example, it was not realistic to expect private companies and public institutions to accept unlimited and ill-defined responsibility for the actions of others. In fact one of KIC proposals expressly sets out the levels of liability that the partners have assumed, which was less than that requested during the negotiations.

The process of bringing a diverse range of actors together did, of course, play a role in extending the duration of the negotiations. As one KIC CEO acknowledged it was quite slow progress on their side, as they needed to bring together a large number of partners. Partners within the KICs tend to have differential levels of knowledge and understanding as to what a KIC entails. All need to agree to sign up to key provisions of the FPA and AGA – such as provisions regarding liability and financial responsibility.

DG EAC suggests that it saw particular aspects of the negotiation process – such as the debate over prefinancing, bank guarantee and financial responsibility/liability - as a test of partners' commitment to the concept of a KIC as an integrated legal entity.

3.4.3 The delay of parts of the negotiation

Delays in parts of the negotiations have been identified at one, or possibly two, particular junctures when discussions were unnecessarily reopened, and in the early months which several parties saw as lost time. The other substantial delay was established in the case of Climate KIC which had formed a legal structure which was not suited to the requirements of a KIC. In each case these delays led to an extending of the overall period of the negotiations. Other impacts on the negotiations have not been identified, although there will have been implications for the implementation activities of the KICs in this first year. There may also have been some loss of interest by some partners – one KIC CEO alluded to this – but this has not be regarded as a substantive issue by the vast majority of those interviewed for this study.

3.4.4 Physical relocation of the EIT

The physical relocation of the EIT from Brussels to Budapest made no difference to the negotiation process for KIC CEOs. The location of the Headquarters in Budapest adds additional time for travel and higher travel costs compared to the location in Brussels, but made no material difference.

There is a suggestion – both by some of the KIC CEOs and DG EAC - that the relocation of the EIT may have had a stronger impact on DG EAC and the EIT itself. The EIT moved to Budapest very early in its formation. There had been no opportunity to develop a common culture with DG EAC and the agency was a long way from being fully established. In many respects it can be argued that the institution was trying to take on more responsibilities than it was prepared for.

Staff within DG EAC and EIT HQ report a good practical working relationship, through the use of videoconference facilities etc. There were of course tensions, which may have been exacerbated by the lack of a common culture and limited opportunities for interaction. Most staff in DG EAC and EIT had never worked together.

3.4.5 (Perceived) priority setting of EIT management attention

EIT management attention was clearly broadly spread at the time of the negotiation. Not only were the KICs being established and preparatory grants negotiated but the EIT HQ was beginning to employ increasing numbers of staff and was in the process of moving from Brussels to Budapest. Other EIT functions, such as communication and the development of its wider role also required attention. For some functions DG EAC continued to provide support but in all cases management attention was required.

An early priority was to establish the KICs as legal entities. It would be these entities which would need to sign the contracts, although this process was largely out of the hands of the EIT. Another priority for EIT HQ was to establish the content of the EIT, and of the KICs, including the development of the themes of education and entrepreneurialism. There was stronger involvement of Governing Board members in these activities than in the negotiation of the contractual agreements. The Director of EIT HQ estimates that some 80% of his time was directed towards the content of the EIT/KICs rather than contractual aspects, which he characterized as simplifying financial control procedures.

The lack of focus of management on the negotiation of the FPA and AGA may have had an adverse effect on the speed with which discussions of the agreements were launched. However, even with the benefit of hindsight it is difficult to suggest that the priority setting of EIT management attention necessarily had an impact on the negotiations. In the appropriate context establishing the KIC legal entities and securing agreement over the overall content and approach could lay a strong foundation on which to lay the negotiations on the FPA and AGA.

It is valuable to appreciate that the EIT itself was a very small organization at this time. Initially, much of the early thinking appears to have been shouldered by the first Director of the EIT. He readily acknowledges that this meant that deadlines/planned milestones were often missed (as set out in Section 2). The issue appears to have been one of staff capacity rather than priority setting, although – as we report earlier - there is a suggestion from other parties that planned milestones were optimistically (and unrealistically) placed. Again, though, this is not about the relative priorities set rather the realism of what was being planned.

3.5 The role of different bodies in the negotiations

- How would you qualify the role of the following bodies in the negotiations?

3.5.1 EIT Governing Board

The EIT Governing Board was not a substantive party to the negotiations. Some individual members of the Governing Board played a stronger role in the process. The Chair and at least one other member of the Governing Board were, though, present in at least one negotiation meeting. The Chair played an active role in this meeting leading a line-by-line discussion of both the draft FPA and the draft AGA, possibly as it was the first meeting after the resignation of the Director of the EIT. The Chair also took an active role at certain key points in the negotiations when it was suggested that through his interventions he was able to 'unlock' the process.

The Governing Board is represented in one roadmap prepared by the EIT as a 'sounding board'. This perhaps reflects the support provided by the Executive Committee of the Governing Board to the Director of EIT HQ. The Governing Board was also a key party in developing the concept of the EIT and activities such as education and entrepreneurship. However, there is no suggestion that the Governing Board ever became involved in the detail of the negotiation.

We are told by some parties that the Governing Board was keen for a swift resolution to the negotiations and that this desire may have influenced the actions of the EIT HQ in setting ambitious deadlines, with the Governing Board then bringing pressure on the EIT HQ to achieve these deadlines. However, there is no corroboration of this from the EIT HQ. The EIT HQ does confirm that the Governing Board became more strongly involved in the process from May 2010 once it realised progress on the negotiations was quite slow. It is from this point onwards that the role of the Chair becomes more visible.

3.5.2 The European Commission

The role of the European Commission in the negotiations gradually increased from December 2009 through to December 2010/February 2011. Initially present as an observer, the European Commission gradually played a more engaged and active role in the negotiations. The European Commission is now a signatory to the FPA and the AGA with each KIC, alongside the KIC CEO and the Acting Director of the EIT. This was not anticipated in the early draft of the FPA prepared by DG EAC in November 2009, or the draft prepared by the EIT HQ in June 2010. The explanation given for this change is the realisation on the part of DG EAC that the EIT would not achieve Financial Autonomy by the time the agreements came to be signed.

DG EAC participated in all meetings and discussions of the Framework Partnership Agreements and the Annual Grant Agreements. DG Budget and Legal Services, through DG EAC, both advised on the content of these agreements. In all cases their role is described as supporting the work of the EIT. However, at key stages of the process the European Commission has effectively acted as the counterpart to the negotiation process with the KICs. The EIT has, in these instances, acted as a conduit between the EC and the KICs.

The very active role of DG EAC in the mid to latter stages of the negotiation stands in contrast to its role in the early months. During the first months of the negotiation DG EAC appears to have been disengaged from the

process - either by their choice, that of the EIT or a combination of both. The reasons for this we are not able to establish clearly. However, it is clear that on all sides there was a desire to see the EIT take the lead.

3.5.3 KIC partners and co-location centres

The direct involvement of KIC partners and co-location centres in the negotiations has been highly variable. A number of KIC partners participated in early negotiation meetings. The purpose of this is not clear, nor the rationale for which partners were involved and which were not. From discussions it appears that there was no continuity in which partners were involved in different meetings. Similarly different KICs took different approaches to the involvement of partners and co-location centres (which in some cases form a key management tier within the KIC).

Outside of this direct involvement KIC partners were crucial parties in the negotiation process. The KICs have quite complex – and divergent - internal management structures. Different levels of partners can be discerned in each KIC, some of which have more responsibility and so wield more influence than others. Each KIC has had to engage what might be termed their 'core' partners in the negotiations. The agreement of these core partners to the conditions of the FPA and the AGA has had to be secured as they have to accept responsibility for these. This has proved easier for some partners than others.

3.6 Contacts outside of the formal process

- Did participants in the negotiation process have substantive contact with the EIT Governing Board or the European Commission outside of the formal process? Did this assist the process?

Outside of the formal process we are aware of an occasional meeting between KICs, the European Commission and the Chair of the EIT Governing Board, related to the negotiation process. In all cases this was regarded as helpful by those directly involved. It was felt that the involvement of the relevant Director in DG EAC and of the Chair of the Governing Board was able to unlock difficulties in the process.

3.7 KIC annual Business Plans

- How well do the KIC annual business plans reflect the KIC proposals?

A brief comparison exercise has been undertaken comparing the actions proposed by each KIC in their original proposal with the actions set out in their Business Plans produced in 2010. Overall, the Business Plans bear a close relationship to the original proposals. In the one case where there are substantive differences this is due to the Business Plan being significantly more developed with a greater level of detail. All Business Plans continue the activities originally set out in the proposals to the call for applications.

In the case of Innoenergy KIC the content of the two documents are very similar. The programme of activities is structured in a similar manner and the activities themselves are closely related. In the case of Climate KIC a slightly different thematic structure has been adopted, with a stronger explicit emphasis on entrepreneurship, in the Business Plan compared to the proposal, complementing themes on Education and Research and Innovation. The Business Plan also introduces a Pathfinder theme. These two new themes replace Innovation Ecosystem and Knowledge Exchange. However the set of activities set out in the proposal have been carried

across into the Business Plan, with the addition of some further activities, and the four topics identified as a focus for Research and Innovation remain the same. The ICTLab KIC proposal differs most strongly from the original proposal. The Business Plan is significantly more developed than the proposal with a clear structure around four themes (Education Innovation; Research Innovation; Integrated Innovation; Business Innovation) with associated activities. Activities set out in the original proposal are carried forward into the Business Plan.

It would appear, from the documentary evidence, that the discussions between EIT HQ and the KICs on education and entrepreneurialism have influenced the content of the published Business Plans, whilst they remain true to the activities presented in the original proposals.

3.8 Overall result of the negotiations

- From the experience of today, did the whole negotiation lead to a satisfying result? Would there be a KIC if there was no EIT?

There is a unanimous feeling that the negotiations have resulted in a satisfying result. Most regard the results of the process as a huge success. One or two individuals raise cautions and feel that the success is not universal. One party suggests that the agreements are not ideal, but that they represent a good starting point for further discussions. This appears to be a balanced view of the progress made.

Many of those interviewed suggest that they never believed that in one year the EIT and KICs would be able to come to such agreements, particularly given the complexity of the internal agreements also established by the KICs. What has been achieved in the time under consideration should not be underestimated. Nor should the efforts put in to achieve this by many individuals. It seems to us that it is extremely unlikely that there would be a KIC if there had been no EIT, or similar initiative, to launch this process.

3.9 A comparative assessment

- Compared with Framework Programme experience in negotiation, how can the negotiation process with the EIT be qualified?

It is tempting to seek to compare EIT-KIC negotiations to other EU programmes, such as the 7th Framework Programme. Many of those interviewed stressed that this is not a meaningful exercise and may actually be fallacious as there is no similarity between the two. The Framework Programmes have established procedures and documentation, with a legacy of inherited and accepted practices. This was not the case for EIT-KIC negotiations.

Another differentiating factor is that the Framework Programmes are largely focused on negotiating the terms of the grant rather than the conditions of grant management. In contrast the very inclusion of issues such as bank guarantees and financial liability with the agreements were all subject to negotiation between the EIT and the KICs. One participant chose to describe the process of EIT-KIC negotiations as more akin to a business negotiation than, in his opinion, a Framework Programme negotiation.

The EIT argue that they were trying to be less demanding (than FP7) in terms of the level of detail required of the KICs in the agreements. This is particularly so in reporting requirements where there is a desire to move towards a results orientated framework and away from cost-based reporting. However, they are not sure how the Court of Auditors might react to this. It was this desire to act differently that extended aspects of the negotiation as all parties tried to push the boundaries.

A very few individuals did argue that the negotiation of the FPA and AGA compared unfavourably with the 7th Framework Programmes. In their opinion the certainty offered by these known frameworks would have made the process much more efficient for very little difference in practice. Although this view was not shared by the majority it is one which should be considered.

A close comparison to the EIT is the Joint Technology Initiatives established through the 7th Framework Programme and associated Joint Undertakings. Like the KICs the Joint Undertakings formed between businesses, research establishments and public authorities are a legal entity (a public private partnership) with a centralised management function. Unlike the KICs many Joint Undertakings have Financial Autonomy in their own right, making them more comparable to the anticipated role of the EIT HQ in this respect. Joint Undertakings also differ significantly from KICs in that they tend to issue calls for proposals for actions in their fields, rather than comprising a consistent and stable partnership of institutions developing and deepening their ties as is the ambition of the KICs.

4.0 Summative Assessment

In the following section we draw together the key features of the negotiation process which have emerged from this study. This can be divided into three parts. Firstly the overall outcome of the negotiations, secondly the assumptions upon which the negotiations were founded and, thirdly, those factors which affected efficiency of the negotiation process.

4.1 The outcome of the negotiations

4.1.1 Duration of negotiations was reasonable

Overall, we regard the fact that the negotiations took a period of between 12 and 14 months as entirely reasonable in the circumstances. The EIT and the KICs were both new institutions, engaging in a novel endeavour, developing innovative combinations of activities and partnerships. Early suggestions that the FPAs and AGAs might be signed within less than 6 months were, in our opinion, optimistic and misplaced. This view is echoed by all those we have spoken to.

It should also be recognised that although the overall process took a year, there were several occasions when a lot was achieved in very short timeframes. The commitment of the individuals involved and the personal efforts that were expended was significant.

4.1.2 Significant goals have been achieved

The goals established for the EIT and the KICs have also been achieved. KIC legal entities have been established and Business Plans have been agreed. The content of these Business Plans show signs of evolving in ways which support the overall aims of the EIT. A number of the derogations secured by the EIT have also been incorporated in practice and the manner in which the requirements of the financial regulations implemented have been simplified. This achievement should not be undervalued.

No party is entirely happy with what has been achieved. All feel that they have compromised on their original expectations and aspirations. We do not regard this as a failure of the process. Rather, we feel that it is almost inevitable given the very different expectations which have emerged during the course of our study. When managed effectively such constructive tensions proved to be an effective means of driving forward the aims and objectives of the EIT concept with different parties presenting a critical perspective.

4.1.3 There is consensus around key objectives

There is widespread agreement that there was, and is, a consensus around the key points of what the KICs and EIT are trying to achieve. The strategic objectives have been clear throughout. The issues for the negotiations have largely been around how to manage this process, particularly in terms of contractual relationships.

4.1.4 Ongoing experimentation

The EIT and the KICs are an experimental initiative. Much has been learnt in the process of the negotiations and can be applied in the future. Moreover, no two KICs are the same, a fact which offers valuable comparative experience, but which complicates the negotiation of common agreements.

4.2 Underlying assumptions

4.2.1 Challenges of establishing KICs underestimated.

KICs are a novel concept. The intent to bring together businesses, Higher Education Institutes and research institutions into a single legal entity, managed by a chief executive officer was relatively untried. Despite the pilot exercises previously undertaken, there was a lack of understanding of the complexity of this process in practice; an underestimation of the time that this would take and an overestimation of the level of preparation of the KICs at the time of their designation. This appears to have been the case both for the European Commission and the KIC partners.

The task of forming a single legal entity was significantly more challenging than had been allowed for. Much of this was due to a misconception around the ease with which partners would be able to commit to a single legal entity. Major international companies have complex and differential internal structures. Some are formed of multiple legal entities in their own rights. Some HEIs are bound by statutes which can significantly limit their freedom of action in areas which might have a profit element, or which involve taking on liability for the actions of others. The full implications of the decision to form a KIC were not clear to all, if any, parties prior to embarking on this exercise. A lack of awareness of the suitability of different forms of legal entity also emerged during the process of the negotiations.

4.2.2 Acceptable levels of risk differed

The assumption as to what constituted an acceptable level of risk to different institutions also proved to be misguided. All parties appear to have assumed that other parties should be willing to shoulder a higher level of risk. The EIT HQ and DG EAC, rightly, highlight their responsibility for protecting the interests of tax-payers money, for companies the same ethos can hold true for shareholder funds. Institutions are naturally risk-averse, especially when entering into new ventures where, they feel, uncertain and ill-defined liabilities might arise.

The negotiations were also complicated by early differences between DG EAC and the EIT HQ as to what constituted an acceptable level of risk for the EIT. As we understand it, there was concern within DG EAC that, at least initially, the EIT HQ was willing to take on a greater level of risk than would be prudent under the financial regulations and in the context of the novelty of the institutional forms being established. For its part, the EIT HQ, we understand, felt that DG EAC was being unnecessarily cautious and conservative.

4.2.3 The complexity and challenges of establishing contractual agreements were underestimated

The challenges of establishing Framework Partnership Agreements and Annual Grant Agreements were underestimated from the outset. This was the case for all parties. New forms of agreement were being formulated, which sought to embed undefined notions of simplification and flexibility. Consequently standard off-the-shelf model agreements were not readily available, or were felt to be inappropriate. The negotiation process itself has been described as a 'learning by doing' exercise, a phrase which can be applied to all parties.

The very fact that the FPA and AGA documents were being negotiated concurrently with legal statutes/contractual deeds, grant requests and business plans only added to the complexity. The strong interdependence between these different elements meant that progress needed to be made on several fronts at any one time. It is not apparent that this interdependence was explicitly identified.

A further key factor in the challenges experienced was that the complexity of forming contractual relationships with KICs and their partners was itself severely underestimated, again by all parties. Prior assumptions as to the shape and form of a KIC and how it would relate to the EIT and, by extension, to the European Commission in accordance with the Financial Regulations appear to have been misconceived. Equally, as noted above, the complexity of the legal structures and statutes of the enterprises and institutions forming the KICs appears to have been severely underestimated and, potentially, not even recognized. DG EAC itself acknowledges that it was only once negotiations with the KICs started that they realized just how complex the process was going to be.

4.2.4 Ambitious timescales were established

It is readily apparent that overly-ambitious timescales were established for the negotiations. This is not simply a reflection with the benefit of hindsight. The fact that revised timelines with only a few weeks duration were being established in June and July suggest that early lessons had not been learnt. Following our discussions we infer that this strongly suggests a lack of effective communication between key parties (EIT-EC-KICs).

There was an emphasis on a speedy process by all parties. The Governing Board is reported to have been eager to achieve a swift result. The EC was also keen to conclude negotiations swiftly. There were diverse reasons for this, including a natural inclination to get up and running now that the KICs had been designated. There was also a recognition of the political importance of committing the grant allocated to EIT for 2010. Although the Governing Board was more sanguine about this in public (and in interviews with the study team), the EC was certainly aware that the credibility of the EIT could be damaged if this was not achieved. The EIT HQ seems to have responded to these messages by initially seeking a very rapid timescale in which to conclude negotiations.

4.3 Factors affecting efficiency

4.3.1 Negotiation process

The sequential negotiation process adopted was unavoidable given the institutional circumstances. The EIT was still in the process of achieving Financial Autonomy, KICs were still in the process of forming a legal entity, DG Budget and Legal Services are bound to operate only through DG EAC and have no mandate to engage with EIT or the KICs. Yet, the process does not appear to have been managed in the most efficient manner. In practice it has been described by participants as both cumbersome and inefficient. This will have added time to the duration of the negotiations and may have contributed to some feelings of frustration. There is no evidence that alternative means of structuring the negotiations were explored.

The early stages of the process where collective meetings were held might have served to balance the later sequential stage, by offering an opportunity for all parties to agree on critical points before moving into the detail, for the boundaries of action to be discussed and for a structure to the negotiations to be agreed. However, these meetings were driven by a 'bottom-up' approach, which failed to take into account that there were some constraints on the freedom of action imposed by the financial rules and regulations of the European Union. There does not appear to have been a concerted, constructive effort, to identify where these constraints might fall, or where alternative approaches might be adopted, until the negotiations were underway. Moreover, we are told that the relevant boundary conditions were not introduced until later in the negotiation process, once expectations had already been raised. This early period is seen by many to have represented a lost opportunity.

4.3.2 Level of initial preparedness

All of the institutions involved in this process were ill-prepared, individually and collectively. KICs were in the process of forming institutional structures and simply being designated a KIC did not mean that they were ready to act. There was a lack of workable draft documentation available from the EIT or the European Commission prior to the designation of the KICs and it is not apparent that a realistic scenario planning exercise had been undertaken or the results of any such exercise incorporated.

The EIT itself was understaffed, at this point, and lacked experience in this type of negotiation. In particular it lacked experience of the legal requirements of the Financial Regulations, or knowledge of lessons learnt from broadly comparable initiatives¹⁴⁹. It has been described by some parties as 'institutionally ill-prepared'. There seems to have been no emphasis given to redressing these weaknesses in the early months of the negotiations. Whilst DG EAC and the EIT might have complemented each other more strongly at this time there is no evidence that this occurred in practice.

¹⁴⁹ Two parties independently pointed to lessons from 'the Court of Auditors reports on the Joint Technology Initiative'. The actual reports were unspecified. From our own research we find that reports by the Court of Auditors are available on a number of individual Joint Undertakings.

4.3.3 Understanding of objectives and concepts

The early phases of the negotiations were subject to a number of misunderstandings. One of the key aspects here was that the EIT appeared to initially focus on the substance of the KICs rather than the contractual process and was willing to negotiate on the content of activity. For the EC the substance was already set out in the accepted proposals and so this did not need to be revisited. In the eyes of DG EAC this was a legal requirement since the money was to be granted retrospectively. In practice the proposal was the basis for the grant request. This does not appear to have been fully understood by the Director of the EIT at the time.

There also appear to have been misunderstandings as to the scope of the simplification and flexibility which EIT was working towards. Although the Regulation governing the EIT states that the EIT must work within the scope of Regulation No 2343/2002 “except where the EIT’s specific operating needs so require and with the Commission’s prior consent”, this seems to have been interpreted more widely by the EIT than the EC. The EIT is acknowledged to have been trying to push the boundaries more strongly than the EC was comfortable with. In the view of several parties, including itself, DG EAC was a more conservative party. These differences, although recognised, were not actively managed during the negotiation process.

4.3.4 Learning-by-doing

As we have noted previously, many of the parties involved in this process acknowledge that it was a learning curve for everyone involved. The negotiation process was often described as one of ‘learning-by-doing’. This naturally means that mistakes are made, and that the process takes longer than it might otherwise. This can impact on the efficiency of the process but does not necessarily make the process itself inefficient. The novelty of the institutional structures being developed mean that a certain level of learning should have been anticipated and built into the process. On the basis of the information available to us this was not the case.

4.3.5 Partnership working

On the basis of the discussions held we feel that the negotiation process could have been more efficient if there had been a stronger partnership between EIT HQ and DG EAC. The evidence we have been presented with suggests that relationships were often strained and that the potential offered by adopting a stronger partnership approach was not always realised in practice. Although EIT is an autonomous body the experience and resources of DG EAC could have contributed to a stronger undertaking if the two bodies had worked jointly together more consistently. Equally, the ambition of the EIT to experiment with the KICs could be harnessed by DG EAC as part of a wider learning and innovation process.

There are positive examples of work underway, such as the study being undertaken by DG EAC on the strengths and weaknesses of different options available to KICs when forming legal entities, which can bring joint benefits. There is also evidence of an improvement in the level of joint working over time. There remain, though, some important cultural differences between the two bodies and a number of operational tensions.

5.0 Conclusions and Recommendations

Our evaluation of the negotiations between the EIT and the KICs suggest that the process encountered a number of challenges and difficulties. These reduced the efficiency of the negotiation process but we do not believe that they negatively impacted on the overall effectiveness of the process. Overall, the negotiations resulted in a satisfactory outcome in a reasonable timeframe.

A lot of lessons have been learnt from the process so far and, as a result of the actions taken, there is now more embedded knowledge relating to the process itself. Draft documentation is now available, which was not the case at the outset of the negotiations in December 2009; the responsibilities required of KICs are now established and known; the scope of the derogations available are now more precisely defined, and the experience and capacity of the institutions involved, particularly the EIT HQ has increased.

There remain outstanding challenges. Negotiations between the EIT and the KICs will continue over Annual Grant Agreements for future years. This offers the opportunity to continue negotiations around issues where there remains debate, such as the appropriate level of the bank guarantee. There are also plans for new KICs to be designated in the future. This will lead to new rounds of negotiations.

In our discussions, several parties suggest that a new round of negotiations could be concluded much more quickly owing to the lessons learnt during the past round of negotiations. They also argue that time was lost at the beginning of the past round which means that the overall timeframe could be shorter still. Whilst we agree that this could be the case we would counsel caution in assuming that it will be so.

We offer the following proposals for developing a more efficient process in the future.

1. Time is needed to set up KICs as a legal entity. This should be allowed for at the outset of any negotiation process. The obligations of the KIC are now formulated and so partners can be made aware of the requirements in advance. However, it would be optimistic to assume that KIC legal entities will be well-established prior to the successful designation of a KIC, unless this is a requirement of the call for applications. Building trust-based relational partnerships takes time. Establishing the KIC legal entity is only the first part of that process, but it is here that many of the difficult realities of the KIC have first to be faced. Even registering a new company takes time. In our opinion a minimum period of time to form future KICs will be 3 to 4 months. This offers a balance of achievable timeframes whilst still forcing the pace a little to encourage focused negotiations.
2. KICs should be made aware that not all legal structures are appropriate for a KIC legal entity. Learning points from the recent negotiations, and the outcomes of the present study being undertaken by DG EAC, should be made available to new KICs to inform their decision-making. Drafts of the proposed Framework Partnership Agreements and Annual Grant Agreements should also be made available as part of the call for applications to further inform partners as to the requirements of a KIC legal entity.

3. An agreed structure to the negotiation process should be adopted. *Inter alia* this could include:
 - Establishing a critical path, including any issues in the accepted KIC proposals which require negotiation
 - Collectively establishing agreed objectives, timescales and milestones at the outset of the negotiations, together with any significant points for discussion. This could include clarification of the definition of key terms, such as 'KIC partner'.
 - Negotiating the FPA before beginning negotiations on the AGA.
 - Negotiating the AGA and Business Plans once the FPA is signed
 - Negotiating key points through specific meetings convened for the purpose of negotiating the terms of the FPA or the AGA.
 - Ensuring that there is a reasonable expectation that those involved in negotiation meetings will have sufficient (delegated) authority to commit their respective organisations to decisions taken during these meetings.
4. We suggest that the FPA is negotiated prior to the AGA. This would enable all parties to establish the broad framework within which the EIT-KIC relationship is set before negotiating on the detailed implementation arrangements. The AGA is also intended to be negotiated on an annual basis, the FPA is not. The AGA should therefore be seen as a standalone agreement capable of separate negotiation. As 'model' agreements are now available for both the FPA and the AGA all parties will be aware of the potential content of each.
5. The EIT HQ and DG EAC should seek to establish their mutual expectations around respective roles and responsibilities, in order to strengthen the work of the EIT, and to promote the work of the KICs, through an active and engaged partnership approach.
6. Anticipate that the negotiation process will take up to one year. We suggest this timeframe on the basis of the following: 3 to 4 months to establish the KIC legal entity; 2-3 months to negotiate the FPA; 3-4 months to negotiate the AGA. Our justification for this is that new KICs will be formed of new partners; for many of these the learning curve will be similar to that experienced by all parties involved in the current round of negotiations. Equally, these are complex structures which are intended to have a substantial impact and to last for a minimum of 7 years before becoming self-sustaining. In this context proper investment of time and resources at the outset of the process should be regarded as crucial.

ANNEX: DOCUMENTARY RECORD PROVIDED

FPA drafts

Draft Framework Partnership Agreement (12th October 2010)

Draft Framework Partnership Agreement (August 2010)

Draft Framework Partnership Agreement (June 2010)

Draft Framework Partnership Agreement (November 2009)

Draft Framework Partnership Agreement (October 2009)

AGA drafts

Draft Annual Grant Agreement (12th October 2010)

Draft Annual Grant Agreement (January 2010)

Minutes and agendas

Agenda for meeting 6/7 May 2010

Minutes from meeting 6 July 2010

Minutes from meeting 29/30 July 2010

Agenda for meeting 20th and 23rd August 2010

Other material

Follow up notes from Workshop of 19/20 January 2010

EIT Scoreboard (13 February 2010)

Road map (23 March 2010)

ANNEX: ROADMAP MARCH 2010

		March			April				May			June					
		01 - 07	08 - 15	16 - 23	24 - 31	01 - 07	08 - 15	16 - 23	24 - 30	01 - 07	08 - 15	16 - 23	24 - 31	01 - 07	08 - 15	16 - 23	24 - 30
PGA	KICs			signing off													
	<i>progress (setup)</i>				review SET ID			review SET ID				final review SET ID	PGA completed?				
	EIT			signing off													
	<i>progress (setup)</i>				review SET ID			review SET ID				final review SET ID	PGA completed?				
	EAC			signing off													
	<i>progress (setup)</i>				review SET ID			review SET ID				final review SET ID	PGA completed?				
	DGBUDG			support													
	LEGAL-EXP			support													
	ENTR-EXP																
	GB			for info													
	others																
KIC as one legal entity in June?																	
FPA	KICs			comments													
	<i>input</i>				FR-LS legal / governance: towards "1 KIC"			stable draft				final review					
				signing off				1-KIC: Y/N?									signature
	EIT			<i>input</i>													
	<i>discuss/progress</i>			send draft	FR-LS legal / funding / monitoring / FN auton.			stable draft				final review					
				signing off				FN Auto: Y/N?									signature
	EAC			<i>input</i>													
	<i>discuss/progress</i>			send draft	FR-LS legal / funding / monitoring			stable draft				final review					
	DGBUDG			support													
	LEGAL-EXP			support													
	ENTR-EXP			support													
	GB			sounding													
	others			endorsement				type of contract									
				support													
EIT-KAG	KICs			<i>input</i>													
	<i>comments</i>				edu. pgm., deliverables, KPIs								consolidation				
	<i>signature</i>							1st draft									signature
	EIT			<i>input</i>													
	<i>discuss/progress</i>				cost reporting deliverables, KPIs			1st draft				consolidation	consolidation				
				signing off													signature
	EAC			<i>drafting</i>				1st draft				consolidation					
	DGBUDG			support													
	LEGAL-EXP			support													
	ENTR-EXP			support													
	GB			sounding													
	others			endorsement				type of contract									
				support													

Annex Eight: complementary programmes

Initiative/Programme	Sub-area	Thematic focus	Description
European Innovation Partnerships		Active Ageing	Proposed in Innovation Union. Further details remain to be developed.
European Industrial Initiatives	Strategic Energy Technology	Wind Solar Electricity Grids Carbon Capture and Storage	Ells bring together industry, the research community, Member States and the Commission in risk-sharing, public-private partnerships. Develop roadmaps, Implementation plans and joint projects.
Eureka	Eureka Clusters	IT (x3) Communication Water Manufacturing Industry Energy	7-year initiatives initiated by industry. These are strategically significant industrial initiatives combining large companies, SMEs, Research institutes and universities. The focus is on developing and commercially exploiting new technologies.
Eureka	Eurostars		Collaborative R&D projects with a civilian purpose, with at least 50% of activity to be carried out by SMEs
Eureka	Umbrella	Tourism Food chain Construction Logistics Laser Robotics	A thematic network to provide a framework in which enterprises, business associations, research institutes and public administrations can work together.
Eureka	E! Innovation Award		Introduced in 2009
Lead Market Initiative		eHealth Sustainable Construction Protective textiles Bio-based products Recycling Renewable energies	Intended to identify and overcome obstacles to market development through tackling legislation, public procurement, standards and labelling and engaging complementary actors.
Public Private Partnerships		Factories of the Future	Involve industry, research

		Energy efficient buildings Green Cars	community and public authorities. Intended to provide a new mechanism for performing research at an EU level. Industry led with links to SMEs emphasised
FP7	European Technology Platform	(36 areas)	Industry-led stakeholder for a intended to define research priorities in a broad range of technological areas. They range from loose networks to established legal structures.
FP7	Joint Technology Initiatives	6 identified	Initiated in 2007 as a means to implement the Strategic Research Agendas developed by some ETPs. JTIs are managed by financially autonomous agencies. They let collaborative R&D projects via a call for proposal involving research bodies and industry.
FP7	Article 169 (Art. 185)	Ambient Assisted Living (AAL) Eurostars (see Eureka) Metrology (EMRP)	Coordination of national programmes of research, with active participation of Commission
FP7	Cooperation	Health Food, Agriculture and biotechnology Nanosciences, nanotechnologies, materials and new production technologies Energy Environment (incl. climate change) Transport (incl. aeronautics) Socio-economic sciences and humanities Space Security	Collaborative R&D projects involving industry and research organisations

FP7	Ideas	Starting Independent Researcher Grants Advanced Investigator Grants	Fellowship awards for ground-breaking research
FP7	People	Initial Training of Researchers Initial Training Networks?? Lifelong learning and career development Industry-Academic Partnerships/pathways IRSES (international staff exchange) COFUND	
FP7	Capacities	Research Infrastructures Regions of Knowledge Research for the Benefits of SMEs Research Potential Science in Society	
FP7	Risk Sharing Financial Facility		
CIP	Enterprise and Innovation Programme		
CIP	ICT-PSP		
CIP	Intelligent Energy		
DG Enterprise	ERASMUS for Young Entrepreneurs Entrepreneurial Culture		
DG Enterprise	Europa Innova		Innovation relevant statistics, practice and information. Cluster Observatory of particular relevance
DG EAC	Erasmus Mundus		

Annex Nine: GB decisions

EIT GOVERNING BOARD: SUMMARY OF DECISIONS

Budapest, 17th February 2010

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Adopted a formal decision on the Preparatory Grants to be awarded to the designated KICs (one million Euros each);
- Formally endorsed the EIT budget 2010 and the EIT Establishment Plan 2010;
- Formally endorsed the procedure for the appraisal of the EIT Director;
- Formally adopted the implementing rules to staff regulations, covering provisions on the engagement and use of contract, temporary and middle management staff employed by the EIT.

Budapest, 16-17th December 2009

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Adopted a formal decision on the three Knowledge and Innovation Communities (KICs) designated following hearings of KIC proposers on 16th December:
 - Climate-KIC (climate change mitigation and adaptation)
 - EIT ICT Labs (future information and communication society)
 - KIC InnoEnergy (sustainable energy)
- Adopted the EIT Work Programme / financing decision for 2010;
- Adopted the final version of its Triennial Work Programme 2010-2012 in response to comments made by EU institutions on the draft version

Budapest, 16th September 2009

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Elected Dr. Gérard de Nazelle as the first EIT Director.

Budapest, 23rd June 2009

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Unanimously adopted its draft rolling Triennial Work Programme for the period 2010-2012 ;
- Unanimously adopted its draft annual report for the calendar year 2008 ;
- Mandated the Chairman to produce finalized versions of the above documents in view of their transmission by 30th July 2009 at the latest to the European Parliament, the Council, the Commission, the Court of Auditors, the European Economic and Social Committee and the Committee of Regions

Brussels, 20th-21st April 2009

The Governing Board of the European Institute of Innovation and Technology (EIT) :

- Adopted unanimously the preliminary orientations of the EIT's first rolling Triennial Work Programme (2010-2012).
- Adopted the EIT Financial Rules, following their approval by the Commission, in conformity with the procedure described in Article 21(1) of the EIT Regulation

Budapest, 20th February 2009

The Governing Board of the European Institute of Innovation and Technology (EIT) :

- Finalized the selection criteria of the first Knowledge and Innovation Communities (KICs) ;
- Mandated the Executive Committee to finalize the modalities of the KIC selection process;
- Unanimously agreed upon a minimal set of Intellectual Property Rights (IPR) guidelines for KICs ;
- Initiated reflections on the establishment of an EIT Foundation ;
- Adopted its draft 2010 budget ;
- Unanimously agreed that the Board will organize a back-to-back event in Wrocław including a seminar on entrepreneurship (6th-7th May 2009) and an info-day for KIC proposers (8th May) ;
- Unanimously agreed to accede to the Interinstitutional Agreement concerning internal investigations by the European Anti-Fraud Office (OLAF)

Brussels, 9th January 2009

The Governing Board of the European Institute of Innovation and Technology (EIT):

Unanimously approved the draft EIT Financial Rules for submission to the Commission, in conformity with the procedure described in Article 21(1) of the EIT Regulation.

Budapest, 9th December 2008

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Unanimously agreed to extend the minimum number of Member States participating in Knowledge and Innovation Communities (KICs) from two – as stated in the EIT Regulation - to three ;
- Unanimously agreed to hold three thematic KIC seminars corresponding to the potential KIC themes between January-March 2009 ;

- Adopted a one-stage process for the selection of KICs with two main evaluation sub-steps: (a) overall quality of the proposal (b) capacity and capability of the KIC partners to achieve its objectives ;
- Unanimously agreed that the evaluation of KIC proposals will be carried out by external, independent experts and not by the Board itself ;
- Unanimously agreed that all members will serve for a four-year period (maximum), with the exceptions of Dr. Schuurmans, Dr. G.-Tataj, Dr. Maex, Dr. Tropschuh, L. Viik and Prof. Herrmann who will serve for six years (maximum).

Budapest, 17th October 2008

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Elected the four members of the EIT Executive Committee (G. Colombo, Dr. A. Flodström, Dr. D. Gołębiowska-Tataj, Dr. Y. Neuvo) ;
- Unanimously adopted the precise priority themes for the first Knowledge and Innovation Communities (KICs): climate change mitigation and adaptation, sustainably energy, future information and communication society ;
- Unanimously adopted the EIT rules on transparency and access to documents ;
- Unanimously adopted the EIT language regime ;
- Unanimously adopted a decision on Governing Board members' honoraria with the agreement of the Commission ;
- Unanimously approved a procedure for the selection of the EIT Director;
- Unanimously agreed upon the EIT's graphic identity and logo.

Budapest, 15th September 2008

The Governing Board of the European Institute of Innovation and Technology (EIT):

- Unanimously adopted a code of good conduct on conflicts of interest ;
- Unanimously adopted the Procedure for the Election of the Chairperson and the Members of the Executive Committee ;
- Unanimously appointed Dr. Martin Schuurmans as Chairman of the Governing Board ;
- Postponed the election of the Executive Committee until the next meeting ;
- Adopted with some modifications the Governing Board's and Executive Committee's rules of procedure ;
- Unanimously adopted the Extension of the Mandate of the EIT's Legal Representative ;
- Unanimously agreed that a seminar promoting the EIT among stakeholders will be held on 24th November 2008 in Bratislava.

14th December 2010

The Governing Board of the European Institute of Innovation and Technology (EIT):

- EIT Governing Board Decision: amendment of the decision on 2010 Grant Funding of the KICs
- EIT Governing Board Decision: on the 2011 Grant Funding of the KICs
- EIT Governing Board Decision: on the adoption of the EIT budget and establishment plan for 2011
- EIT Governing Board Decision: on the adoption of the EIT WP and Financing decision for 2011

17th February 2010

The Governing Board of the European Institute of Innovation and Technology (EIT):

- EIT Governing Board Decision: on the EIT budget 2010 and establishment plan for 2010
- EIT Governing Board Decision: on general implementing provisions on the procedure governing the engagement and the use of Temporary agents