



EUROPEAN COMMISSION

Brussels, 5.4.2019
SEC(2019) 275 final

REGULATORY SCRUTINY BOARD OPINION

Proposal for a Regulation of the European Parliament and of the Council
on the European Institute of Innovation and Technology (recast)

and

Proposal for a decision of the European Parliament and of the Council on the Strategic
Innovation Agenda of the European Institute of Innovation and Technology (EIT) 2021-2027:
Boosting the Innovation Talent and Capacity of Europe

{ COM(2019) 330 }
{ COM(2019) 331 }

{ SWD(2019) 330 }
{ SWD(2019) 331 }



EUROPEAN COMMISSION
Regulatory Scrutiny Board

Brussels,
Ares(2019)/PB/bk

Opinion

Title: Impact Assessment / Strategic Innovation Agenda of the EIT for 2021-2027 and the amendment of the EIT Regulation

(version of 20 March 2019)*

Overall 2nd opinion: POSITIVE

(A) Context

The European Institute of Innovation and Technology (EIT) has promoted innovation and entrepreneurship since 2008. EIT provides grants to knowledge and innovation communities (KICs). KICs are partnerships between higher education, research and entrepreneurs. They foster knowledge creation and innovation. There are currently eight KICs, each geared towards different societal challenges. The EIT now operates under Horizon 2020, and is due to become part of the proposed Horizon Europe 2021-2027 framework programme for research and innovation. The Commission has proposed a budget of EUR 3 billion under Horizon Europe for the EIT.

The impact assessment needs to inform two sets of political decisions. First, it considers amendments to the EIT regulation. Second, it looks at formulations for a new strategic innovation agenda (SIA) for 2021-2027. The EIT Regulation says that an SIA is to set the EIT's objectives and principles to achieve them. This includes activities the EIT will conduct, financing modalities of the KICs, and the societal challenges that future KICs will address.

(B) Main considerations

The Board takes note of substantial improvements to the impact assessment.

The Board gives a positive opinion, with a recommendation to further improve the report with respect to the following key aspects:

- (1) The report does not sufficiently analyse stakeholder views of the different options.**
- (2) The report leaves unclear how the KICs are sustainable under the new funding rules.**
- (3) The report leaves unclear what success of the regional outreach would look like.**

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

(C) Further considerations and recommendations for improvement

(1) The report should present in more detail the views of the relevant stakeholder groups on the different policy options.

(2) The revised report explains better how the funding model of the KICs would change. It should answer better the question how the KICs are expected to operate under these new constraints. It is not clear whether and why partners will continue KIC membership facing reduced co-funding from the EIT, greater pressure on openness and tightened performance monitoring by the governing board. These changes could all make the membership less attractive.

(3) The box on agglomeration economies is informative. The explanation suggests that it could be difficult to decentralise innovation. In this context, the report should clarify whether the regional hubs compete with the agglomerations or whether they instead have a technology transfer function.

(4) The report could further elaborate on potential administrative burden reduction with a focus on the reporting on “KIC complementary activities,” in particular for the preferred option.

(5) The report presents a monitoring and evaluation system that matches objectives with corresponding indicators. It clarifies the sources and the responsibilities for data collection. It would be useful to define benchmarks for measuring success. The report could also make better use of the intervention logic to identify testable hypotheses.

(6) The revised report is more reader-friendly with the addition of boxes, visual aids including a problem tree, objective tree and a revised intervention logic diagram. The report should more systematically cite data sources.

The Board takes note of the quantification of the various costs and benefits associated with the preferred option of this initiative, as assessed in the report considered by the Board and summarised in the attached quantification tables.

(D) RSB scrutiny process

The lead DG shall ensure that the recommendations of the Board are taken into account in the report prior to launching the interservice consultation.

The attached quantification tables may need to be further adjusted to reflect any changes in the choice or the design of the preferred options in the final version of the report.

Full title	Proposal for amending Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology and Proposal for a Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT) 2021-2027
Reference number	PLAN/2017/1516
Date of RSB meeting	Written procedure

ANNEX: Quantification tables extracted from the draft impact assessment report submitted to the Board on 20 March 2019

(N.B. The following tables present information on the costs and benefits of the initiative in question. These tables have been extracted from the draft impact assessment report submitted to the Regulatory Scrutiny Board on which the Board has given the opinion presented above. It is possible, therefore, that the content of the tables presented below are different from those in the final version of the impact assessment report published by the Commission as the draft report may have been revised in line with the Board's recommendations.)

Table 1: Overview of benefits

<i>I. Overview of Benefits (total for all provisions) – Preferred Option (Option 2)</i>		
<i>Description</i>	<i>Amount¹</i>	<i>Comments</i>
<i>Direct benefits</i>		
Number of students involved in EIT entrepreneurial education actions	22.500 students	The impact of the new action of the EIT on supporting entrepreneurial and innovative capacity of HEIs will increase through engaging more partners in the education activities, reaching out to more students, facilitating the transformation of good ideas in new ventures and supporting capacity development of higher education institutions
Number of graduates of EIT labelled programmes	10.000 graduates	KICs offer technical education programmes (mainly Masters and PhDs) with a strong focus on soft skills, entrepreneurship and innovation management, mobility aspects, trans-disciplinarity. The EIT Label will be strengthened in its quality assurance mechanisms and will be extended to lifelong learning activities.
Number of Higher Education Institutions (HEI) participating in the EIT entrepreneurial capacity actions	450 HEIs	The EIT will launch a new action by providing support to higher education institutions to further develop their entrepreneurial and innovation capabilities using the HEInnovate framework to design action plans and implement them. By linking financial support (through specific calls for proposals addressing beneficiaries which are not necessarily partners of a KIC) to develop education & training programmes and support the entrepreneurial capacities of higher education institutions in low innovation performing regions, the EIT will contribute to reducing the innovation divide.
Number of innovative products (goods or	4300 products	The number of product innovations (goods or services) launched on the market during and

¹ The numbers, where available, arise from the calculations and projections that are detailed in chapter 6 of the main report, the impact analysis.

services) launched on the market as well as new processes, methods, ideas or marketing innovations implemented		following KIC support or the number of processes and marketing innovations or new/significantly improved methods introduced following KIC support. By innovations, we mean new or significantly improved products (goods or services), processes, ideas or marketing innovations implemented.
Start-ups supported	680 start-ups	Innovative technological solutions can be commercialised by new start-ups, brought to market by existing businesses, implemented to strengthen existing businesses, or used as a basis for further technological development. Through the policy of supporting 'better' and not 'more' start-ups, it is assumed that the number of start-ups generated will not necessarily increase in 2021-2027, but that the quality of the start-ups increases.
Participating organisations from moderate or modest innovator countries	500	Overall participation in ETI and KIC activities of organisations from moderate and modest innovation countries will comprise the current and future RIS participating organisations as well as organisations participating in new action of the EIT on supporting entrepreneurial and innovative capacity of HEIs.

Table 2: Overview of the costs

II. Overview of costs – Preferred option (Option 2)							
		Citizens/ Consumers		KICs (and its partners – businesses, universities, RTOs)		EIT Administrations	
		One-off	Recurrent	One-off	Recurrent	One-off	Recurrent
All considered actions	Direct costs	None	None	For existing KICs: Adapt the monitor system in order to account for the indicators' framework. Compliance and implementation costs arising from adaptation of the funding model for already existing KICs. Costs of applying to become a KIC.	Increased administrative costs due to the need to widen the scope of their monitoring activities and report on additional performance indicators. Annual membership fees of KIC partners - recurrent cost	Put in place the new monitoring system.	Admin costs for improved monitoring and supervision of KICs Increased number of EIT staff to monitor KICs and to manage the EIT own's activities (i.e. support to HEIs to develop their entrepreneurial and innovation capacity). Overall costs of EIT as a central service over 7 years is EUR 70 million
	Indirect costs	None	None		None	None	None



EUROPEAN COMMISSION

Regulatory Scrutiny Board

Brussels,
Ares(2019)

Opinion

Title: Impact Assessment / Strategic Innovation Agenda of the EIT for 2021-2027 and the amendment of the EIT Regulation

(version of 22 January 2019)*

Overall opinion: NEGATIVE

(A) Context

The European Institute of Innovation and Technology (EIT) has promoted innovation and entrepreneurship since 2008. EIT provides grants to knowledge and innovation communities (KICs). KICs are partnerships between higher education, research and entrepreneurs. They foster knowledge creation and innovation. There are currently eight KICs, each geared towards different societal challenges. The EIT now operates under Horizon 2020, and is due to become part of the proposed Horizon Europe 2021-2027 framework programme for research and innovation. The Commission has proposed a budget of EUR 3 billion under Horizon Europe for the EIT.

The impact assessment needs to inform two political decisions. First, it considers amendments to the EIT regulation. Second, this impact assessment looks at a new strategic innovation agenda (SIA) for 2021-2027. The EIT Regulation says that an SIA is to set the EIT's objectives and principles to achieve them. This includes activities the EIT will conduct, financing modalities of the KICs, and the societal challenges that future KICs will address.

(B) Main considerations

The Board takes note of written commitments to introduce several changes to the report.

The Board gives a negative opinion, because the report contains important shortcomings that need to be addressed, particularly with respect to the following key aspects:

- (1) The report does not explain what still needs to be decided and what is covered under Horizon Europe. It is also unclear which elements pertain to**

* Note that this opinion concerns a draft impact assessment report which may differ from the one adopted.

the new SIA and the amended EIT Regulation, respectively.

- (2) The report does not provide evidence that demonstrates the need to act on alleged problems. It is also not clear how the options respond comprehensively to the reported problems.**
- (3) The report does not explain why the reallocation of funds works in opposite directions for different options, nor does it explain what the regional hubs achieve.**

(C) Further considerations and adjustment requirements

- (1) The report should better explain what the Commission needs to decide at this stage. It should clarify the urgency to act and coherence with other initiatives. The elements already covered under the Horizon Europe proposal should come out more clearly. Also, the policy context should explain the alignment with the priorities and strategic planning of the programme. In particular, the report should clarify the timing and coherence between the choice of additional KICs in the SIA and the ongoing strategic planning process of Horizon Europe. It should acknowledge any possible risks in this respect. It should better delineate between the content of the SIA and the EIT Regulation.
- (2) The intervention logic should show how the identified problems get in the way of achieving the policy objectives, and how measures contained in the alternative options would resolve this. The report should better explain why the problems require a legislative solution. It should better use the available evidence, e.g. the interim evaluation and the Court of Auditors report. The problems and their magnitude need more in-depth analysis, notably in the areas of education and regional outreach. Other relevant problems need assessment, such as administrative costs or burdens for SMEs. The section should also better outline the problems specific to KICs, especially the choice of new ones.
- (3) Based on the improved description of the scope of this initiative, the baseline should include all elements that the Horizon Europe proposal has already determined. It should not assume elements which are still undecided. It should explain the consequences of not acting.
- (4) The options should contain alternative solutions to the identified problems and for the decisions to take, such as the choice of themes for new KICs. The report should make clear what measures are contained in each option, and how they would tackle the problems in practice. The options should explore alternative uses of the available budget. In particular, they should better explain alternatives regarding the number, funding and management of the KICs and of centralised EIT actions. They should also explain how incentives would result in adequate private co-financing. The report should report on the opinions of stakeholders on the options.
- (5) The report should better explain what the probability of success is under each option. It should better analyse all relevant impacts, including regulatory costs and benefits, social impacts, and impacts on SMEs. The report should clarify the expected societal return of the different options, including the regional outreach.

It should examine whether regional outreach might conflict with agglomeration economies in creating knowledge. How the report arrives at the preferred option should come out more clearly. The report should use clear criteria to compare across the alternatives.

- (6) The evaluation arrangements should define benchmarks for what success of the initiative would look like. In doing so, the report should identify operational objectives and link them with monitoring indicators.
- (7) The presentation of the report should be more reader friendly, avoiding jargon and using plain language. It should enable the reader to understand how the EIT works and cooperates with KICs. The report should be self-standing and independent from annexes and external documents, e.g. the evaluation. The report could use more visual aids, e.g. a problem tree, illustrations and diagrams.

Some more technical comments have been transmitted directly to the author DG.

(D) RSB scrutiny process

The lead DG shall ensure that the report is revised in accordance with the above-mentioned requirements and resubmitted to the Board for its final opinion.

Full title	<i>Proposal for amending Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology and Proposal for a Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT) 2021-2027</i>
Reference number	PLAN/2017/1516
Date of RSB meeting	13 February 2019