EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

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


A. Need for action

Why? What is the problem being addressed?

The purpose of the European Institute of Innovation and Technology (EIT) is to address major societal challenges by improving the innovation performance of the EU through the integration of the knowledge triangle of research, education and innovation.

The EIT was established in 2008 by Regulation (EC) No 294/2008 (the “EIT Regulation”)\(^1\). The EIT Regulation establishes the mission, objectives and budget allocated to the EIT, and therefore it needs to be in line with the applicable Framework Programme for Research and Innovation.

The Commission proposal establishing Horizon Europe, the Framework Programme for Research and Innovation for the period 2021-2027, sets out the proposed budget for the EIT for the next period as well as its rationale, added value, areas of intervention, broad lines of activity and performance indicators. In the proposal, the EIT is one of the main components of the "Innovative Europe" pillar.

The Horizon Europe proposal itself does not provide the legal basis for continuing the EIT operations beyond 2020. Therefore, the EIT Regulation needs to be amended.

Furthermore, Article 17 of the EIT Regulation requires that every seven years the Commission submits to the European Parliament and the Council a proposal for a Strategic Innovation Agenda that lays down the strategic, long-term priorities and financial needs for the EIT which needs to be in line with the applicable Framework Programme for Research and Innovation. The current Strategic Innovation covers the period 2014-2020\(^2\). A proposal for a new Strategic Innovation Agenda of the EIT for 2021-2027 therefore needs to be submitted alongside the proposal to revise the EIT Regulation.

The present initiative aims to amend through a recast the EIT Regulation and align the SIA with Horizon Europe. It covers the new priority fields of the EIT as well as its financial needs. It also aims to improve the functioning of the EIT taking into account the lessons learnt from the past years.

In particular, the initiative focuses on tackling issues in three main areas. Firstly, it will address challenges related to the EIT funding model. Secondly, it will propose solutions to increase the impact of the education activities of the EIT, i.e. enhance the awareness of the EIT educational brand and support entrepreneurial and innovation capabilities and skills in higher education institutions. Finally, the initiative will help increase the EIT’s regional outreach through better integration of KICs into local innovation ecosystems. The initiative will also outline the future priority fields for KICs.

Furthermore, the initiative will address a number of technical issues in order to increase the effectiveness, efficiency and coherence of the EIT operations. This includes the KICs openness and transparency, the EIT governance and the contractual provisions of the EIT staff.

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\(^2\) DECISION No 1312/2013/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 11 December 2013 on the Strategic Innovation Agenda of the European Institute of Innovation and Technology (EIT): the contribution of the EIT to a more innovative Europe.
The issues identified will be addressed through an amendment to the EIT Regulation and the adoption of the Strategic Innovation Agenda of the EIT for 2021 – 2027. The present Impact Assessment builds on the Impact Assessment that was carried out for Horizon Europe.

**What is this initiative expected to achieve?**

This initiative supports the future implementation and strategic policy development of the EIT and will contribute to meeting its objectives for the period 2021 – 2027 as outlined in the Horizon Europe proposal, i.e. strengthen sustainable innovation ecosystems across Europe; bring new solutions to global societal challenges to market and foster innovation and entrepreneurship through better education. Specifically, the EIT and KICs are expected

a. To increase the impact of KICs and knowledge triangle integration through an effective and efficient EIT funding model;

b. To increase the innovation and entrepreneurial capacity of the higher education sector by promoting institutional change in HEIs in Europe;

c. To increase the regional outreach of the EIT in order to address regional disparities in innovation capacity across the EU.

In addition, the initiative aims to increase the effectiveness, efficiency and coherence of EIT’s operations by addressing the following issues: KICs’ openness and transparency, EIT governance and EIT staff contracts and their continuity of service.

**What is the value added of action at the EU level?**

The EIT has a unique way of building EU-wide innovation ecosystems that link education, research, business and other stakeholders. It fills a gap in the system of innovation support provided by the Member States. KIC activities lead to an increased quality of innovation, the creation of cross-border, multidisciplinary networks, more cross-sectoral cooperation as well as wider geographical outreach. The EIT education programmes add value to other existing programmes, in particular with their entrepreneurial and innovation dimension.

**B. Solutions**

**What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?**

Three Options have been considered in addressing the identified challenges:

Option 1 (the baseline) represents the continuation of EIT’s activities as they are today with adjustments necessary to align it with the proposal for Horizon Europe. The EIT would comply with implementation, monitoring and evaluation criteria for European Partnerships. It would develop synergies with the European Innovation Council. There would be two new KICs.

Option 2 builds on the baseline and furthermore adopts a number of measures to enhance the effectiveness of EIT functioning, including adapting its funding model. It introduces a new EIT action to support the entrepreneurial and innovation capacity development of Higher Education Institutions (HEIs) and strengthen its Regional Innovation Scheme. There would be two new KICs.

Option 3 builds on the baseline and a number of measures to enhance the effectiveness of the EIT as in Option 2. It furthermore introduces a new activity of setting up a EIT Hub in each Member States in order to increase the EIT’s overall impacts. The EIT would directly implement the EIT Hubs to foster knowledge triangle integration via support for collaborative projects on a smaller scale than KICs.

There would be one new KIC.
All three Options would have legislative implications for the amendment of the EIT Regulation and the new Strategic Innovation Agenda of the EIT.

The preferred option is Option 2, which strikes the best balance in achieving the objectives of the initiative while considering the resources available and offering the highest economic and societal impacts.

**Who supports which option?**

Individual measures foreseen under Option 2 found a high degree of support among the various stakeholders consulted, i.e. company/business organisations, academic/research institutions as well as EU citizens. In particular, there is strong agreement among stakeholders when it comes to the need to promote the development of entrepreneurial and innovation capacity of HEIs in Europe and linking the EIT and KIC activities more closely to the regional and local environment and strategies.

**C. Impacts of the preferred option**

**What are the benefits of the preferred option (if any, otherwise main ones)?**

The preferred option would entail a significant improvement of the EIT in the next programming period. It would deepen the knowledge triangle integration, contribute to strengthening innovation ecosystems and increase the innovation and entrepreneurial capacity of the higher education sector. It would contribute to reducing skills gaps in key sectors of the economy; increase knowledge sharing and networking in innovation ecosystems; promote effective and efficient new business creation; increase the quality of entrepreneurial higher education. It would also increase the levels of private investment in KICs in medium to long run and support them more effectively to reach the EIT financial sustainability objectives. Finally, it would allow the EIT to gradually improve and enhance its regional outreach to countries with modest and moderate innovation performance.

**What are the costs of the preferred option (if any, otherwise main ones)?**

As compared to the baseline scenario, Option 2 would mean an increase in EIT administrative costs in line with the overall budget increase of the EIT over the programming period, arising from staffing needs and setting up a stronger capacity and expertise in the EIT. Compliance and implementation costs arising from the adaptation of the funding model are expected to be higher for KICs that were established in the early years of the EIT, as they will have to adjust the processes and systems of operation they have already put in place. The costs are expected to be relatively low for KICs that are at the starting phase of their operation.

**How will businesses, SMEs and micro-enterprises be affected?**

The preferred Option 2 will contribute to a pool of highly skilled individuals that will benefit businesses, SMEs and micro-enterprises. New business creation activities will be stimulated through increased openness, transparency and simplified procedures in the KICs resulting in an increased number of start-ups.

**Will there be significant impacts on national budgets and administrations?**

No.

**Will there be other significant impacts?**

No.

**D. Follow up**

**When will the policy be reviewed?**

The implementation of the preferred policy option will be monitored and evaluated regularly.
Continuous monitoring of the operational performance and output of the KICs will be carried out annually by the EIT based on a specific impact indicator framework. The Commission will carry out an independent mid-term evaluation of the economic and societal impacts of the EIT in 2024, aligned with the mid-term evaluation of the Horizon Europe programme.