

EIT in Horizon Europe (2021-2027)

- complementarities and synergies with the EIC

The EIT **welcomes** the proposed establishment of the **European Innovation Council (EIC)** and looks forward to increased contributions to the European innovation environment, built on the basis of the established EIT and the synergies with the new European Innovation Council. **Both instruments aim to accelerate the process of bringing innovations to the market and to turn research into products and services.**

The EIT is by now a **well-established instrument** to create, nurture and develop innovation ecosystems. As Europe's **largest innovation network** with more than 1 000 partners in 40 hubs boosting innovation across Europe. EIT will continue to make innovation happen, by bringing together the key ingredients - education, research and business across Europe in order to address societal challenges. **Thus far, the EIT has created more than 6 100 jobs, over 600 new products and services, and nurtured more than 1250 start-ups and scale-ups, which have** attracted over **EUR 890 million of external investment.** More than 1200 talented EIT Alumni have graduated from the EIT's entrepreneurial programmes at master and doctoral level. The achieved excellence is reflected in the fact that in the last 3 years almost 40 students and entrepreneurs trained by the EIT were featured on the Forbes 30 under 30 lists of Europe's most promising young innovators.

While the EIT is implemented in a mix of **top down programming** and **bottom up calls** for innovation projects, by being **purely bottom up**, the **EIC can be expected to fund many innovations that fall under the EIT's societal challenges.** It is our understanding that the EIC will provide **bottom up financing of innovators** without a return in case of success. In contrast the **EIT's innovation communities have the objective of financial sustainability** and aim to benefit from successful innovations. The **EIC is focussed on the provision of financial support for innovators, the EIT's strength is the broad innovation ecosystem support that it can leverage.** This can create the basis for strong complementarities.

To ensure that the EIT and EIC will complement their roles and reinforce each other's activities, the EIT's Governing Board is proposing the following recommendations in order to ensure that **a solid mechanism for a structured cooperation between these two EU major instruments in innovation will be in place.** This should encompass the cooperation at all levels: strategic planning, high-level priority setting, management and implementation of key activities, collaboration with Member States and the relationship between the EIT and EIC Boards, both having similar functions, roles and composition.

Recommendation 1: Ensure complementarity between EIT and EIC objectives and activities at the design phase

The current Commission's Horizon Europe proposal states that the EIC will be **the sole channel of the Union to support breakthrough market-creating innovation.** It should attract innovative companies with **potential for scaling up** at international and at Union level and offer fast, flexible grants and co-investments, including with private investors and be a **one-stop-shop to high-potential breakthrough innovators.**

EIC appears to be designed to primarily support two types of actions - **the Pathfinder and the Accelerator** - as well as the additional EIC activities, particularly connecting innovators to investors, partners and public buyers, coaching and mentoring services, providing innovators with access to international networks of potential partners, including industrial ones, organising challenges to help develop novel solutions to global challenges.

Through EIC blended finance, the Accelerator should bridge the “valley of death” between research, pre-mass commercialisation and the scaling-up of companies. In particular, the Accelerator should provide **support to operations presenting such technological or market risks that are not considered as bankable and cannot leverage significant investments from the market**, hence complementing the InvestEU programme which should fund bankable scale-ups.

These EIC objectives are similar to those of the EIT and correspond to the **core business and main activities of the EIT Knowledge and Innovation Communities (KICs)**, which besides entrepreneurship education consist of the creation and scaling up of innovative companies and the development of innovations through the cooperation of research, education and business organisations. For example, major scale up success stories such as Tado, Skeleton Technologies, Navya, Konux and Liliium Aviation were supported by EIT accelerator programmes and led from high risk early stage to commercial success.

The EIT is implemented in a mix of top down programming (along defined societal challenges and strategic steering from EIT GB to KICs) and a bottom-up instrument (covering selection of priorities and activities, ventures to be supported by KICs) within the societal challenges.

The EIT supports innovative companies through a mix of grants, services and access to external funding, including providing access to private investors, venture capital, co-investments and other funding sources. In addition, EIT also supports incremental innovations and focuses mainly to support creation and nurturing start-ups providing bankable innovations. Thus, the KICs could strengthen EIC’s work to fund non-bankable innovations by linking those innovators to EIC as an investor. The EIT through its innovation communities (KICs) have been **supporting high-potential innovators** including providing access to private investors, venture capital, co-investments and other funding sources. Some of the innovations KICs nurture and develop have a clear potential to **be breakthrough innovations**. Other envisaged elements of the EIC such as prizes, stakeholder forum, ecosystem support and the link to financial instruments are also already part and existing in the EIT model.

As the potential overlap of activities is significant, efforts should be made to seek synergies and complementarities already **at the design phase of the EIC and in the preparation of the new EIT Regulation**. Considering that EIT already has a developed innovation infrastructure and that most of EIT programming is distributed based on a bottom-up approach, the proposal is for EIC to use the existing EIT infrastructure and programmes to create a pipeline of non-bankable innovations, and provide substantial large scale grants for early stage companies with high growth potential and the access to financial instruments such as InvestEU to support them at a later stage when they start to be commercially viable. This financial support should complement the existing EIT support for these companies and can further accelerate their growth. For the two instruments to reinforce each other, **high potential innovative companies funded by the EIC that are not already engaged in one of EIT KICs could be offered access to this additional support** if they fall within the respective societal challenge which is highly likely considering the extensive coverage of the EIT.

Recommendation 2: EIC and EIT to focus on core strengths and have an inbuilt structural cooperation mechanism and complementarity

This could be achieved by **focussing the EIC on activities that can complement the EIT programmes**, namely the provision of substantial large scale grants for early stage companies with high growth potential and the access to financial instruments such as InvestEU to support them at a later stage when they start to be commercially viable. This financial support should complement the existing EIT support for these companies and can further accelerate their growth. Each KIC has an accelerator programme and also early stage business creation support and innovation projects. For example, the early stage support programme of EIT Climate-KIC is called pathfinder: <http://www.climate-kic.org/programmes/research-innovation/pathfinder/>

For the two instruments to reinforce each other, **high potential innovative companies supported by the EIC could be offered access to the support by EIT KICs** if they fall within their societal challenges. In addition, KICs could help EIC by identifying additional solutions for innovators with non-bankable projects. At the same time, some of the **high potential innovative companies already supported by the EIT could become beneficiaries of the EIC grants and linked financial instruments to accelerate their growth**. To realise this synergy potential a structural coordination mechanism between the EIT and EIC should be put in place as soon as possible be tried at the EIC pilot stage. The EIT can ensure coherence across the KICs and design a mechanism that allows EIC beneficiaries to access the KIC innovation ecosystems.

Recommendation 3: EIT and EIC to jointly form a one-stop shop for innovators across Europe and coherent pan-European innovation ecosystem

We recommend to allow both EIT and EIC to focus on their strength: **maintain the strong bottom up approach by both EIT and EIC** but **connect them to the societal challenges and future missions where appropriate**, in order for each instrument to focus on its strength and ensure complementarity.

By **linking EIC and EIT beneficiaries** as indicated above innovators will be provided with a one-stop shop to accelerate their growth and both EIC and EIT will be more likely to achieve its objectives. **Maintaining the unique added value of each instrument** would mean that the EIC should directly finance individual innovators, potentially blended with private funds while the EIT should connect them to innovation ecosystems to provide them with further support beyond the funding from the EIC. Each instrument would have its effective and **complementary tools to select and support beneficiaries**, i.e. EIT KICs through the selection of innovative companies by their partnership and the EIC through open calls. Regardless of the entry point, i.e. whether EIC or EIT, recognised innovative companies should be given access to the support provided by the other instrument.

We suggest to link the EIT to the EIC beneficiaries and the new programme supporting innovation ecosystems in order to create a powerful and comprehensive European innovation ecosystem. The EIT has **an ecosystem with 1000 partners**, including many of the best universities, business, research organisations and start-ups and an effective outreach programming covering the countries with moderate or modest innovation capacity, most of which are in central and eastern Europe - it could be beneficial to link this ecosystem with the new programme supporting innovation ecosystems proposed to be coordinated by the EIC. We expect that **most EIC beneficiaries would have a link to societal challenges and KICs** suggesting a structured cooperation may be beneficial.

As an example, several (4) KICs have started to develop individual impact funds within their thematic areas, i.e. dedicated investment vehicles for their ventures to access finance - directly from a KIC managed fund or via IFIs, including the European Investment Fund (EIF). Each KIC has a **venture community** that follows and supports its innovations. We understand that EIC also looks into the blending of grants and financial instruments in order to give EIC beneficiaries better access to finance

and it is important that these be complementary to existing EIT programmes. There are clear linkages and synergies to be exploited by connecting the two ecosystems, i.e. EIC and EIT access to financial instruments in a single ecosystem that can provide powerful support to high potential innovators.

It is recommended that the **EIT and EIC jointly form a one-stop shop for innovation in Europe**. The European Union institutions should design the instruments accordingly and **clearly communicate the mandate and division of tasks between the EIC and the EIT** at all stages of the programme design and implementation.

Recommendation 4: Link EIT and EIC governance from the outset

The objectives, roles and definitions of the EIT Governing Board and the foreseen EIC Advisory Board as well as the EIT and EIC stakeholder fora are somewhat different but should be designed to complement each other. It is suggested to connect them concerning strategic innovation discussions and EU level policy making. Designated members of the EIT and EIC Boards should participate at the other institutions' Board meetings to ensure close collaboration, cross-benefits from discussions and explore synergies. **EIT's mandate goes beyond** the scope of start-up and scale-up support, covering skills development programmes, innovation projects, cross-industry cooperation, the EIT's Regional Innovation Scheme to connect Europe's wider ecosystem and international outreach such as the EIT hub in Silicon Valley. These dimensions could be relevant to link to the EIC, at least via the ecosystem support programme. Effective governance coordination mechanisms would allow to ensure that the EIC is connected to these elements where this adding value to its operations and fully exploiting potential synergies at strategic and operational level are fully exploited to maximise impact from the European research and innovation programmes. To support the governance and operational coordination, EIT and EIC executive leadership should also have regular meetings.

We recommend to **ensure coordination and synergies between the EIC Advisory Board and EIT Governing Board**, as well as between their operational implementing structures. It is suggested that these bodies shall meet at least once per year to align strategies and their implementation.

Recommendation 5: EIC and EIT to jointly lead the new programme to support European innovation ecosystems

The proposed Pillar III "Open Innovation" includes a distinct component under the remit of EIC on **European innovation ecosystems** with areas of intervention very similar to the EIT. We recommend that the EIT should together with the EIC lead the implementation of the Innovation Ecosystem programme in pillar 3.

The rationale for this proposals is that The EIT is a well-established instrument to create, nurture and develop innovation ecosystems whereas the **EIC is at its pilot phase** which does not encompass yet the innovation ecosystems in Europe. As Europe's **largest innovation network** with more than 1 000 partners in 40 hubs boosting innovation from north to south and east to west it brings the necessary network and experience to the table. Hence, it is best placed to implement the new programme supporting 'Innovation ecosystems' together with the EIC. The EIT's rationale is that empowering innovation is more than simply financing innovators.

Innovation needs a pipeline of ideas, talent and an ecosystem to support them. Innovators are not only those with products on the market, but those with ideas at a much earlier stage. The EIT gives

innovators what they need to succeed rather than predefined support and equips innovators with robust entrepreneurial skills to thrive. **It has 40 hubs around Europe. The EIT also has an outreach hub in the US (Silicon Valley) and is setting up outreach hubs in China and Israel.** These elements should be valuable elements for the Innovation Ecosystem programme to build upon in its aim to connect national and regional ecosystems to the pan-European level.

The new programme to support European innovation ecosystems will benefit from the **participation of the EIT in its design phase as Europe's largest and most structured innovation community.** The inbuilt openness of the EIT's innovation communities and focus on synergies, as well as coordination and supervision at EIT level of its 8 KICs make it ideally placed to connect to other national, regional and European innovation ecosystems.