

DECISION 4/2015 OF THE GOVERNING BOARD OF  
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)  
ON

PRINCIPLES ON KICs' FINANCIAL SUSTAINABILITY

THE GOVERNING BOARD OF THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY,

Having regard to Regulation (EC) No 294/2008 of the European Parliament and of the Council of 11 March 2008 establishing the European Institute of Innovation and Technology<sup>1</sup>, as amended by Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013<sup>2</sup> (hereinafter "EIT Regulation");

Having regard to the Decision of the EIT Governing Board of 27 December 2013 adopting the Financial Regulation for the European Institute of Innovation and Technology (hereinafter "EIT Financial Regulation")<sup>3</sup>;

Having regard to the Decision of the Governing Board of the EIT of 5 June 2014 adopting the Rules of Procedures of the Governing Board and the Executive Committee<sup>4</sup>;

WHEREAS

(1) According to the amended EIT Regulation and to the Statutes annexed<sup>5</sup>:

- a. Article 6 (2) e. KICs shall develop strategies for financial sustainability;
- b. Article 7 (b) 1. subject to the outcome of the continuous monitoring and periodic evaluations and to the specificities of particular fields, a KIC shall normally have a time-frame of seven to fifteen years;
- c. Article 14 (6) the EIT contribution shall not, on average, exceed 25 % of a KIC's overall funding;
- d. Annex, Section 2 (a) and (b), the Governing Board shall take necessary strategic decisions, in particular, adopt the EIT's draft Strategic Innovation Agenda (SIA) and adopt criteria and procedures for financing, monitoring and evaluating the activities of the KICs, on the basis of a proposal from the Director.

(2) According to the EIT Strategic Innovation Agenda 2014-2020<sup>6</sup>:

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<sup>1</sup> OJ L97 of 09.04.2008, p. 1.

<sup>2</sup> OJ L347 of 20.12.2013, p. 174.

<sup>3</sup> 28/GB/2013, 01364.EIT.2014.I.

<sup>4</sup> 01688.EIT.2014.I.AM

<sup>5</sup> Regulation (EU) No 1292/2013 of the European Parliament and of the Council of 11 December 2013 amending Regulation (EC) No 294/2008 establishing the European Institute of Innovation and Technology.

<sup>6</sup> 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.

- a. KICs will not be fully financially independent from the EIT during the first years of operation, they will be encouraged to become sustainable in the medium-term; i.e. gradually reduce their dependency from EIT funding for their further consolidation and further expansion;
  - b. The EIT provides on average up to 25 % of the total KIC funding, while the remaining minimum 75 % of a KIC's overall budget should come from non-EIT sources;
- (3) According to the EIT 'Principles for Financing, Monitoring and Evaluating KIC Activities'<sup>7</sup>:
- a. A KIC is expected to gradually become sustainable in the long-term. While a KIC is not expected to become financially independent from the EIT during its first years of operation, a KIC should gradually reduce its dependency from EIT funding, mobilising other sources;
  - b. The EIT funding on average may not exceed 25% of a KIC's overall funding, which means that the remaining minimum 75% must come from non-EIT sources;
- (4) The text of KICs Call 2009<sup>8</sup> states that:
- a. The application must include a robust plan to demonstrate commitments to ensure sustainable and long-term self-supporting financing including a substantial contribution from businesses;
  - b. The KICs may be financed for up to 25% of its global expenditure over the first four years through the EIT budget, drawing in the rest through other sources of financing (e.g. co-funding from European funds);
- (5) The text of the KICs Call 2014<sup>9</sup> states that:
- a. While a KIC will not be fully financially independent from the EIT during the first years of operation, it should aim to become sustainable in the medium-term; i.e. gradually reduce its dependency on EIT funding;
  - b. KICs should develop a financial plan for achieving return on investments and financial sustainability in the long-term with a progressive phasing out of the EIT's funding;
  - c. A KIC may be financed by the EIT, on average up to 25% of its overall budget. The remaining 75% should be financed from other non-EIT sources of financing;
- (6) The 'Principles on KICs' Financial Sustainability' provide a strategic direction to KICs, in line with the existing legal framework, namely the Framework Partnership Agreement (FPA) and the specific Grant Agreements (GA);
- (7) The 'Principles on KICs' Financial Sustainability' offer predictability to KICs to timely align their strategies, governance and operations, whilst setting a clear direction without being too prescriptive;
- (8) All KIC activities, both KIC Added Value Activities (KAVA) and KIC Complementary Activities (KCA), should, as appropriate, contribute to KICs' financial sustainability;
- (9) The EIT will publish, as appropriate, specific guidelines for the proper implementation of the 'Principles on KICs' Financial Sustainability' by KICs and it will consult KICs prior to the adoption of such specific guidelines;

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<sup>7</sup> Published on 21 January 2014 - <http://eit.europa.eu/interact/bookshelf/eit-principles-financing-monitoring-and-evaluating-kic-activities>.

<sup>8</sup> Published on 02 April 2009 - <http://eit.europa.eu/newsroom/call-kics-launched>

<sup>9</sup> Published on 14 February 2014 - <http://eit.europa.eu/collaborate/2014-call-for-kics>

(10) The EIT will take into account any developments that may significantly impact the implementation of the 'Principles on KICs' Financial Sustainability' and amend them accordingly in a duly justified manner;

(11) The 'Principles on KICs' Financial Sustainability' will be transmitted by the EIT to the KICs for information and implementation.

**HAS DECIDED AS FOLLOWS:**

**Sole Article**  
***Entry into force***

The 'Principles on KICs' Financial Sustainability' are hereby adopted.

This decision shall enter into force on the day of its signature.

*Done in Budapest on 5 March 2015*

For the EIT

*[Signed]*

Peter Olesen

Chairman of the EIT Governing Board



# Principles on KICs' Financial Sustainability

March 2015

## *I. KICs' Lifecycle Definitions related to Financial Sustainability*

1. The main period of EIT's funding to a KIC is up to 15 (fifteen) years from its designation;
2. The EIT funding to a KIC over this up to 15 years period follows a bell-shape pattern: an increase, a peak, a plateau and a decrease to a 'pre-defined minimum level' of EIT funding to a KIC, subject to specific conditions;
3. In year 15 after a KIC's designation, together with the grant allocation, a 'Memorandum of Cooperation', applicable after year 15, may be signed between the EIT and a KIC establishing the rights and obligations of each party after year 15;

## *II. KICs' Financial Sustainability Strategies*

4. A KIC must develop and implement a strategy on its financial sustainability and report on progress to the EIT on an annual basis;
5. The EIT will provide continuous guidance and support to a KIC to develop and implement its financial sustainability strategy. The EIT will follow the legal framework, including the annual grant management cycle guidelines, as enablers for KICs' financial sustainability;
6. All KIC Added Value Activities (KAVA) are included in a KIC's financial sustainability strategy;

## *III. Funding Principles to Incentivise KICs' Financial Sustainability*

7. Throughout the up to 15 years period of EIT funding to a KIC, the total KAVA are, on average, not lower than 25% of a KIC's overall budget;



8. The maximum EIT contribution to a KIC will be reduced from up to 100% funding to KAVA after 10 years of a KIC's designation to 80%, on average, in year 11 and thereafter progressive annual reductions: 60% in year 12, 40% in year 13, 20% in year 14 and 10% in year 15, until reaching a 'pre-defined minimum level' of EIT funding to a KIC. The same reductions apply to KIC management and administration costs;
9. The Competitive Funding<sup>1</sup> share of the total EIT funding to a KIC will in principle progressively increase until it reaches its maximum by year 15 after its designation;
10. After year 15 of a KIC's designation, the 'pre-defined minimum level' of EIT funding to a KIC (in year n), and the nature of the activities to be funded, will be decided on an annual basis (in year n-1) by the EIT Governing Board;

#### IV. *Accompanying Measures to Encourage KICs' Financial Sustainability*

11. In year 7 following a KIC's designation, the EIT will undertake an in-depth review of that KIC, with a particular focus on the implementation of its financial sustainability strategy;
12. In cooperation with other European, national and international organisations and the KICs, the EIT will strive to facilitate other forms of financing to KICs, namely through a dedicated Fund.

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<sup>1</sup> Competitive funding is distributed in a comparative manner amongst KICs - its determination is based on several elements (e.g. KICs past performance and level of consumption of EIT grant, evaluation of business plans/budgets, and hearings with the EIT Governing Board).