Fraunhofer-Gesellschaft zur Förderung der angewandten Forschung e.V.

Towards a bigger bang for the buck: Bid farewell to the EIT

The European Institute of Innovation & Technology (EIT) must be discontinued as it fails to provide added value to Europe's innovation ecosystems and its industrial competitiveness. The EIT resources need to be (re)integrated into the Framework Program, specifically the European Innovation Council (EIC).

Drawing on its experience as coordinator, core partner, and associated partner in several Knowledge and Innovation Communities (KICs), and as beneficiary in KIC Innovation Projects, the Fraunhofer-Gesellschaft presents this statement on the future of the EIT.

Fraunhofer Institutes acknowledge the networks formed within the KICs, matchmaking activities, and educational programs. Yet, the EIT and its KICs have become overly complex, costly and non-transparent, thwarting the participation in KICs due to unrealistic expectations on their member organizations and the return on investment. It is unclear how the EIT and KICs operate and allocate funding, whilst there is little possibility for KIC members to actively shape the KIC innovation agendas and activities. In contrast to the European Partnerships and the EIC, the EIT is not perceived as beneficial in driving forward a competitive and innovative Europe.

Financial and administrative burden

Participation requires substantial financial contributions from members that do not directly benefit from their efforts in creating and developing the KIC. Consortium partners provide significant financial and personnel resources during the application and set-up phase, which continue to be incurred throughout the entire KIC duration as membership fees and administrative burden. The administrative burden imposed on all beneficiaries of EIT funding, including KIC partners and external parties, is excessively high throughout the duration of KIC Added Value Activities (KAVAs) and even beyond (typically lasting 5 to 10 years). This burden arises from the complexity and length of contracts associated with KAVA implementation, the obligation to repay a re-financing contribution to the KIC's legal entity, and the extensive reporting requirements for project result exploitation outlined in the financial backflow agreements related to KAVAs. Additionally, funding decreases over time, resulting in lower funding rates compared to Horizon Europe projects.

Consortium partners have no advantage over external parties in receiving funding in the operational phase. On the contrary, they are explicitly treated equally and their contribution in relation to the governance structure is considered separate from the funding opportunities for KAVAs.

The problem is exacerbated by the EIT's regular strategic adjustments, which are reflected in changes in the governance structure and functioning of a KIC. This complexity creates a lack of transparency. Thus, it becomes increasingly unlikely that structural support will result in an equivalent benefit as the KICs mature.

Financial sustainability and stakeholder involvement

The governance structures, regulatory framework and administrative efforts associated with KICs create significant challenges in achieving financial sustainability. This requirement leads to reduced funding for KIC members over time and excessive expectations from the EIT or the KIC Legal Entity regarding return on investment.

The focus on financial sustainability gradually shifts the emphasis towards profitability and commercial activities within the KICs. This shift in funding dynamics from grants to quasi-subcontracts occurs as funding for beneficiaries decreases in the KAVA implementation, and greater emphasis is placed on co-financing and financial returns to the KIC legal entity. While the grant was originally intended to benefit the beneficiaries, it now predominantly benefits the KIC and its future funding program. Additionally, KICs have progressively relied on publicly funded projects for self-financing, competing with existing research and innovation actors.

The participation of universities, research organizations, and companies is significantly hindered by the combination of financial and administrative burdens, as well as the growing emphasis on higher Technology Readiness Levels (TRLs) that pose challenges to pre-competitive research and innovation (R&I) activities. The requirement for genuine and robust stakeholders, particularly industrial partners, to bear the financial burden of the KIC raises concerns. Aligning the governance structure with existing KIC best practices, such as EIT InnoEnergy SE, a joint-stock company, challenges the participation of universities and RTOs as they face difficulties in adhering to their non-profit status and navigating associated legal requirements. Consequently, these entities often choose to withdraw from involvement in KICs, even though they are the essential parts of the knowledge triangle.

This shift in the governance structure and strategic agenda departs from the original objective of the funding program, which aims to address significant societal challenges in specific thematic domains. These challenges often encompass non-profitable yet vital topics that serve the public interest.

If the emphasis solely lies in supporting start-ups and market-driven innovations for profit generation, it may be logical to transfer the KICs into alternative formats. This can serve as an additional catalyst for the inevitable reform processes in the EIC, addressing Europe's urgent demand for technological breakthroughs. Nonetheless, such a transition would necessitate increased funding and revised requirements.

Furthermore, Pillar II and the other types of European Partnerships, even though not perfect, provide far more effective and efficient channels for collaborative pre-competitive projects with industry with a leaner organizational and more participative structure.

Duplication and redundance

KICs are often created in areas where R&I ecosystems are already established, such as the planned KIC Ocean/Water. The value added by KICs to these ecosystems is questionable, given their complexity and resource requirements. In the maritime sector, for instance, there are numerous other EU initiatives, including Horizon Europe, European partnerships, and the Ocean Mission. This is fueled by the exceptionally rigorous and highly intricate demands placed on a KIC by the EIT, which expects nothing short of comprehensive and all-encompassing solutions for every conceivable aspect. KICs rely heavily on partners' existing know-how and have no chance to gain expertise in a specific business field or hire experts to offer equivalent and real services to their partners in return for their investments.

The educational element and network establishment of KICs are well-covered by other EU programs, like ERASMUS+ and COST. Additionally, training facilities for upskilling and reskilling exist successfully outside of KICs.

These redundancies often seem to be driven by particular interests and political advocacy, whereby political will takes precedence over evidence-based and objective cost-benefit analysis or evaluation processes. More added value can be achieved through fostering effective synergies between existing initiatives and strengthening their strategic alignment and implementation orientation.

Promote R&I processes shaped by the research community, industry needs and societal demands

The endeavor to bridge Europe's innovation gap must not result in rigid regulatory governance structures. Instead, it needs to facilitate bottom-up R&I processes shaped by the research community, industry needs, and societal demands.

Instead of continuing the EIT, efforts need to focus on transfer activities in Pillar II and the EIC to overcome Europe’s relative weakness in the transition from research to market and to tap the potential of the most critical phase in the innovation phase, the maturation of technology (TRLs 4-7). The EIC must be developed into a truly compelling innovation support structure and technology-push mechanism for Europe. This requires the restructuring of the EIC’s governance and the involvement of the research community in decision-making bodies and at program level. Instead of merely merging previous program lines (such as FET and the SME instrument) and continuing with a low success rate, resources should be allocated to the EIC as part of a coherent approach to foster innovation and market transfer. Additionally, the EIC needs to be established as the final phase of a permeable framework program, building on strong project results from collaborative pre-competitive R&I projects. The discontinuation of the EIT will free up resources for the EIC and transfer activities in Pillar II, which have the potential to function as key drivers for the European R&I ecosystem.