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THE FUTURE STRATEGY FOR THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY

Introduction

The European Institute of Innovation and Technology (EIT) has since its inception shown potential to contribute to innovation efforts and a better coordination of the knowledge triangle (research, education and innovation) in Europe, which is of highest importance for safeguarding Europe's competitiveness. The first years of operation have however demonstrated certain persistent shortcomings of the way the EIT functions. These shortcomings must be addressed properly for the EIT to serve the special role in the upcoming *Common Strategic Framework for Research and Innovation* (CSFRI) that it well deserves.

This position paper constitutes BUSINESSEUROPE's contribution to the public consultation on the *future strategy for the EIT*, launched by the European Commission. We argue in particular that:

- The operations of the EIT and in particular the *Knowledge and Innovation Communities* (KICs) must better show the value for business engagement.
- The main role of the EIT in the context of the upcoming *Common Strategic Framework for Research and Innovation* (CSFRI) should be to ensure a better integration of the knowledge triangle.
- If the concerns put forward in this position paper are properly addressed, the EIT should receive more funding to boost its impact on European innovation efforts and contribute to safeguarding European competitiveness and growth through a gradual increase of the number of KICs from 2014 onwards.

1. Added value of the EIT

Although the objectives of the EIT certainly have the full support of the European business community, its true added value for European business and competitiveness is yet to be demonstrated. The EIT must build capacity to provide strategic support to the KICs in particular to be more than a body administrating public grants.

Moreover, the KICs themselves must be designed and implemented in a manner that gives a clear rationale to business to invest resources in KICs rather than other publically co-financed research and innovation schemes. One way of doing so is to focus more directly on adapting the education part to business needs and develop models for better cooperation between academia and business. The EIT must focus on



execution of the present KICs to demonstrate that they are capable of adding value. Future KICs and extra budgets should be put in place in a gradual way and must be conditional to improvements, as further discussed in sections 4 and 5 below.

2. The EIT's role in the Common Strategic Framework for Research and Innovation

The activities of the EIT and in particular the KICs must be fully integrated in and coherent with the EU's efforts to implement the CSFRI and other elements of the Innovation Union strategy. The main role of the EIT in this context should be to ensure a better integration of the knowledge triangle and to lead by example in transforming research results to marketable products and services for the benefit of European competitiveness.

It is of utmost importance to better integrate education in general and universities in particular in the research and innovation efforts of the European business community. Europe needs a proper skills base to prosper and the match between academic curricula and the needs of industry must be improved. To achieve this, a stronger involvement of industry in the education part of the KICs is necessary, which must include in-kind contribution where appropriate, as well as enforced efforts from academic institutions to fully commit to the ultimate objectives of the KICs and not look at their participation in an isolated manner. Education is vital for Europe's future innovativeness; therefore involvement of the business sector, including large companies as well as Small and Medium-sized Enterprises, is particularly important in that field.

The experiences and results of the KICs must systematically be disseminated to the widest possible audience without depriving the participating entities of their legitimate right to IPR protection. The experiences from the KICs must also be continuously fed into the European Commission's, the EIT's and other stakeholders' efforts to optimize European education, research and innovation policies. Basic principles for defining the focus of future KICs are discussed in section 4 below.

3. Governance of the EIT

Business experience from the first three KICs suggests that the EIT, the way it operates and is governed is far from optimal and that governance of the EIT must be improved. BUSINESSEUROPE notes in particular certain implementation problems, complexity of rules and rigidity; relating – inter alia – to the current legal status of the EIT as a Community body. BUSINESSEUROPE understands that the option to designate another legal status to the EIT has been discarded, and therefore calls for an overhaul of the regulations governing the operations of the EIT and its beneficiaries with a view to achieve a drastic simplification of administrative requirements and to permit for more flexibility. The flexibility provided for by the EIT Financial Rules as regards cost reporting for example must be used in full, which may necessitate additional capacity building within the EIT.



The governance structure of the EIT is presently not clear to stakeholders. The respective roles of the European Commission (through DG EAC), the EIT Governing Board and its Chairman, as well as the EIT Director must be better defined and respected in practice. A proper balance must be struck between guaranteeing the EIT's independence and protecting it from undue political intervention on the one hand, and ensuring that the EIT adheres to common principles of transparency and stakeholder consultation on the other. By and large, the provisions in the EIT regulation as regards objectives, principles for selection of KICs and monitoring by the Commission are adequate, but they have to be adhered to more strictly. BUSINESSEUROPE perceives a certain need to more closely monitor the policy setting of the EIT Governing Board, in particular with respect to the definition of the future KICs (see section 3 below).

BUSINESSEUROPE notes that the lack of continuity in the management of the EIT has resulted in the Governing Board being too much involved in the basic operations of the EIT. It should also be clarified if and how the EIT intends to use the established list of experts interested in working at the EIT and how this relates to ongoing recruitment.

4. Focus areas of new Knowledge and Innovation Communities

The KICs are and must continue to be at the very core of the EITs operations. In defining new KICs, it is essential to engage in a close dialogue with stakeholders and in particular with the European business community, the active participation and commitment of which is crucial to their success. BUSINESSEUROPE appreciates efforts from the European Commission in particular to engage in a constructive dialogue with stakeholders, but the EIT's own work on the future *Strategic Innovation Agenda* and the suggestion for future KIC's has not been sufficiently transparent and it is not clear how and to what extent the concerns and priorities of the European business community and other stakeholders have been taken into consideration, which will of course be primordial, if the EIT is going to contribute to developing the competitiveness of Europe. Overall, the selection procedure of the KICs must be improved.

The following principles must be respected when defining the specific focus of future KICs:

- The KICs must focus on areas where the benefit for European industry to participate is obvious, considering the absolute necessity of strong and committed business participation for the KICs to meet their objectives. The importance of such a focus is accentuated by the relatively modest EIT contribution to the budget of the KICs (25 percent), which from a business perspective in itself is insufficient to motivate participation.
- The KICs' focus should as far as possible be coherent with the societal challenges as defined in the upcoming proposal on the CSFRI, provided that these challenges are defined in a way that they in particular consider areas where there is a *strong potential*



for value added in the EU, not only from a societal but also from an economic perspective.

- If, to the contrary, the societal challenges for the CSFRI would *not* be defined in a manner that would ensure attractiveness for the European business community (that in the end is expected to deliver the innovation and bring the research results to the market) to participate actively, it should be the EIT's prerogative to adapt its focus accordingly; considering that the most central societal challenge the EU will face in the next decades is to sustain competitiveness and growth in Europe and thereby maintain prosperity and employment.

A better and more transparent dialogue with the business community and other stakeholders will be instrumental in respecting these principles.

Finally, as regards the co-location centres, BUSINESSEUROPE notes that only one centre is located outside EU 15 and that only a limited number of centres are in a business environment. Although the majority of centres certainly should continue to be hosted by academic institutions given the importance of integrating education in the KICs, a rebalancing may be warranted.

5. Financing

If the abovementioned concerns are properly addressed in the future strategy of the EIT, it should receive substantially more funding to boost its impact on European innovation efforts and contribute to safeguarding European competitiveness and growth through a gradual increase of the number of KICs from 2014 onwards.

KICs that do not develop according to expectations must be allowed to fail, to optimize cost-efficiency and to permit reallocation to activities with more added value.

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