

**DECISION 14/2021  
OF THE GOVERNING BOARD OF  
THE EUROPEAN INSTITUTE OF INNOVATION AND TECHNOLOGY (EIT)**

**ON THE PRINCIPLES FOR FINANCING, MONITORING AND EVALUATING  
KNOWLEDGE AND INNOVATION COMMUNITY (KIC) ACTIVITIES**

**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 referred to as the "EIT Regulation"), and in particular Article 7(5), 7a thereof, and Section 2(b) of the Statutes annexed to the EIT Regulation;

Having regard to the proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination and repealing Regulations (EU) No 1290/2013 and (EU) No 1291/2013<sup>3</sup>, in particular Article 50 thereof;

Having regard to the proposal for a Regulation of the European Parliament and of the Council on the European Institute of Innovation and Technology (hereafter referred to as the "EIT Regulation (recast)")<sup>4</sup>, in particular Article 9(5) thereof and points (c) and (j) of Section 2 of the Statutes as annexed to the EIT Regulation (recast)<sup>5</sup>;

Having regard to the 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 (hereafter referred to as the "EIT Strategic Innovation Agenda 2021-2027")<sup>6</sup>, in particular Point 3.6.1. thereof;

Having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (hereinafter referred to as the "EU Financial Regulation")<sup>7</sup>;

<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> Version of 3 March 2021, as endorsed by the Permanent Representatives Committee (COREPER) at its meeting held on 10 March 2021 (7064/20). The publication in the Official Journal is foreseen for May 2021.

<sup>4</sup> Version of 17 February 2021, as endorsed by the Permanent Representatives Committee (COREPER) at its meeting held on 17 February 2021 (6062/21). The publication in the Official Journal is foreseen for May 2021.

<sup>5</sup> In accordance with Article 28 of the EIT Regulation (recast), Article 9 shall apply from 1 January 2021.

<sup>6</sup> Version of 17 February 2021, as endorsed by the Permanent Representatives Committee (COREPER) at its meeting held on 17 February 2021 (6066/21). The publication in the Official Journal is foreseen for May 2021.

<sup>7</sup> OJ L 193, 30.7.2018, p. 1-222

Having regard to Decision 21/2019 of the Governing Board of the European Institute of Innovation and Technology of 25 September 2019 on the Financial Regulation of the EIT<sup>8</sup>, in particular Article 1 thereof;

Having regard to Decision 13/2021 of the Governing Board of the EIT on the principles on the financial sustainability of Knowledge and Innovation Communities (KICs)<sup>9</sup>;

Having regard to the Decision of the Governing Board on the EIT Impact Framework<sup>10</sup>;

WHEREAS:

- (1) As of 2021, the EIT is part of the Horizon Europe Framework Programme for Research and Innovation and the new financial framework (i.e. EU Multiannual Financial Framework 2021-2027). Additionally, the new specific legal framework (i.e. EIT Regulation (recast), Strategic Innovation Agenda 2021-2027) has reached a political agreement in the respective legislative procedures and is foreseen to be published in the Official Journal of the European Union in May 2021.
- (2) The new framework requires the significant revision of the funding model and the financial sustainability rules of the EIT applied until now. For this reason, the EIT Governing Board at its meeting on 17 March 2021 has adopted Decision 13/2021 on the principles on the financial sustainability of KICs with retroactive effect of 1 January 2021.
- (3) Further to Article 9(5) of the EIT Regulation (recast), the EIT shall adopt and publish criteria and procedures for financing, monitoring and evaluating the activities of the KICs prior to the launching of the selection procedure for new KICs. The EIT shall promptly inform the Member States' Representatives Group and the European Parliament of those criteria and procedures.
- (4) As laid down in the EIT Regulation (recast) and the EIT Strategic Innovation Agenda 2021-2027, the criteria for the funding allocation need to be revised towards a performance-based funding model, thus, the support and competitive funding allocation principles have been abandoned. This performance-based allocation mechanism shall include assessing the KICs' Business Plans and performance as measured by continuous monitoring in accordance with Article 18(7) of the EIT Regulation and as described in the EIT Strategic Innovation Agenda 2021-2027.
- (5) According to points (c) and (j) of Section 2 of the Statutes as annexed to the EIT Regulation, the EIT Governing Board shall adopt sound criteria and clear and transparent procedures for performance-based financing of the KICs and it shall adopt effective, efficient, transparent and continuous monitoring and evaluation procedures relating to the performance of KICs.

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<sup>8</sup> Ares(2019)6810859

<sup>9</sup> Ref. Ares(2021)2134807

<sup>10</sup> To be adopted by the EIT Governing Board in April 2021.

HAS DECIDED AS FOLLOWS:

*Article 1*  
*Adoption*

The annexed “Principles for financing, monitoring and evaluating KIC activities” are hereby adopted.

*Article 2*  
*Entry into force*

This decision shall enter into force on the day of its adoption and shall be applied from 1 January 2021.

Done in Budapest, 7 May 2021<sup>11</sup>

Gioia Ghezzi  
Chairperson of the EIT Governing Board

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<sup>11</sup> Adopted by a written procedure on 7 May 2021

## Annex

### Principles for financing, monitoring and evaluating KIC activities

#### 1. Introduction

Since its set up in 2009, the European Institute of Innovation and Technology (EIT) has established itself as a unique instrument in the EU addressing societal challenges through the integration of the knowledge triangle. In the period 2021-2027, the EIT's mission is to contribute to sustainable Union economic growth and competitiveness by reinforcing the innovation capacity of all Member States and the Union in order to address major challenges faced by society. It shall do this by promoting synergies, integration and cooperation among higher education, research and innovation of the highest standards, including by fostering entrepreneurship, thereby strengthening the innovation ecosystems in an open and transparent manner. The EIT is established to complement existing Union and national policies and initiatives by fostering the integration of the knowledge triangle – higher education, research and innovation – across the Union.

The EIT operates mainly through Knowledge and Innovation Communities (KICs), which are large-scale institutionalised European partnerships, as referred to in Horizon Europe, between higher education and training institutions, business and research organisations and other stakeholders in the innovation process. In the upcoming period the EIT shall continue to support the KICs in order to strengthen the innovation ecosystems that help to tackle global challenges, in full complementarity with the rest of Horizon Europe and other European Union programmes. In line with its Strategic Innovation Agenda (SIA) 2021-2027, the EIT shall in particular:

- Strengthen sustainable innovation ecosystems across Europe;
- Foster innovation and entrepreneurial skills in a lifelong learning perspective, including increasing capacities of higher education institutions across Europe;
- Create new solutions to address global and societal challenges;
- Ensure synergies and value added within Horizon Europe.

The specific objectives of the EIT for the period of 2021-2027 are to:

- Increase the openness, impact and transparency of KICs and knowledge triangle integration across the Union;
- Increase the entrepreneurial and innovation capacity of the higher education sector across Europe by promoting and supporting institutional change in higher education institutions and their integration in innovation ecosystems;
- Increase the regional and local outreach of the EIT and its KICs in particular by including a wider range of stakeholders in order to address disparities in innovation capacity and to enhance knowledge and innovation diffusion across the Union.

The EIT shall provide strengthened operational guidance to KICs and continuously monitor the KICs' performance to ensure compliance with sound management, good governance, monitoring and evaluation principles set in the EIT Regulation, as well as the principles and criteria set out for European Partnerships in the Horizon Europe Regulation and alignment with the requirements stemming from

Horizon Europe priorities and indicators in order to maximise their performance and impact, based on a long-term collaboration strategy between the EIT and KICs.

## 2. EIT Impact Framework

Along with the existing legal requirements and the inherent commitment of the EIT to maximise impact, the EIT has developed an Impact Framework aligned with Horizon Europe Key Impact Pathways in order to further strengthen its impact-focused approach to delivering solutions to societal challenges. The EIT Impact Framework defines the socio-economic impacts that the EIT and KICs will deliver by 2027 and demonstrates their strategic alignment with the EIT mission and high-level objectives. It underpins the EIT SIA 2021 – 2027 and is closely aligned with the Horizon Europe societal and economic/technological impact pathways. The EIT Impact Framework will serve as a foundation for greater accountability, innovation, and learning. It will set up a solid basis for performing impact evaluations in a systematic manner, supported by robust evidence, as well as a basis for the EIT's result-based investment approach. The Impact Framework will also allow measuring, through an accurate and credible process, the EIT contribution to innovation, knowledge triangle integration, economic development and societal challenges, and thus demonstrating impact of the EIT investment. This is particularly important in a context in which policy makers and EU citizens are demanding results and accountability from public investments.

The EIT Impact Framework will serve the following critical functions:

- **Impact-led planning:** KICs define in their Strategic Agendas the societal and economic impacts they aim to create, underpinned by KPIs and respective sources of verification (as defined in the Impact Framework). Milestones based on the KPIs included in the EIT Impact Framework are established during key phases of the KIC Strategic Agendas to ensure progress against KIC strategic goals is clearly measured and when needed corrective actions are considered.
- **Performance monitoring:** Data will be collected, analysed and monitored for each level in the impact pathway to be able to assess and demonstrate the contribution of the intervention to the systemic changes later on, i.e. data for outputs, then for short-term and medium-term results and, finally, impact data. This data will be used to assess whether the activity, EIT or KIC performance is on track or changes/interventions in the activity plan are needed so that to ensure the envisaged systemic impact is achieved at a later stage. In addition, collecting data at each of the lower levels of the impact pathway (i.e. outputs, short/medium-term results) will allow providing credible evidence on performance and, crucially, on whether a particular intervention has achieved or is achieving its desired outcomes.
- **Reviews and evaluations:** Data collected against impact indicators will serve the basis for evaluations and impact assessments. Both, the EIT mid-term evaluation and the EIT Impact Study (2017) indicated that the systematic collection of impact data should be improved. This will become more important with the maturity of the first two waves of KICs. In addition, the Impact Framework will ensure the linkage between impact created at the mature phase of the KICs, on the one hand, and their activities and interventions in earlier stages, on the other: the output and result data already collated will provide supporting evidence for the impact achieved as a result of earlier activities. This will also facilitate the impact attribution although other attribution techniques should be applied.

- **Result-based investment:** The KPIs related to results, an integral part of the Impact Framework, will be used to inform the EIT Governing Board's decisions on future KIC financing allocations. This will ensure alignment of the funding mechanism with achieved results and, respectively, KICs' progress towards the long-term strategic targets (impact indicators). Thus, the EIT Impact Framework will streamline and inform the EIT result-based funding decisions.

### 3. Financing of KICs

The EIT is expected, through a lean and simplified funding model, to enhance the impact of KICs and contribution of KICs towards reaching the objectives of the EIT and the Horizon Europe Programme as well as incentivise commitment from KICs partners. As a European body fully integrated into the Horizon Europe programme, the funding implementation mechanisms, payment modalities, and control strategy proposed are aligned to those of Horizon Europe to ensure the beneficiaries and stakeholders experience a consistent approach as regards eligibility rules and sound financial management.

The EIT SIA 2021-2027 provides specific clarifications on principles established in the EIT Regulation. Clear monitoring and evaluation provisions are defined taking into account the Horizon Europe framework and the EIT's specificities. In particular, by integrating the existing excellence and investment in higher education, research, and innovation, the EIT funding model supports its KICs in the commercialisation of innovation results, the development of innovative educational courses with an emphasis on entrepreneurship and the creation of new start-ups. Furthermore, the EIT financing principles and procedures reflect the multiannual nature of KIC activities.

#### 3.1 Performance-based funding

The EIT shall ensure that the grant allocation process follows a performance-based funding model. The EIT funding shall be directly tied to progress made in the areas defined in the EIT Regulation, including the progress of the KICs towards financial sustainability, cost-efficiency and openness to new members. The EIT shall take corrective measures in particular based on KICs' individual performance in order to ensure the highest level of impact. To this end, the EIT funding could be reduced, modified or discontinued in case of underperformance.

##### 3.1.1 Providing support and incentivising performance

The EIT financial contribution is allocated so that it balances the requirement to support the KICs' long-term strategy while rewarding each KIC for its excellence, impact ambition and implementation in the mid-term.

The level of the EIT financial contribution to each KIC is thus decided by the EIT on a multi-annual basis as performance-based funding allocation taking into account progress made in the following areas:

- Implementation of multiannual strategy, in particular:
  - Progress in addressing the KIC's key strategic challenges and effectiveness in integrating the knowledge triangle;
  - Progress towards the objectives and targets indicated in the multiannual strategies, inter alia, the impact, results and openness, including the number of partners and the

- establishment of new co-location centres, coordination and management of the KIC's ecosystem;
  - Consistency with the strategic objectives of the European Union, in particular Horizon Europe, and KIC's contribution to achieving these goals;
  - Alignment with good governance principles set by the EIT;
  - Cross-KIC collaboration and synergies with other programmes;
  - Results of the EIT Regional Innovation Scheme.
- Progress towards financial sustainability, including the portfolio of assets each KIC is developing to reach financial sustainability and quantitative metrics such as the financial sustainability coefficient defined in the principles of KICs' financial sustainability;
  - Effectiveness of operations and impact achieved as measured by KPIs defined as part of the EIT Impact Framework;
  - Financial performance measured by KPIs defined as part of the EIT Impact Framework;
  - Non-financial performance measured inter alia through diversity and alignment with the EIT/EU co-branding provisions;
  - Clarity and pertinence of future ambitions in line with the EIT Strategic Innovation Agenda and KIC Strategic Agenda adopted and their reflection in the Business Plan.

In order to ensure comparability between KICs and allow for flexibility as well as adaptability, the specific assessment criteria for performance-based funding, the weightings and other precise modalities will be further specified by the EIT as part of future calls for grants.

Through joining forces, the KICs should design and implement value added Cross-KIC activities and shared services that shall explore the potential synergies and economies of scale, valorise the innovation potential across KICs, develop new innovation delivery mechanisms, promote EIT KIC model and increase EIT visibility as defined in the SIA. A genuine Cross-KIC activity should allow all participating KICs to be involved in the delivery of the actions with clear objectives, milestones and achievements as well as clear allocation of roles.

In addition, the purpose of a new initiative laid out in the SIA is to create systemic impact in Europe through strengthening the entrepreneurial and innovation capacities of higher education institutions (HEIs), with the objective of:

- Increase the entrepreneurial and innovation capacity of higher education institutions (HEIs), both regarding HEIs own capacity to be entrepreneurial and innovative as well as being able to teach and foster innovation and entrepreneurship;
- Strengthen and safeguard the integration of HEIs in innovation ecosystems.

With the aim of allocating earmarked funding to these key policy areas, the Cross-KIC activities, KIC Shared Services as well as HEI Capacity Building will be evaluated against their excellence, expected impact and quality and efficiency of the implementation, including the cost effectiveness.

### 3.1.2 Financial sustainability

The obligation for the KICs to become financially sustainable is a unique feature of the KIC model that aims at being a business and result oriented innovation instrument. In this context, KICs have to develop and implement revenue-creating strategies in order to maintain their innovation ecosystem and the knowledge triangle activities beyond the period covered in which the EIT provides financial support through grant agreements. The EIT Governing Board adopted new principles of financial sustainability<sup>12</sup>, which provide the framework for KICs to achieve the objective of reaching financial sustainability.

As set out in the EIT Regulation regarding the revised EIT funding model, the EIT contribution to the KICs shall gradually decrease over time in compliance with the co-funding rates defined in the SIA as follows:

	Start-up	Ramp-up	Maturity	Exit from EIT grant
<b>Years</b>	<b>1*-4</b>	<b>5-7</b>	<b>8-11</b>	<b>12-15</b>
<b>EIT funding rate</b>	Up to 100%	Up to 80%	Up to 70%	50% at year 12, decreasing by 10 percentage points per annum

*\*Year 1 is for the start-up grant*

Some KIC activities, due to their specific nature, might need extra incentives to be performed. To this aim, the EIT Governing Board might decide to apply more favourable funding conditions for Cross-KIC activities, EIT RIS activities and the higher education initiative.

The KIC Legal Entity (KIC LE) and its co-location centres shall be financed, in particular, from contributions from partner organisations, forming a substantial source of funding; voluntary contributions from Member States, associated countries or third countries or public authorities within them; contributions from international bodies or institutions; revenue generated by the KICs' own assets and activities and royalties from intellectual property rights; capital endowments; bequests, donations and contributions from individuals, institutions, foundations or any other bodies established under national law; the financial contribution from the EIT; financial instruments, including those funded from the general budget of the Union.

The KICs or their partner organisations may apply for Union financial contribution, in particular in the framework of Union programmes and funds, in accordance with their respective rules. In that case, such contribution shall not cover the same activity already funded under another Union programme. Contributions from partner organisations to the financing of the KICs shall be determined in accordance with the co-funding rates defined in the SIA and reflect the KIC's strategy for financial sustainability.

<sup>12</sup> Decision 13/2021 of the Governing Board of the EIT on the principles on the financial sustainability of Knowledge and Innovation Communities (KICs), Ref. Ares(2021)2134807



## 3.2 How does it work?

### 3.2.1 Contractual relations between the EIT and its KICs

The relations between the EIT and each KIC are laid down in the Partnership Agreement (PA) and Model Grant Agreement (MGA) which set out their respective rights and obligations, ensure an adequate level of coordination and outline the mechanism for monitoring and evaluating a KIC's portfolios and outcomes. Given the long-term partnership between the EIT and its KICs, the contractual agreements are defined in a long-term cooperation agreement between the EIT and each KIC, formalised within a seven-year PA, laying down the general terms and conditions under which the KIC operates as an Institutionalised European Partnership. Subject to positive performance, interim review and outcome of comprehensive assessment of the KIC, the PA can be extended for another period of a maximum of seven years. The model grant agreement is the contractual instrument laying down the provisions concerning the implementation of the KIC Business Plan through grants, on an annual or multi-annual basis.

Both agreements reflect the integrated structure of a KIC. The KIC Legal Entity must be empowered by the appropriate KIC governance body (e.g. Supervisory Board, Assembly, etc.) to conclude agreements with the EIT. These are signed between the EIT and the KIC LE. Internal arrangements between the KIC LE and each KIC partner are governed by internal agreements signed between the parties. Internal arrangements should comply with the principles of good governance. By signing these agreements, a KIC partner shall agree to the rights and obligations stipulated in the PA/MGA, which is a condition for benefitting from EIT grants channelled through the KIC LE.

Subject to a positive outcome of the final review and before the expiry or termination of the PA, the EIT may conclude a Memorandum of Cooperation with a KIC with the aim of maintaining active cooperation, setting out the rights and obligations linked to the continuation of the knowledge triangle activities as well as maintenance of the KIC's ecosystem and network.

### 3.2.2 KIC portfolio and Business Plan

A KIC is expected to implement a portfolio of integrated knowledge triangle activities to achieve its strategic objectives defined in its original proposal, adopted as part the KIC Strategic Agenda. As KICs operate across the entire value chain of innovation, they shall ensure an appropriate and continuous balance between the three sides of the knowledge triangle (education, research and innovation) and related activities.

A KIC Business Plan is a document describing the objectives, the ways to achieve them and the expected results of the KIC for a relevant period. The KIC Business Plan also contains the planned portfolio for a particular period, typically multi-year, and is structured following the Horizon Europe proposal template composed of a Part A with General Information about the applicant (including also: gender equality plan, budget for the proposal, self-assessment on Ethics and Security) and a Part B describing the:

- Excellence in regards to the KIC multiannual strategy (objectives, ambition, methodology and financial sustainability);
- Impact (KICs pathways towards impact, measures to maximise impact - dissemination, exploitation and communication);

- Quality and efficiency of the implementation (work plan and resources, capacity of participants and KIC Partnership as a whole);
- Tables on work packages, deliverables, milestones, critical risks for implementation, summary of staff effort, costs items.

A KIC Business Plan includes the operationalisation of the KIC's strategy through, for instance, its governance, management and organisational structures, as well as the selection, description, and management of the KIC's portfolio. It includes clear targets, deliverables and key performance indicators at portfolio level. A KIC Business Plan is the basis for awarding the EIT grant and is annexed to the multi-annual grant agreement. The EIT sets the amount of its financial contribution for the proposed KIC Business Plan within the ceiling set per KIC by the EIT Governing Board as a result of the performance-based funding allocation described previously. The KIC Business Plan is the reference for the KIC Monitoring and Assessment Reports. In order to ensure predictability and comparability, the EIT issues guidelines describing the expected structure, scope and level of information of a KIC Business Plan and KIC Monitoring and Assessment Report; the guidelines may be adapted to incorporate lessons learnt and with the aim of simplification. The Horizon Europe guidelines will complement regarding to cross-cutting issues within the programme.

In order to ensure adequate liquidity to KICs, as part of a multiannual grant cycle the EIT schedules payments on an annual basis in the form of prefinancing(s), interim payment(s) and final balance payment. It is the KIC LE's responsibility to distribute EIT funded sub-grants among different activities and KIC partners, as well as meeting the co-funding obligation laid down in the SIA and the grant agreement.

#### 4. Monitoring of KICs

In order to achieve its mission and objectives, the EIT supervises and provides support and strategic guidance to the KICs by implementing appropriate quality control measures and setting up a continuous monitoring system to support its impact-oriented and performance-based approach. On the basis of key performance indicators, aligned with the Key Impact Pathways of the Horizon Europe Programme and monitoring provisions set out in its Strategic Innovation Agenda and Horizon Europe, the EIT organises a continuous monitoring of the output, results and impact of each KIC, including the progress of the KICs toward financial sustainability, cost-efficiency and openness to new partners. The monitoring will also cover the KIC's operational performance including KIC's Business Plans implementation and administrative expenditure. The monitoring and evaluation approach of EIT at impact, result and performance assessment levels will be further defined in its Monitoring and Evaluation Strategy (2021-2027), currently under development, that will support the new operational and cascading models, the multi-annual cycle and will reflect the Horizon Europe monitoring and evaluation framework, the EIT Impact Framework and relevant EIT principles including the ones presented here.

In the event that the monitoring of a KIC shows underperformance, failure to achieve the expected impact or lack of European added value, the EIT will take appropriate corrective measures, including the reduction, modification or withdrawal of the EIT's financial contribution. Overall, the performance of individual KICs measured by continuous monitoring shall contribute to the performance-based funding allocation.

## 4.1 Continuous monitoring

### 4.1.1 Monitoring at KIC level

The continuous monitoring framework of the EIT uses the KIC's effective monitoring systems as a basis. The following principles must be included in the KIC's processes:

- The KIC must set up and implement an effective monitoring system to report on continuous basis on the inputs, activities, outputs and results, in line with the approved KIC Business Plans and the overall intervention logic outlined in the KIC Strategic Agenda, EIT Impact Framework, and other aspects of the EIT KIC model (such as progress towards financial sustainability, KIC Partnership, KIC administrative and management costs).
- The KIC must put in place a process in order to evaluate high potential activity outcomes and to flag underperforming activities so as to take corrective measures, in particular the KIC must ensure the following standards for monitoring and reporting of recipients:
  - systematic monitoring and review of the supported activities (e.g. staff management, procurement, financial management, quality control, distribution and provision of support to final recipients, etc.), in the format and timing specified by the EIT;
  - regular monitoring of partners' implementation of projects included in the KIC Business Plans approved by EIT incl. regular risk assessment and mitigation measures;
  - effective and reliable monitoring and reporting of the supported activities (including monitoring data against the EIT Impact Framework KPIs, progress towards financial sustainability, KIC partnership, legality and regularity of the expenditure claimed, etc.), in the format and timing specified by the EIT;
  - provisions for re-orienting or stopping underperforming activities (with regular 'go'/'no go' decision points, including a payment system linked to milestone achievements);
  - a mechanism to evaluate high potential project outcomes and fast track them towards further investment and rapid development.
- Together with the EIT, the KIC must ensure that detailed information arising from its monitoring and evaluation process is made available in a timely manner and is accessible in a common e-database on Horizon Europe implementation.
- The KIC must, in particular, provide any information requested in order to verify the proper implementation of the KIC Strategic Agenda, KIC Business Plans and compliance with the other obligations under the Partnership Agreement.
- At the request of the EIT in justified situations, the KIC must allow for reinforced monitoring measures, such as access to governance bodies (with observer status), regular progress meetings and enhanced activity reporting, thus allowing for a reinforced monitoring.

### 4.1.2 Smart monitoring and data collection

The reporting and monitoring of the KICs operational performance, including their administrative expenditure and their results will be a primary task of the EIT and shall be implemented in cooperation with Horizon Europe common corporate services. The reporting and monitoring system for KICs shall be

built into the overall Horizon Europe monitoring system, in particular by implementing common data models including data collection stored in Horizon Europe common database.

The mechanism for monitoring including data collection and data assessment will be based on the EIT Impact Framework, the Methodology for its implementation (currently under development), relevant Horizon Europe Key Impact Pathways, the Horizon Europe data model once developed and KIC Business Plans. Particularly the EIT Impact Framework will define the data to be collected, when, through what data method, by whom to be collected and data sources. Data will be collected, analysed and monitored for each level in the Horizon Europe Key Impact Pathways (as reflected in the EIT Impact Framework, i.e. economic/technological and societal pathways) to allow monitoring and assessing the contribution of the KIC activities to the planned systemic changes, i.e. data for outputs, then for short to medium-term results. This KIC performance will be assessed against their Business Plans and Strategic Agendas including the KPI targets and horizontal aspects such as good governance, openness and transparency, synergies, outreach.

The continuous monitoring framework and data model of the EIT shall ensure data collection with regard to the following aspects:

- Progress in relation to activities specific to the KIC model, such as knowledge triangle integration and entrepreneurial skills,
- Progress towards financial sustainability in particular leveraging new sources of investments,
- Progress towards pan-European coverage and openness, transparency of governance,
- Effectiveness in business acceleration and innovation
- KIC's administrative and management costs
- Operations of CLCs and EIT Regional Innovation Scheme (RIS) hubs and entities and their integration in the local innovation ecosystems,
- The implementation of education and training activities, including the extended use of the EIT Label.

In order to improve transparency and openness, the EIT will ensure that the project data collected through its internal monitoring system, including the results from KICs, is fully accessible and integrated in the overall data management system of Horizon Europe programme.

## 4.2 How does it work?

Following the implementation of a multi-annual KIC Business Plan, a KIC submits to the EIT an interim and a final report describing its operational and financial implementation and the objectives and results achieved. Based on the KIC Reports, the EIT monitors and assesses the progress and results of the implementation of the KIC Business Plan and issues recommendations for improving KIC performance. The results of this assessment and the monitoring shall feed into the KICs' business planning processes and into the EIT decision-making on determine the allocation of the budget and EIT's performance-based funding of the KICs' activities and the preparation of grant agreements with the KICs as beneficiaries.

In addition, the EIT Governing Board will provide strategic recommendations to the KICs for the subsequent period taking into consideration the KIC multiannual performance at result and impact level. The EIT Governing Board will monitor the implementation of these recommendations at the EIT level, and will provide the necessary incentives and control, including through the performance-based funding allocation process, to ensure that the KICs implement them.

In order to ensure predictability and comparability, the EIT will issue guidelines describing the expected structure, scope and level of information of a KIC Business Plan and KIC Monitoring and Assessment Report; the guidelines may be adapted to incorporate lessons learnt and with the aim of simplification.

## 5. Evaluation of KICs

### 5.1 KIC reviews

#### 5.1.1 Three-year reviews

In line with Article 11(2) of the EIT Regulation, the EIT, under the supervision of the Governing Board, will conduct interim reviews of the performance and activities of the KICs covering their first three years of the Partnership Agreement (i.e. the KICs' start-up phase). In the case of an extension of the Partnership Agreement, the EIT shall prepare such interim reviews covering the first three years following its extension (i.e. the maturity phase). Those reviews shall be based on the continuous monitoring performed by the EIT. They shall help the EIT Governing Board to get early indications on KICs' performance with respect to their strategy and targets, as well as the compliance to EIT Governing Board recommendations.

#### 5.1.2 Seven-year and fifteen-year reviews

EIT with the support of external experts will conduct comprehensive assessment of the KICs before the end of the seventh year of their Partnership Agreement, as well as to a final (15-year) review before its end in case of extension. On the basis of the first assessment, the EIT Governing Board will decide on whether to extend the Partnership Agreement beyond the first seven years, decide to either continue the financial contribution to a KIC, to modify or to discontinue it (thus not extending the Partnership Agreement with that KIC) and reallocate the resources to better performing activities. The final review shall be used as a basis to negotiate a possible Memorandum of Co-operation (MoC).

In these evaluations, in line with Article 11 of the EIT Regulation, the EIT Governing Board is to take into account in particular the followings:

- monitoring criteria set out for the European Partnerships in the Horizon Europe Regulation,
- the achievement of KIC's objectives, and its coordination with other relevant research and innovation initiatives,
- the achieved level of financial sustainability,
- KIC's capacity to ensure openness to new members, transparency in its governance and its achievement in attracting new members, within the limits of the Union financial contribution referred to in Article 21 of the EIT Regulation,
- the EU added value,
- relevance with regard to the objectives of the EIT.

An in-depth independent final (15-year) review should be conducted by the end of 2023 of the KICs whose Partnership Agreement is terminated or expired in the course of the 2021-2027 programming period. This will include an assessment of the KIC's efforts to achieve financial sustainability, generated revenues and KIC's financial outlook and shall identify those activities, if any, that might be at risk of continuation due to the lack of resources. Subject to a positive outcome of a final review, the EIT will conclude a Memorandum of Co-operation (MoC) with a KIC, aiming to maintain active cooperation with it after the termination of the Partnership Agreement.

In the event that evaluations of a KIC show inadequate results or lack of European added value, the EIT Governing Board shall take appropriate measures, including the reduction, modification, or withdrawal of the EIT's financial contribution, or termination of the partnership agreement.

All the above reviews are to be based on the continuous monitoring performed by the EIT and relevant data collected against the Horizon Europe and EIT result and impact KPIs as per the EIT Impact Framework and against the KIC KPI targets as defined in their Strategic Agendas (2021-2027). The reviews will consider the maturity of the KICs and the respective stage of their impact pathway. Thus, the initial 3-year reviews will assess the KIC performance against short to medium-term outputs and results defined in the EIT Impact Framework, the 7-year reviews will assess the progress made against impact KPIs and targets, and the 15-year review will focus on the economic/technological and societal impact created by the mature KICs.

## 5.2 Impact study

The EIT's result-oriented and impact-driven approach is not limited to the KICs. It will conduct an impact study around 2024 with the support of external experts to assess the progress made by all KICs accumulatively and respectively the EIT against creating societal and economic/technological impact as described in the EIT SIA (2021-2027), the EIT Impact Framework, the KICs' Strategic Agendas and, hence, the EIT contribution to the Horizon Europe Key Impact Pathways. The impact study will be performed in collaboration with the European Commission and will be linked and feed into the EIT interim evaluation carried out by the European Commission (point 5.3 below).

## 5.3 EIT interim evaluation

Periodic evaluations of the EIT activities, including those managed through KICs, will be carried out by the Commission in line with the provisions of the EIT Regulation and Horizon Europe Regulation. In accordance with Article 20 of the EIT Regulation, the European Commission will conduct an interim evaluation to assess, inter alia, the result and impacts of the action supporting the innovation and entrepreneurial capacities of HEIs, the effectiveness of the KICs' financial sustainability strategies, the impact of the RIS and the collaboration between the EIT and the implementing bodies under Pillar III of Horizon Europe. In that respect, the EIT evaluations shall notably assess the effectiveness, efficiency, relevance, coherence and EU added value of the EIT activities, including through its KICs. They shall be based on independent external evaluations and shall feed into the European Commission programme evaluations provided for in Horizon Europe also in view of a systemic assessment of the 'Innovative Europe' Pillar of Horizon Europe, in particular with respect to the "one-stop shop" for innovation.