Implementation report on the European Innovation Council

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The Committee on Industry, Research and Energy adopted an own-initiative report by Christian EHLER (EPP, DE) on the implementation of the European Innovation Council.

The European Innovation Council is one of the major novelties of the Horizon Europe Programme. Its aim is to identify, develop and scale up breakthrough, and in particular deep-tech, innovations. It intends to facilitate and enhance networking and cooperation and create synergies between different innovation communities in the EU and with the European Institute of Innovation and Technology (EIT) in particular, ensuring broad geographical coverage. It was set up to foster Europe's technological strategic autonomy as well as to improve the functioning of the European venture capital market.

Implementation issues

The report highlighted fundamental implementation issues in particular concerning the management of the EIC Fund. The EIC Accelerator which provides financial support to individual Small and Medium Enterprises (SMEs) has been criticised for the delays in the implementation of the blended finance actions.

Members are deeply concerned about the announcement in early 2022 of changes to the structure of the Fund compared to the situation under the EIC Pilot, when companies from the first two cut-offs in 2021 had already been selected for funding.

Recalling that the EIC Fund is set up to support start-ups and SMEs developing deep-tech innovations, the report stressed that cash flows are crucial for start-ups and SMEs, and that long delays in receiving expected funding can bankrupt these kinds of companies.

Staffing issues at the EIC Fund were also raised.

Recommendations

The committee made a number of recommendations to improve the implementation of the EIC.

Members called on the Commission to re-assess its implementation of the EIC Fund and to find a new management mode that reflects the ambitious and transformative nature of the EIC as the investor of reference for breakthrough innovation in Europe. The Commission should include, *inter alia*, the following principles in its new approach:

- ensure that the implementation of both the equity and grant components are under the full control of the Commission, which should also ensure that there is a direct coordinating line between the implementation of the two components, and safeguarding the ability of the Commission to intervene at any stage of the investment cycle to ensure that investments of strategic importance are made;

- make full use of the added value of co-investment by external investors, while maintaining the possibility for the EIC Fund to: (i) be the **sole investor**, including through taking equity without co-investment from external investors being required; (ii) be the **major investor** without leading the investment round; (iii) lead an investment round;

- ensure efficient collaboration with national contact points as well as regional authorities if applicable.

Moreover, Members urged the Commission to enter into an **open dialogue with Parliament**, the relevant programme committee and the EIC Board in order to develop an alternative long-term solution for the structure of the EIC Fund which fully respects the relevant Union legislation and the above-mentioned principles. They recommended that a **thorough assessment** be made of ways to improve the EIC's implementation, considering as an option the **establishment of an independent Union body** as the main entity responsible for implementing the EIC.

They underlined the need to ensure that applicants are always treated equally, and that implementation safeguards transparency, accountability and prevention of conflicts of interest.

The Commission is also called on to:

- introduce a system of continuous and quick evaluation of the performance of the EIC;

- include a rigorous and continuous assessment of the evaluation procedure;

- include measures to improve the participation of SMEs and to make the EIC Accelerator accessible and attractive for innovative SMEs, by simplifying the application process in order to remove barriers for SMEs;

- ensure that the instrument supports a wide range of projects in terms of their scale, so that small companies developing and scaling up high-impact innovations can have equal access to it;

- revise the EIC Accelerator's current submission process and its time-to-grant period, aligning the EIC platform with the evaluation criteria of the EIC Accelerator;

- improve synergies and collaboration with the EIT. The EIT and the EIC should set up reciprocal and systematic exchanges of information.