Implementation report on the European Innovation Council

2022/2063(INI) - 22/11/2022 - Text adopted by Parliament, single reading

The European Parliament adopted by 592 votes to 19, with 8 abstentions, a resolution 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.

Implementation issues

Parliament 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. Members 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.

Parliament recalled that EIC blended finance should be awarded through a **single process** and through a single decision covering both the grant and the financial instrument components. It also acknowledges the staffing concerns raised by the Commission regarding the management of the EIC Fund investment portfolio. It appreciated that **staffing** at the EIC Fund needs to be appropriate and that this means that a significant number of staff with significant experience are required.

EIC Fund as a sole investor

Members are concerned about the apparent policy for the EIC Fund never to be the lead investor in an equity round, in particular in combination with the requirement for companies to bring in matching co-investments from external investors. They believe that this goes against the strategic objectives of and main logic behind the EIC and stressed that co-investment should not be an upfront requirement for projects but rather an objective of the EIC Fund during the lifetime of the grant project.

Implementation flaws

Parliament stressed the importance of an **accessible and effective application procedure** in a programme aimed at attracting the most ambitious innovators. The procedure could be further improved and simplified for both single and multiple beneficiary proposals. Members are also concerned about the apparent lack of transparency in the management of the programme and are deeply concerned about the functioning of the AI platform.

Recommendations

Parliament 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 that the investment strategy for equity investments follows the strategic objectives of the Union, which would encourage the EIC Fund to take risks as the sole investor, in particular to encourage the participation and success of under-represented regions and female-led businesses;

- 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.