

# Policy Note: Managing Performance, Risk and Fairness in Implementing the EIT Grant

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## Purpose

Each year, the EIT Climate-KIC community benefits from funding provided by the European Institute of Innovation and Technology (EIT). Most of the rules around how this money can be spent are described in the following key documents, which are available online on our [Partner Information Page](#):

- **Annotated Model Grant Agreement (AMGA)** published by the European Commission for all programmes under Horizon 2020,
- **Framework Partnership Agreement (FPA)** signed between the Climate-KIC Holding B.V. (BVH) and the EIT and spanning the years 2016 to 2022, which all Partners receiving EIT funding have joined,

- **Specific Grant Agreement (SGA)** signed between BVH and EIT for each calendar year, applying to all Partners receiving EIT funding under the business plan for that year,
- Internal agreements, i.e. the **Community Agreement** and **Task Confirmation Letters**, and
- **Programme Guidelines** as published by EIT Climate-KIC from time to time.

EIT funding is taxpayers' money. The set of rules written in the above documents are therefore extensive and cover concepts such as co-funding, cost rejections, grant reductions, and KIC Complementary Activities (KCAs). That said, the rules do not regulate *every* aspect of the grant cycle, and there remains some flexibility for EIT Climate-KIC to make its own choices in certain areas and in line with our internal agreements.

Further, the EIT Climate-KIC community is more than just a project consortium. It is a dynamic partnership with hundreds of organizations and thousands of students and start-ups that have gone through our programmes. This means that the rules governing this partnership must be designed to promote the unique spirit of EIT Climate-KIC and to help it thrive.

The primary purpose of this document is to ensure that we properly govern the activities of our community, to clarify existing rules in areas where confusion existed in the past, and to ensure that the rules are fit for supporting us in the pursuit of our mission. A secondary purpose of this document is to help us establish a common vocabulary that is accurate and consistent with our contractual framework, and to avoid misunderstandings and misleading terminologies that have led to confusion in the past.

This document serves as a reference for individuals employed by EIT Climate-KIC Partner Organisations or the Climate-KIC Holding B.V. who are responsible for managing tasks or KAVAs or for overseeing the implementation of the EIT grant.

## Objectives & Principles

This document is useful for our community because it...

- **establishes clarity** by explaining how the existing rules will be applied in practice,
- **increases fairness** by ensuring that the rules are applied in a consistent manner, and
- **reduces risks** to the community by making sure we perform as requested.

To achieve these goals, these rules are designed to...

1. Make sure each partner is treated equally,
2. Promote diversity in our partnership,
3. Embody the communal spirit of a KIC,
4. Ensure that the administrative burden remains manageable,
5. Drive financial performance to create a buffer against future risks,
6. Improve the transparency along key stages of the EIT grant cycle, and
7. Hold each partner accountable for adhering to the rules governing the EIT grant.

### 7 Principles

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**Fairness**

**Diversity**

**Community**

**Manageability**

**Risk Minimization**

**Transparency**

**Accountability**

# Definitions

<b>BVH</b>	Climate-KIC Holding B.V., the organization owning all EIT Climate-KIC legal entities and entering into the FPA and SGA on behalf of itself and of all Partners
<b>Contracted EIT Reimbursement Rate</b>	Percentage of the Eligible Costs of a task a Partner will get reimbursed from EIT, as inscribed in the Task Confirmation Letter
<b>Contracted EIT Reimbursement Amount</b>	Maximum amount (in €) a Partner will be able to get reimbursed by EIT in connection with the Eligible Costs of a task, as inscribed in the Task Confirmation Letter
<b>Cost Rejections</b>	Costs (in €) reported by a Partner but deemed ineligible by EIT (as per SGA article 5) following checks, reviews, audits or investigations
<b>EIT</b>	European Institute of Innovation and Technology
<b>Eligible Costs</b>	Reported costs of implementation (in €) recognized by EIT as eligible
<b>Grant Reductions</b>	Reduction of the maximum grant amount per KAVA due to substantial errors, irregularities or fraud or serious breach of obligations (as per FPA article 10.3)
<b>Gross EIT Claim</b>	A Partner's claim to EIT funding (in €) obtained following the calculation steps described herein
<b>KAVA</b>	KIC Added Value Activity; a conceptual container for activities (e.g. projects) used for structuring the activity portfolio (in terms of work plans, budgets, and outputs), reporting, and implementation assessments undertaken by EIT, among other things
<b>KCA</b>	KIC Complementary Activities; activities carried out by Partners that are not funded by EIT but are similar to those activities carried out in the KAVAs of a given grant period
<b>Maximum EIT Reimbursement Rate</b>	Maximum percentage of the costs of a task (or KAVA) a Partner (or consortium) could get reimbursed from EIT, as set in accordance with the rules described herein
<b>Net EIT Claim</b>	A Partner's claim to EIT funding (in €) after deducting any apportioned Grant Reductions from the Partner's Gross EIT Claim
<b>Non-Standardized Programme</b>	Programmes dissimilar in nature to the Standardized Programme (definition below) formats under which Partners execute tasks. Examples: ideation and co-creation activities, communication and event activities, and certain research activities.
<b>Partner</b>	An organization which has acceded to the Framework Partnership Agreement (FPA)
<b>Reported Costs</b>	Costs (in €) incurred by a Partner and reported to EIT at the end of a grant period
<b>Single Reimbursement Rate (SRR)</b>	A percentage applied by EIT to calculate the maximum grant payable to EIT according to the formula described in FPA article 10.3
<b>Standardized Programme</b>	Programmatic formats described in the EIT Business Plan (incl. Annex A) and/or in the Proposal Guidelines issued by BVH. Examples: Pathfinder, Partner Accelerator, Demonstrator, Scaler, Urban Challenges, Start-Up Accelerator, Climate Launchpad, Journey, Climathon, Pioneers into Practice.
<b>Task Confirmation Letter (TCL)</b>	A contract between BVH and a Partner setting out an allocation of a portion of the EIT grant to the relevant Partner and the task to be performed and outputs to be produced in connection with such allocation

# Rules & Procedures

## FAQ Reference

### 1. EIT Reimbursement Rates

- a. BVH sets the Maximum EIT Reimbursement Rate for each KAVA. In so doing, it consults on the principles with the Governing Board of the Climate-KIC Association. 3
- b. BVH sets the Maximum EIT Reimbursement Rate for each Standardized Programme and Non-Standardized Programme. These rates apply equally to all Partners and consortia without exception.
- c. To be eligible for selection, a proposal must not exceed the Maximum EIT Reimbursement Rate of the relevant programme. This requirement is assessed at the consortium level, and individual Partners may seek reimbursement rates exceeding the Maximum EIT Reimbursement Rate of the relevant programme.
- d. The EIT reimbursement rate for each task is fixed at proposal stage and inscribed in the Task Confirmation Letter. 4 5 7
- e. For multi-year projects, the EIT reimbursement rate set for each Partner at proposal stage remains the same in each year. 6
- f. If a Task Confirmation Letter is amended during the business year, the EIT reimbursement rate as contracted in the original Task Confirmation Letter must be retained.
- g. Shifts of Contracted EIT Reimbursement, as a percentage (Contracted EIT Reimbursement Rate) and/or amount (in €), between or among Partners in a project consortium or KAVA during the delivery phase are allowed once per grant period at business plan amendment stage. Any shifts are confirmed by the issuance of revised Task Confirmation Letters. Such shifts are not allowed at reporting stage.
- h. Shifts of Contracted EIT Reimbursement, as a percentage (Contracted EIT Reimbursement Rate) and/or amount (in €), across individual tasks of the same Partner are not allowed. 5
- i. When submitting the cost report and requesting EIT reimbursement, the Contracted EIT Reimbursement Rate cannot be exceeded. 8 9
- j. For multi-year projects, provided that such projects receive an allocation in the next SGA year, the EIT reimbursement rate proposed in Annex I of the annual EIT business plan must equal the EIT reimbursement rate fixed at proposal stage or as amended and re-contracted in line with the rules set out herein.

### 2. Cost Rejections

- a. The Gross EIT Claim for each task is calculated in two steps as follows: 10 11 12
  - i) Total Reported Costs – Cost Rejections = Total Eligible Costs
  - ii) Total Eligible Costs x Contracted EIT Reimbursement Rate = Gross EIT Claimwhereby the Gross EIT Claim is capped at the Contracted EIT Reimbursement Amount.

### 3. Grant Reductions at KAVA Level

- a. Grant Reductions at KAVA level are passed through directly to affected KAVAs. The apportionment to individual tasks within the affected KAVA is done on a pro-rata basis as determined by each task's share of the total EIT reimbursement request of that KAVA. 13
- b. Where there is only one consortium in a KAVA, the consortium is recommended – but not required – to have a consortium agreement regulating how KAVA-level Grant Reductions are further passed through to individual Partners in the consortium. 14 15
- c. In general, Grant Reductions apportioned to a task are deducted from the Gross EIT Claim of that task, yielding the Net EIT Claim of that task. 16

### 4. KIC Complementary Activities (KCAs)

- a. Partners are asked to identify KCAs at proposal stage. 17
- b. There are no minimum KCA requirements in order for proposals to be eligible, but the amount of KCAs proposed is assessed as part of the overall proposal evaluation. 19
- c. KCAs listed in a proposal are inscribed in the Task Confirmation Letter, and thus Partners are contractually obligated to report such KCAs at reporting stage.
- d. Partners are obliged to make an honest effort to identify and report additional KCAs at business plan amendment stage and at reporting stage.
- e. If a KCA previously identified by a Partner cannot, for whatever reason, be reported, or can reasonably be assumed to be ineligible, the Partner will not be forced to report such KCAs. However, the Partner is obliged to make an honest effort to identify and report alternative KCAs in the same amount.

## Applicability

The above rules and procedures apply to all Specific Grant Agreements that are currently operative or will be entered into by BVH on behalf of itself and of Partners in the future.

## Disclaimer

In case of conflicts between provisions set out in the above rules and procedures and any provisions in the FPA, SGA, H2020 AMGA, Community Agreement or any relevant Task Confirmation Letter, the provisions in the aforementioned documents take precedence. Further, the above rules and procedures take precedent over the explanatory notes provided in the Frequently Asked Questions section of this document. If any part of the above rules and procedures are unenforceable or invalid, the remaining provisions will continue to apply.

# Frequently Asked Questions (FAQs)

## EIT Reimbursement Rates

### 1) What is co-funding, and how is it related to the EIT reimbursement?

Simply put, co-funding is the share of a task's cost carried by a Partner. More formally, co-funding can be defined as the difference between the eligible costs of a task and the fraction of those costs reimbursed by EIT. To be recognized as eligible and thus able to be counted as co-funding, expenditures must be compliant with the financial rules of Horizon 2020.

Another way to think about co-funding is through its relationship with EIT funding. For a task supported by EIT funding, the task's eligible costs are borne jointly by a Partner and EIT. To that end, the term *maximum EIT funding* is directly related to the term *minimum co-funding*: In a programme with a maximum EIT contribution of 80%, the minimum co-funding level is 20%.

The requirement for Partners to self-fund a portion of an activity is consistent with the approach adopted by many other publicly funded grant schemes (e.g. other Horizon 2020 instruments, Interreg). In some of these schemes, co-funding is known as *match funding*.

**Note:** EIT Climate-KIC used to define minimum co-funding levels as a percentage of the *EIT contribution* in a project. Going forward, and to be consistent with the practice of many other public granting schemes, the co-funding percentage is defined as a fraction of *total implementation costs of a project*.

### 2) Where can I find out more about the formal aspects of co-funding?

In our *Guide to Co-Funding and KIC Complementary Activities*, we explain co-funding (and KCAs) in more detail and provide many useful examples. You can access the guide on the EIT Climate-KIC Partner Information Page (<http://www.climate-kic.org/partner-information-page/>).

### 3) How does BVH set maximum EIT reimbursement rates for each KAVA?

In setting KAVA-level reimbursement rates, we first consider any minimum co-funding requirements imposed by EIT. We then take into account the nature of the programme, acknowledging that the capacity of KAVAs to deliver co-funding differs. In doing so, we apply a *subsidy principle*, asking KAVAs with high co-funding capacity to support KAVAs with reduced co-fund capacity.

### 4) Why is the EIT reimbursement rate fixed at proposal stage?

The level of co-funding provided in a project is assessed during the proposal evaluation stage. To make sure proposals are evaluated fairly, Partners (and consortia) must commit to a funding split when submitting the proposal.

### **5) Why is it not permissible for Partners to shift co-funding across their own tasks?**

Tasks are the contracts that determine co-funding delivery. Because each task is linked to a specific KAVA, shifts from one task to another could result in a co-funding imbalance across KAVAs. This could be problematic, because EIT assesses co-funding levels at the KAVA level, and failure to meet KAVA-level co-funding targets could result in a Grant Reduction. The provision of co-funding must therefore be enforced within each KAVA, and tasks are the control mechanism for doing so.

### **6) How are the EIT reimbursement rates set for multi-year projects?**

Partners engaged in multi-year projects will receive the same EIT reimbursement rate in every year in which such projects have received an allocation in the applicable SGA. In other words, the EIT reimbursement rate as inscribed in the original Task Confirmation Letter will remain the same throughout the project duration.

### **7) What are the legal consequences of inscribing the EIT reimbursement rate in the Task Confirmation Letter?**

The TCL is a contract between the Climate-KIC Holding B.V. and a partner performing a task under the Specific Grant Agreement (SGA). Amongst other items, it sets out the conditions Partners are required to meet in order to receive an allocation of the EIT grant. Such conditions are in addition to the EIT-specific requirements.

Inscribing the EIT reimbursement rate (a percentage) and the maximum EIT reimbursement amount (in €) in the TCL means that the reimbursement arrangement is contractually fixed and that a Partner cannot deviate from that reimbursement arrangement at reporting stage.

### **8) How does BVH enforce reimbursement rates and co-funding?**

Our grant management system (PLAZA) will have a technical feature preventing Partners from accidentally requesting a higher share of reimbursement of their costs from EIT than the Contracted EIT Reimbursement Rate set out in the Task Confirmation Letter.

### **9) Why is co-funding (and KCAs) delivery so important?**

There are two main reasons for why strong performance in delivering both co-funding and KCAs is so important for the EIT Climate-KIC partnership:

First, over the period of the Framework Partnership Agreement (FPA), EIT's financial contribution is capped at 25% (on average) of a KIC's overall funding. This means that between 2016 and 2022, all parties to the FPA must, collectively as a KIC, be able to match each Euro of EIT funding with 3 Euros of co-funding and KCAs. Each KIC must therefore manage the aggregate financial performance of the community, particularly the ratio of EIT funding to the sum of accepted co-funding and KCAs.

Second, within a single grant year, EIT calculates the total reimbursement for a KIC by considering the *Single Reimbursement Rate (SRR)*. The SRR is fixed in the Specific Grant Agreement (SGA) and sets the absolute upper bound for EIT's reimbursement. As the SRR is applied against Total Eligible Costs (a metric that includes co-funding), levels of accepted co-funding have a direct impact on the financial flow to the partnership. Managing co-funding throughout the grant cycle (i.e. during the proposal, contracting, reporting, and audit/resolution stages) is therefore vitally important under the SRR regime.

Consider the example shown in the table below, which depicts two scenarios differing only by the amount of reported costs (E). In Case 1, the EIT Grant Paid (J) is limited by the ceiling imposed by the SRR (I), while in Case 2 it is the same as requested (H) because the SRR concept does not take hold. Note that, for simplicity, this example assumes that the no-profit rule (FPA article 10.3.3) does not apply.

Case	(A) Maximum Grant Amount (per SGA)	(B) Grant Reductions	(C) Reduced Grant Amount (A – B)	(D) SRR (per SGA)	(E) Total Reported Costs	(F) Cost Rejections	(G) Total Eligible Costs (E – F)	(H) EIT Grant Requested	(I) SRR x Total Eligible Cost	(J) EIT Grant Paid
1	€82m	€2m	€80m	80%	€95m	€5m	€90m	€76m	€72m	€72m
2					€90m	€5m	€85m	€65m	€68m	€65m

This includes co-funding

Sum of all reimbursement requests

= the lower of (H) and (I), capped at (C)

## Cost Rejections

### 10) What are Cost Rejections?

Cost Rejections are expenditures reported by a Partner that were deemed ineligible for reimbursement by EIT, usually because the way in which they were incurred was not compliant with financial rules or because they are of a type expressly deemed ineligible as per SGA article 5.5. The provisions for eligibility are described in the FPA, SGA (particularly article 5) and Horizon 2020 Annotated Model Grant Agreement (AMGA). Cost Rejections are determined by EIT, not BVH. In the past, Cost Rejections have colloquially been referred to as *cost disallowances*.

Note that EIT does not differentiate between co-funding and EIT funding in assessing the eligibility of costs. In other words, for EIT all costs are the same, and it is irrelevant if a Partner makes such a distinction under the Partner’s internal accounting practice.

### 11) Can cost rejections be offset with co-funding?

The Gross EIT Claim for a task is calculated by multiplying the task’s Eligible Costs by its Contracted EIT Reimbursement Rate, with the Contracted EIT Reimbursement amount (in €) as a cap. Cost Rejections reduce the amount of costs deemed eligible. Because it is not permissible to adjust the reimbursement rate as a result of Cost Rejections (referred to previously as “off-setting”), Cost Rejections typically lead to a proportionate reduction in EIT reimbursement.

Not allowing such off-setting is in line with the principles of individual accountability and fairness. Cost Rejections typically result from a Partner’s failure to follow clear and well-established rules. It is in the spirit of a partnership to hold its members accountable for their individual contributions to the success of the community. This mechanism therefore levels the playing field and improves EIT Climate-KIC’s financial position and risk profile.

That being said, an exception can occur if a Partner reported more costs than originally planned in the Task Confirmation Letter. In this case, such additional co-funding (i.e., *additional*



compared to the *contracted* co-funding rate) can act as a buffer against Cost Rejections and safeguard a Partner's reimbursement to some degree.

**12) Why is there no exception for co-funding exceeding the minimum requirements, or 'special types' of co-funding, when it comes to offsetting Cost Rejections?**

We recognize that there already is a long and dense list of rules and regulations that govern our collaboration. Introducing different categories of co-funding in the context of the rules and procedures described herein (e.g. third-party in-kind contributions) increases this complexity even further and makes it harder for both Partners and the BVH to manage and administer the EIT grant. Therefore, we decided to keep it simple: co-funding = co-funding.

## Grant Reductions

**13) What are Grant Reductions?**

Grant Reductions lower the maximum amount of EIT funding a KIC can request as reimbursement of Eligible Costs. They are assessed by EIT as described in the Framework Partnership Agreement, particularly article 10.3, and, in many cases (specifically, those addressed by this set of rules), are imposed by EIT at a KAVA level as a percentage of the maximum EIT reimbursement for that KAVA. In the past, Grant Reductions have colloquially been referred to as *performance disallowances*.

**14) Why is it advisable for Partners in a KAVA to have a separate consortium agreement defining how grant reductions will be shared?**

It is the current practice of EIT to specify grant reductions at a KAVA level, typically as a percentage of the maximum EIT contribution. In so doing, EIT does not provide sufficient evidence for BVH to pass on grant reductions to individual Partners or tasks, other than on a pro-rata basis. The Partners in a KAVA may decide that such pro-rata pass-through is unfair, e.g. if it is obvious that specific Partners have contributed to the grant reduction to a larger degree than others. Hence, it is recommended that Partners in a KAVA have a consortium agreement in which provisions are included that define how the consortium chooses deal with grant reductions.

**15) What kind of support and guidance is BVH providing for managing Grant Reductions?**

BVH supports Partners in navigating these rules and managing their financial risk by...

- Increasing the number of KAVAs with only one project, so that Partners active in such KAVAs have a better understanding of, and an ability to limit, their liability exposure;
- Investing in training and self-help resources so that our Partners know what the rules are and how they are applied and are thus enabled to manage their risk pro-actively;
- Providing examples of – and pointers to – other arrangements that have been adopted by other consortia;
- Sharing information provided to us by EIT on the performance of each KAVA, to assist Partners in making decisions on how to pass on grant reductions to individual tasks;
- Suggesting mechanisms and routes for consideration for Partner consortia to call upon when they wish to have independent mediation or arbitration.

## 16) Why does a grant reduction not necessarily lead to a reduction of cash flow from EIT to the EIT Climate-KIC community?

Under the current EIT funding framework, EIT reimburses the lower of the following amounts:

- i) the total EIT reimbursement requested by the KIC, and
- ii) the product of Total Eligible Costs multiplied by the Single Reimbursement Rate, capped at the maximum EIT reimbursement (as per the SGA) minus Grant Reductions.

In a year of underspend (i.e. when the EIT Climate-KIC partnership requests less than 100% of the maximum EIT grant), it is possible for (i) to be lower than (ii), even after consideration of Grant Reductions.

Here is a simplified example:

*As stipulated in the Specific Grant Agreement:*

A) Maximum EIT Reimbursement (= max. grant)	80 million EUR
B) Single Reimbursement Rate	80%

*At reporting stage:*

C) Total reported cost of implementation	90 million EUR
D) Total requested EIT reimbursement	72 million EUR

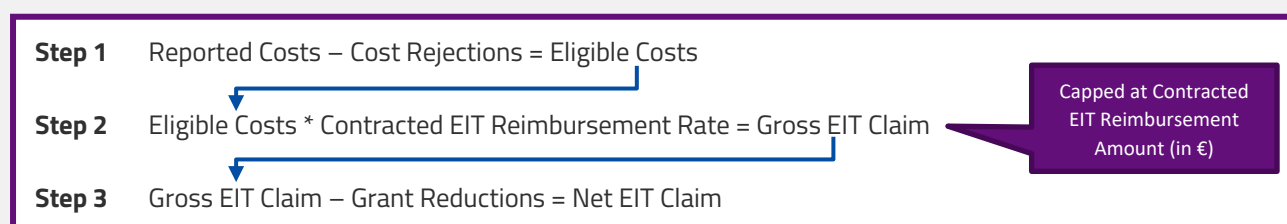
*At audit and resolution stage:*

E) Total Cost Rejections	5 million EUR
F) Total Eligible Costs (C – E)	85 million EUR
G) Total Grant Reductions	2 million EUR
H-1) Total Eligible Costs * Single Reimbursement Rate	68 million EUR
H-2) Reduced maximum EIT reimbursement (A – G)	78 million EUR

In the scenario above, EIT will reimburse 68 million EUR. The grant reduction of 2 million EUR will not have an effect on the cash flow received by the EIT Climate-KIC partnership.

## Calculation of the EIT Reimbursement

Below is how a Partner's EIT reimbursement across an individual task is calculated:



To calculate the total Eligible Costs, Gross EIT Claim, or Net EIT Claim and get a full picture at the Partner level, simply sum up the individual results of each task!

Here is an example:

Healthy Earth LLC is a EIT Climate-KIC partner and has received and accepted the following Task Confirmation Letters:

(A) Task	(B) Project	(C) Task Budget (€)	(D) Contracted EIT Reimbursement Rate	(E) Contracted EIT Reimbursement Amount (C * D)
1	MOVE WELL	50'000	70%	35'000
2	ENERGY SAVE	120'000	50%	60'000
3	PLANET AI	80'000	60%	48'000
<b>Total</b>		<b>250'000</b>		<b>143'000</b>

At reporting stage, Healthy Earth LLC reports expenditures for each task. The auditor finds that some of the costs have not been spent in line with Horizon 2020 financial rules, and as a result of that finding EIT rejects some of the costs as ineligible.

(A) Task	(B) Project	(C) Reported Costs (€)	(D) Cost Rejections (€)	(E) Eligible Costs (C – D)	(F) Contracted EIT Reimb. Rate	(G) Gross EIT Claim (E * F)
1	MOVE WELL	45'000	5'000	40'000	70%	28'000
2	ENERGY SAVE	120'000	--	120'000	50%	60'000
3	PLANET AI	65'000	--	65'000	60%	39'000
<b>Total</b>		<b>230'000</b>		<b>225'000</b>		<b>127'000</b>

Unfortunately, EIT assesses that the KAVA in which MOVE WELL resides was not properly implemented and reduces the grant of that KAVA by a percentage that results in an absolute grant reduction at the KAVA level of 10'000 Euros. The share of Healthy Earth's task in project MOVE WELL on the total EIT reimbursement request of all tasks in that KAVA is 20%. As a result, BVH passes 20% of the KAVA-level grant reduction on to Healthy Earth:

(A) Task	(B) Project	(C) Gross EIT Claim	(D) Share of Grant Reduction	(E) Net EIT Claim
1	MOVE WELL	28'000	2'000	26'000
2	ENERGY SAVE	60'000	--	60'000
3	PLANET AI	39'000	--	39'000
<b>Total</b>		<b>127'000</b>	<b>2'000</b>	<b>125'000</b>

The Net EIT Claim is then settled against any pre-payments and other monies due from Healthy Earth LLC to the Climate-KIC Holding B.V. (e.g. outstanding membership fees).

If the Partners in the KAVA in which project MOVE WELL resides have a separate consortium agreement regulating the distribution of grant reductions, the total EIT reimbursement flowing to the company may change. However, any such re-balancing would be made directly amongst consortium Partners and without the involvement of BVH.

## KIC Complementary Activities (KCAs)

### 17) What is a KIC Complementary Activity (KCA)?

KCAs are activities carried out by Partners that are similar to those undertaken by the EIT Climate-KIC community but are not financially supported by EIT. Under the EIT legislation, KCAs are part of a KIC's total investment into innovation. KCAs do not need to directly align with specific activities Partners are involved in, but they should fit with the overall EIT Climate-KIC priorities of climate change mitigation and adaptation and align with our impact goals.

In our *Guide to Co-Funding and KIC Complementary Activities*, we explain KCAs (and co-funding) in more detail and provide many useful examples. You can access the guide on the EIT Climate-KIC Partner Information Page (<http://www.climate-kic.org/partner-information-page/>).

### 18) Can KCAs be provided in lieu of co-funding?

We recognize that some Partners have limited ability to co-fund their activities, and that under the EIT funding framework the two concepts are linked through the "25/75 model". However, KCAs and co-funding are different in two important ways. First, co-funding is assessed and audited on an annual basis, KCAs are not; KCAs are collected annually, but assessed and audited at the discretion of EIT on a multi-annual basis. Second, co-funding can have a direct impact on the annual cash flow from EIT to the EIT Climate-KIC community (see FAQ 9), while KCAs only have a theoretical impact on cash flow as per the end of the Framework Partnership Agreement (FPA). Therefore, it is neither practical nor feasible to treat KCAs and co-funding as interchangeable at the task level.

### 19) Why are there no minimum requirements for KCA provision?

To date, EIT Climate-KIC's KCA delivery has been strong and we are on track to meet the 75% combined target for KCAs and co-funding, provided that current KCA levels are maintained into the future. There is thus no reason at this point to impose stringent rules.

That said, KCAs are contributed very unevenly across the partnership: In 2017, the top 10 KCA providers accounted for 64% of total reported KCAs. This concentration represents a risk to the partnership. It can also be seen as unfair, because reporting KCAs causes administrative load. We will therefore work with all EIT Climate-KIC Partners to increase KCA performance across the partnership in order to minimize this risk and increase fairness.

### 20) What happens if a KCA reported by a Partner is rejected by EIT?

EIT's 25/75 funding framework applies to the EIT Climate-KIC community as a whole, and the entire partnership will be held accountable for meeting the KCA and co-funding requirements. So when it comes to KCAs, the communal spirit of EIT Climate-KIC comes into play.

Further, KCAs do not impact the annual cash flow between EIT and the EIT Climate-KIC partnership. The rejection of a single KCA does therefore not bear any negative consequences for Partners, assuming that the partnership as a whole meets the overall requirements.

## Other

### **21) How do these rules embody the principle of maximizing the climate impact of our community in using EIT funds?**

Our community is in a partnership with EIT. Every year, we receive a general financial contribution from EIT that we can invest in solutions addressing climate change. With our grant comes a set of obligations and expectations from EIT, which – in the spirit of a partnership – we want to live up to by performing well in terms of impact, but also in terms of our financial performance.

Similarly, each EIT Climate-KIC Partner is in a partnership with the other members of our community. Managing risks well and ensuring fairness across the partnership are critical outcomes for a flourishing community. In promoting performance, risk and fairness, this document strengthens the long-term success factors for EIT Climate-KIC and thus raises the prospects that we, as a community, will continue to work together toward climate impact for many years to come.

### **22) The rules apply equally to all, but our partnership is diverse. How can we ensure that the rules don't reduce the diversity of our community?**

Indeed, EIT Climate-KIC's community is very diverse: it includes large and small corporations, city and regional governments, NGOs, universities, research institutes, and many organizations that fall into multiple categories or none at all. Our Partners are located in more than 25 countries in and outside of Europe. We recognize this diversity as a strength of EIT Climate-KIC, which is why there are certain flexibility mechanisms built into the rule set. For instance, it is possible for some Partners (e.g. large corporations) to accept lower EIT reimbursement rates in order for Partners with lower spending capacity (e.g. start-ups) to receive a greater EIT contribution. That said, we believe that fairness is a key success factor for the EIT Climate-KIC community. This is why we feel strongly that all Partners be treated equally when it comes to the application of the rules.

### **23) Do these rules constitute a change to the existing contractual framework?**

No. All the rules described above are fully compatible with the existing contractual frameworks in place. Therefore, the specification of these rules do not make it necessary to amend any existing contracts.

### **24) Who do I contact if I have more questions?**

Please first consult the contracts, handbooks, and briefing notes available on our [Partner Information Page](#). If you cannot find what you are looking for, please contact your local EIT Climate-KIC office, as listed [here](#).