

Summary of Decisions and Outcomes of the Extraordinary General Assembly, 8 Dec 2017

Summary

The Climate-KIC Assembly met at the Extraordinary Assembly Meeting convened by Climate-KIC on the 8th December 2017 (“Meeting”) to discuss several key issues raised during the year, and to share lessons learned with other core members and the wider partnership. The meeting was designed so that agenda topics and items presented in the briefing paper sent to partners before the meeting could be discussed in break-out groups that then reported back to the whole Assembly in the final plenary.

This document provides an overview of the discussions and notes decisions made during the meeting on the following key topics identified as critical issues in the Briefing Paper:

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1. Climate-KIC Theory of Change – next steps

As discussed in the briefing paper to the Extraordinary Assembly Meeting (referred to as the Briefing Paper), Climate-KIC had initiated a process to develop a Theory of Change following a workshop in Valencia in April 2017. The ToC will allow Climate-KIC and its partners to guide decisions for priorities and programmes. Work planned to embed the ToC in our daily work will require the entire community of Climate-KIC to be engaged and creative.

A paper clarifying how the ToC is expected to impact our partners is provided in a separate document as requested at the Meeting.

2. Planned Revisions to the Governance Statutes of Climate-KIC Holding BV.

The Assembly recognized the provision in the articles that two GB Directors could act on behalf of the Association, and therefore as the Shareholder for Climate-KIC Holding BV. As the next General Meeting of the CKIC Holding BV may not be until September 2018, the process of referring to two representative GB Directors allows decisions to be taken if required for those items that do not require the Assembly to be convened at quorum, such as the selection of the auditors for CKIC Holding BV.

As discussed in the Briefing Paper, the statutes for both the Association and Holding BV are being reviewed to simplify and clarify the roles and responsibilities with the intent to reduce the duplication and potential confusion of discussing the same items in different meetings.

The review of the statutes for both the Association and Holding BV, along with an updated RACI matrix, is to be circulated to partners by CKIC in due course.

The Assembly agreed that the revised changes to the Associations articles would be considered by the two representative GB Directors, Overview of Framework Partnership Agreement (FPA) and Specific Grant Agreement (SGA) Revisions and revised Climate-KIC strategic agenda

The Assembly took note that CKIC will issue the revised Strategic Agenda 2016–2022 to all those in the community participating in the EIT grant. Further, the Assembly took note that full and appropriate briefing communications on changes to the FPA and SGA model agreements made by EIT to align with recent H2020 modifications were released to partners in late November 2017.

3. EIT Funding Models

The Assembly acknowledged CKIC's contractual obligation to adhere to the EIT funding model in which the EIT's financial contribution does not exceed 25% (on average) of the overall activity cost (consisting of EIT financial contribution, co-funding and KCAs) over the period of the FPA. This means that between 2016 and 2022, CKIC must be able to match each euro that it receives from EIT with 3 euros of either co-funding or KCAs.

The implication of current declining rates of KCA over the last 3 years is significant and needs to be addressed.

4. Single Reimbursement Rate (SRR)

The Assembly took note that CKIC must satisfy the SRR commitments made in the EIT Business Plan, since this cannot be adjusted at the business plan amendment stage. Under-reporting of co-funding, EIT grant underspend and EIT disallowances (both performance and cost) can impact the costs reimbursed by EIT under the SRR regime.

The Assembly also noted that the extent to which partners make a direct contribution in co-funding has a direct bearing on the reimbursement rate.

5. Co-Funding

The EIT funding model seeks to align, pool and eventually leverage the KICs' innovation investments. To meet these objectives, the EIT applies a funding model where the EIT's financial contribution does not exceed 25% (on average) of the overall activity cost over the period of the FPA.

The Assembly acknowledged that delivery on KCAs and co-funding is essential. It was acknowledged that project consortia have a responsibility to come up with co-funding and provide solutions in case of non-delivery, with the fall-back position being that CKIC should identify options and manage the situation as a default.

It was agreed that CKIC would submit a proposal by February 2018 in which issues such as membership fees, discounts, tiers, linked third parties and enforcement requirements would be specified as part of efforts to firm up rules.

. CKIC agreed to provide training to partners in the form of webinars on KAVA reporting. CKIC would undertake regular KAVA reviews and discuss with EIT remedial actions.

6. KIC Complementary Activities (KCAs)

More in depth discussion regarding KCAs was not possible at the Meeting, but there were no objections to the recommendations made in the Briefing Paper regarding CKIC's proposal to:

- create a small financial buffer by establishing a KCA target of €250m per year on average;
- to review KCA progress against targets and consider delivery enforcement procedures
- issue a specific instruction and guidance for BP2018 to be sent to Geo Directors (as was done in 2016) to start an engagement process with partners so that our five Geographies target a minimum of €50m KCAs on average.

7. KAVAs and Joint Liability

The Assembly recognized that the joint liability under KAVAs is of serious concern to many partners. Many partners do not understand the liability risks of joint liability under disallowance scenarios. The Assembly recommended that CKIC make the risks of joint and several liability more transparent. CKIC should also be clear about the consequence of non-performance and the penalties that would apply to

those partners that do not perform, to the extent CKIC is able to determine such non-performance on a partner or project level. The Assembly noted that there is a need to improve responsibility and accountability for KAVAs amongst the community.

To improve responsibility and accountability, it was recommended that project leaders are trained to better understand their responsibilities to avoid disallowances, and CKIC and partners share lessons learnt from the experience of disallowances. Through active engagement and experience sharing, the risks of joint and several liability can be made clearer and more manageable.

The Assembly Partners recommended that CKIC define clear milestones for projects to deliver. It was recommended that partners be engaged in the review of the business plan, allowing partners the chance to modify their project activities and bring them in line with KAVA requirements as early as possible. Furthermore, CKIC would consider allowing time for a “reality check” on performance so that potential non-performance issues could still be addressed.

8. First Time Right Reporting

The Assembly accepted that in the new “first time right” reporting process, it is vital that at each stage of the reporting process all partners are engaged and involved in developing the documents and explanations required to avoid disallowance. It was acknowledged that CKIC and partners have a common need and responsibility to reduce uncertainty and insecurity about disallowances.

It was agreed that CKIC will manage the process and request inputs from partners at pre-defined milestones that are achievable, but cannot be held liable if partners do not provide the information required in a timely manner. Furthermore, CKIC will front load information collection at proposal stage to shorten the time elapsed between project approval and commencement and to minimize subsequent information gathering needs.

9. Disallowances and Financial Implications

In the event of a **cost disallowance**, the cost of the disallowance will be allocated to each partner following an audit by CFS auditors on behalf of EIT. It was acknowledged by the Assembly that partners should proactively respond to the audit assessment. It was accepted by the Assembly that CKIC will pass through all cost disallowances imposed by EIT without offset for cofunding.

In the event of a **performance disallowance**, which are determined by EIT (following an assessment by external auditors and by EIT itself) at a KAVA level, the cost will be allocated by CKIC to projects within the KAVA. CKIC and partners collaborate closely through the First-Time Right reporting process (see Briefing Paper) to minimize performance disallowances. CKIC emphasized the importance that partners react quickly to expert comments. The Assembly accepted that CKIC will pass on the full amount of performance disallowances (without offset for cofunding) to affected partners for disallowances in 2018 to the single project or KAVA level if necessary. This is essential, since failing to maintain a stable level of co-funding (see section 5 above and clarification of EIT co-funding requirements and long-term impact in the Briefing Paper) is detrimental to the viability of the community delivering on its long term aims, goals and impact and can trigger claw-back claims from EIT if the 25/75 ratio is not met. In

addition, underperformance on co-funding at an annual level could negatively affect the actual annual EIT grant which is calculated on the pre-agreed SRR.

10. Linked Third Parties

The Assembly recognized that it can be unfair for Linked Third Parties to receive EIT funding if they do not pay membership fees. As a solution, the Assembly indicated sympathy for membership fees with a 50% discount on Affiliate Partner fee.

It was decided that a proposal and resolution on Linked Third Parties be reached by February 2018. The proposal should aim to clarify new procedures and allow time for existing Linked Third Parties to adjust to new requirements, therefore it was proposed that the decisions adopted with the proposal should be enforced by 1st July 2018 at the earliest.

11. Revised Procurement Rules

From April 2018 onwards, procurement requirements will be changed by CKIC, both in relation to itself as well as to partners. The purpose of these changes is to allow us to meet minimum requirements, assure fair and transparent procurement, and maximize value-for-money on our grant funding. These solutions have also been designed to avoid putting CKIC in a position where it could be seen as being responsible (and potentially liable) for errors made by its partners in their sub-contracting activity.

The Assembly requested more clarity regarding these new procurement procedures, such as how to accommodate consortia formation or what kind of information would be needed for single source procurement, etc.

Assembly members also noted that examples that clarify and explain the new procedures would be greatly appreciated by partners.

12. New KIC Auditing Processes

The Assembly took note of positive progress in the application of the new audit process, which places more reliance on ex-post audits. This will avoid the situation when ex-post audit and ECA audit ran concurrently, as occurred last year, creating a large amount of extra work and resulting in duplication of efforts.

13. Update on Climate-KIC Grant Management System (GMS)

The Grant Management System (GMS) Project was welcomed by the Assembly. The Assembly requested to be regularly updated and where necessary trained so that the changes the GMS project brings into the project and reporting cycle do not impede delivery.

14. Update on Climate-KIC Project Call & Selection Process for 2018

The Assembly supports CKIC in its efforts to improve the efficiency, transparency, and risk profile of proposal and project delivery at all stages of the project lifecycle and took note of the following:

- A harmonized call schedule with three call deadlines applicable to all key activates from 2018. Innovation projects, flagships, start-up programme, education will align with these dates. Additional calls will only be run in exceptional circumstances. (See **Figure 1** below; Please note that the same figure provided in the Briefing Paper contained an error in the Call 3 closing deadline. The date inciated in the figure below – 28 May 2018 – is the correct date).
- An improved proposal template and administrative process will shorten the time required between proposal decisions and task conformation issuance
- The requirements for geographic diversity of project consortia for later-stage projects (Demonstrator, Scaler) will no longer be an eligibility criteria but will rather be assessed at proposal evaluation stage
- The budget ranges for Demonstrators (€0.5-3.0m) and Scalers (€10k-1m) will no longer be treated as eligibility criteria, to not disqualify proposals that have optimal funding levels outside of these ranges. This is a change from Annex A 2018 to Annex A revised 2018. This was not applied in 2017.
- Having a validated business model for Demonstrators will no longer be a strict eligibility criterion.
- We will extend the concept of ‘sandpits’, i.e. intensive discussion forums where free thinking is encouraged to delve into problems and uncover solutions and alliances, ahead of the call deadlines.

The Assembly noted that the Thematic Priorities and Call Guidelines for partners will be issued by CKIC by 20th December 2017 to provide partners with sufficient time to form consortia and develop proposals for the Call 2 deadline on 2 March 2018. This information package will also include revised Proposal Templates.

The Programme Quality Manual and Project Evaluation documents and tools, as well as any other document used by CKIC staff (e.g. on programme boards) will be finalized in early Q1 2018.

	2017				2018									
	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct
Call 1(a) (earlier)	Earlier Stage closing 29 th Sep	Earlier Stage communicate decision by 27 th Oct		Project kick off period depending on approval conditions and task confirmations.										
Call 1 (b) (later)		Later Stage closing mid-Oct		Later Stage + Other communicate decision by 15 th Dec	Project kick off period depending on approval conditions and task confirmations.									
Call 2 (later + earlier)				Call 2 documents released 15 th Dec		Sand-pit events for themes and flagships	Call 2 closing 2 nd Mar	Earlier Stage communicate decision by 2 nd Apr	Later Stage + Other communicate decision by 7 th May	Project kick off period depending on approval conditions and task confirmations.				
Call 3 (later + earlier)							Call 3 documents released by 28 th Mar	Sand-pit events for themes and flagships	Call 3 closing 28 th May	Earlier Stage communicate decision by 25 th Jun	Later Stage + Other communicate decision by 23 rd July	Project kick off period depending on approval conditions and task confirmations.		
Call 1 for 2019 (tbc)												Call 1 2019 documents released ...		Call 1 2019 closing

Figure 1: Call Schedule for 2018

15. Climate-KIC Flagship overview

The Assembly took note that CKIC is currently reviewing the Flagship portfolio to address a range of issues, including governance, leadership, communication, procurement, systems, and purpose. Several areas will be improved, including:

- Establishing timelines and sunset clauses for Flagships once they have fulfilled their purpose (resulting in clarity regarding when to dissolve a Flagship).
- Creating a community amongst Flagships to facilitate cross learning between Flagships. For example, outputs from LoCaL can feed directly into Smart Sustainable Districts, enabling the finance required to transform districts.
- Integrating Flagship proposal calls within the main CKIC call process to improve co-ordination, increase transparency and reduce transaction costs.
- Designing Flagships to ensure they are open and leverage the collective expertise of all CKIC geographies and relevant partners and, in some cases, non-partners who may then look to onboard as CKIC community members and subsequently KIC partners.

CKIC will share a Flagship manual in which a number of these issues are addressed.

16. Climate-KIC Monitoring Progress In Year on KAVAs.

The Assembly took note of CKICs plans to review and improve the monitoring system in 2018 to optimize the effectiveness of our activities, ensure that the portfolio is well aligned with our strategic objectives and commitments, and minimise risks of disallowance for partners and for CKIC.

CKIC will consult with partners in 2018 regarding changes to existing monitoring practices in order to:

- Define project-level baselines/performance standards that will be the basis of in-year monitoring assessments.
- Specify Climate-KIC's (i.e. CKIC Holding staff's) remit to stop projects, curtail budgets, or take other measures to address underperformance or manage risks on a project level.
- Define resolution procedures to be applied in cases of disagreements between CKIC partners and staff.
- Clarify project-level performance monitoring and management responsibilities of a Lead Partner in a project consortium.
- Increase the quality of information received during financial forecasting and improve the design of financial forecasting.
- Improve the effectiveness and efficiency of in-year monitoring for CKIC partners and staff.
- Improve cross-project/cross-KAVA information flow.