SCOPING THE EVALUATION OF THE EIC ACCELERATOR

BRIEFING NOTE FOR EIC EXPERT EVALUATORS

Horizon Europe EIC Accelerator **is not** like Horizon 2020 SMEI or even EIC-Pilot. It diverges on various essential features:

- the scope,
- the EU added value of EIC support
- the type of funding offered,
- the evaluation process and the content of a proposal,
- the selection of proposals,

1/ THE SCOPE OF THE EIC ACCELERATOR

EIC Accelerator actions under Horizon Europe are "innovation and market deployment actions". They range from TRL5 (that is TRL4 achieved) to TRL 9 and market deployment included. By comparison, H2020 SMEI only provided for TRL6 to 8.

The rationale of this major change is double:

- European innovation, in particular when based on breakthrough technologies fails to attract European investors. Risk aversity is high, increasing in turn the risk that Europe's best innovators and innovation continue heading for other continents. The EU support must hence better bridge with private investors – and even disrupt them too where needed, by providing support upstream to very early stage innovation and going beyond the traditional grant-limit of TRL8.
- The EU support must have an effective impact: innovation supported must be thought and designed for ultimate market deployment, with committed innovators. Fully embedding TRL9 activities and market deployment as the central point is hence key.

This enlarged scope comes with consequences. Whilst SMEI proposals were homogenous, it is not the case for Accelerator's. There can be early stage proposals, at TRL5, where the technology-based product is just defined and subject to key validations, and for which potential deployment hypothesis beyond the identified global needs and provisional business model and market strategy still need to be further assessed and refined as part of the action. Or there can be pure scale-up proposals for an innovation that is already at TRL9 and even initially deployed.

These differences will often reflect in the type of support applied for (see section 3). But they also reflect in an impossibility to compare proposals and to uniformly apply evaluation criteria, in particular for Step1 short proposals (see section 4): the level of details and justification one may expect regarding business model and market strategy may vary. Same for the completeness of teams, or the investment readiness of a company – especially where the applicant is a natural person looking to transform personal research results into a business thanks to EIC support. Each proposal must hence be assessed on its own merits taking into account its specifics.

2/ THE EU ADDED VALUE OF EIC SUPPORT

The EIC Accelerator must attract the best, impactful and riskier innovation. But there must be an EU added value for all Europeans.

The EIC must fit into the overall European landscape, complement its various actor and not pretend to compete against them - or even worst: substitute to their own effort. The EIC must hence support those innovations that cannot be fully supported by other European public schemes or European private investors, whether due to the level of support required, the constraints of State Aids rules, the level of risk, or the business model of traditional European market operators such as VCs.

Additionally, supporting the development and deployment in Europe of market creating innovations is key for Europe and its citizens. EIC must hence contribute to ascertain European open strategic autonomy (technological sovereignty), develop European champions, including innovators proposing European alternatives to non-European innovation. This is even more a necessity as technological innovation nowadays can have more and more deep structural impacts on our societies, our economic and social organisation, and ultimately our European values and way of life. Strategic autonomy is the capacity to choose, to master one's fate. Non-European financing solutions are henceforth not equivalent to European ones: it is the lack of European financing solutions that must be assessed. The risk of losing innovators and innovations alone may be a justification for the support of the EIC.

3/ TYPES OF FUNDING

When one refer to investment in order to deploy an innovation to market and bridge with private investors, it is clear that it cannot be done with a traditional grant to research project. One size does not fit all. And this is also true between such investments: the stage of development of an innovation or of a company, the specifics and the dynamism of the targeted market, all have consequence on the way to support and innovation.

With the idea to provide the "tailor-made" support to each innovation selected, the Accelerator offers 3 types of funding: **full blended finance**, **grant only** and **grant first**. Full blended finance combines a grant and an investment components, or consists of an investment component only (aka "equity only"). Grant only and grant first are a form of blended finance consisting of a grant component from the onset or provisionally, as per their names.

	Innovation activities TRL 5 to 8	**Market activities TRL9 onwards**
Full blended finance	**Not mandatory** EIC Grant up to 70% and/or	**Mandatory** EIC Investment component and own resources (incl.

	EIC Investment of 30%	revenues, other investors, etc.)
Grant only	**<u>Mandatory</u>** EIC Grant up to 70% capped at 2.5 mio€ and Own resources for residual costs	**<u>Mandatory</u>** Own resources only (incl. revenues, other investors, etc.)
Grant first	**<u>Mandatory</u>** EIC Grant up to 70% capped at 2.5 mio€ and Own resources or EIC Investment for residual costs	**<u>Subject</u>** to achievement of TRL5 to 8 milestones EIC Investment component and/or own resource (incl. revenues, other investors, etc.)s

3.1 – Grant only and Full blended finance

<u>Grant only</u> and **<u>full blended finance</u>** projects are similar with regard to content: they **<u>must</u>** include post-TRL9 market deployment activities, although they may start earlier, between TRL 5 to 8. For these proposals, the Go2Market section of the step2 full proposal (business plan) must be completely filed, except where otherwise properly justified by the applicant.

Otherwise the difference between these 2 types of support is simple:

- a **<u>grant only</u>** proposal implies that the applicant has or will secure all resources needed to co-finance at least 30% of its TRL5 to 8 activities and pay for TRL9 onwards. <u>This has to be properly demonstrated it in the proposal</u> to guarantee the EIC that its support will have impact. But to be eligible for the grant component, the proposal **<u>must</u>** hence also include activities within the range of TRL5 to 8. The grant component is capped at 70% of TRL5 to 8 costs, and at a maximum value of 2,5 mio€.
- a **<u>full blended finance</u>** proposal may claim for funding for TRL 5 to TRL 9 onward. But it may also only target post TRL9 activities and hence consist of an investment only support (aka "equity only"), for the purpose of scaling-up an already developed and partially deployed innovation. The investment component may also provide for the co-financing of TRL5 to 8 activities, to complement the 70% grant component. The grant component may exceed 2,5 mio€ where duly justified.

3.2 – Grant first

<u>Grant first</u> is designed for companies/innovations that are at a too early stage of development and/or are **still** subject to key technological and/or market validations, for the applicant to commit beyond TRL8. They are considered as "non-investment ready", the "grant first" being then meant to support such innovators in further developing their innovation and becoming "investment ready". <u>Jury members, but also the EIC</u> in the context of the investment negotiation, <u>may</u> propose to revert a full blended finance proposal to "grant first" where they see fit (see point 5).

The support consists of a maximum grant of 2,5mio€, covering 70% of the costs of TRL5 to 8, with the possibility for the applicant to nonetheless claim a limited investment component should it lack the resources needed to co-finance these activities (30%).

In its step2 full proposal (business Plan), the applicant **must** identify a key or pivoting milestone within TRL5 to 8, whose achievement will lead either to continue the action, **or stop it**. Where the action is continued, an investment component may be then awarded on an *ad hoc* basis for TR9 onwards, like for a full blended finance proposal, except if the applicant can demonstrate it has the necessary resources, like a "grant only" action.

Henceforth, the Go2Market section of the step2 full proposal **can be loose, contrary** to grant only and full blended finance proposals. But in such a case, it is expected that the "market activities" work package under TRL5 to 8 provides for those necessary to prepare for potential TRL9 and subsequent market deployment: the proposal must develop a strategy to become "investment ready"

4/ THE EVALUATION PROCESS AND THE ACCELERATOR PROPOSAL

It any innovator must have access to the Accelerator, the process should not lure any of them into a scheme whose objective and purpose would not fit their need. Receiving thousands of proposal is far from being a positive indicator, especially when less than 100 projects can be supported in the end.

Yet, the Accelerator must be simple to access, meet the timing of innovation, allow the best ideas to emerge and support their further development to demonstrate their potential. However, the process must also be selective and test the innovator's resilience and commitment. It must be part of the journey to market.

The Accelerator introduces a 4 step procedures:

- step 1 consists of a continuously open call, allowing innovators to submit their idea whenever ready or needed, with the purpose to filter these and also propose other funding opportunities to applicants;
- step 2 provides coaching and methodological support to step1 "go" proposals in order to develop the initial idea and translate it into a fully detailed business plan
- step 3 is the remote evaluation of the fully detailed business plan, submitted at one of the cut-off date of the next 12 months;
- step 4 consists in the interview of applicants of step3 "go" proposals, and the final selection by the EIC.

Combined with strict resubmission rules, the overall objective is to receive and support the development of fewer but better proposals, to avoid innovators losing time and to dedicate to each of these enough "evaluation resources" (from 0,3 days for SMEI to 0,6 for Accelerator step3).

4.1 - Step 1: assessing a written pitch

Step 1 objective is to filter those ideas that are of interest for the Union, with the purpose of providing each idea retained with non-financial support for their further development into a Step2 full proposal/ Business Plan.

Step1 short proposals embed an AI-based “diagnostic”, which is run autonomously prior to the development and submission of the short proposal. It provides guidance to applicants as to the pertinence of their idea and team with regard to the Accelerator but also other available funding schemes, although applicants retain full freedom to submit or not. As of 16 June 2021, the ratio “diagnostics created”/ step1 proposals submitted” is of 3,6:1. The ratio against “step 1 **go** proposals” is of 6,8:1. The diagnostic module contributes thus well to the filtering process, in addition to the step 1 evaluation – “step1/step1 **go** proposals” ratio being currently of 1,8:1.

Yet, shortness of proposals submitted to step1 comes with constraints: the format does not allow applicants to fully demonstrate their technology, their potential market, and their business model / commercial strategy. On the budget of the proposal, only the overall amount of EIC support requested is provided, with no cost-based details and on a purely indicative basis. Additionally, the stage of the proposed innovation (as reflected by the funding option applied for) must be taken into account. One cannot expect the same level of details or assertiveness on business development and market strategy from a TRL5 “grant first” proposal compared to a 9 “full blended” or “equity only” proposal, or from a natural person compared to a well-established SME or Small midcap.

What applicants are expected to achieve is to trigger the interest of evaluators – at least 2 out of 4, by selecting and providing them with convincing elements. If detailed data are not needed, basic but key elements and conclusive indications for each major aspects of the innovation and its deployment must be provided. In this context, applicants should make good use of their video and their pitch-deck, by completing rather than duplicating information collected in the form or, depending on their level of maturity, better explaining their technology compared to other solutions, or addressing their financial and growth forecasts, their market strategy, etc.

Where these indications are not credible or not developed as much as the proposal’s format allows and with regard to the stage of development of the innovation and the funding type applied for, or where evaluators are simply not convinced by the idea – they are free to have a subjective opinion, the proposal should be scored “no-go”.

Otherwise, evaluators can and must assume that applicant’s statements will anyway be further detailed and justified in step 2 should the proposal be scored “go”.

Henceforth, evaluators must bear in mind that step 1 is a “written” short pitch to trigger their interest, and deemed to provide convincing indications regarding:

- the idea’s innovativeness in terms of breakthrough technology and/or market creation or disruption and/or in addressing societal needs;
- its scalability, should it be successful;
- the credibility and motivation of the team;
- the potential positive impact for the EU (growth & jobs and/or policy objectives and/or citizens’ needs);

- and the need for an EIC support to bring that innovation to market and have it deployed.

Once the step 1 proposal assessed based on the applicable 5 criteria, what an evaluator must ask to reach a final go/no-go conclusion is hence quite simple: "Do I want to know more? Is it worth for the EIC to allow and support the applicant to further develop this idea in to a detailed business plan?".

"No-go" recommendation must be justified in the "Conclusion & Additional comments" section of the ESR.

4.2 - Step 3: in depth evaluation of a business plan

Applicants of step 1 short proposals that have been scored "go" are authorized to submit a step 2 full proposal. As a mean to enhance equality of access, since not all local eco-systems provide the same supporting opportunities, innovators are awarded non-financial support to develop their idea:

- 3 days of coaching;
- Access to a dedicated module on the EIC AI platform, guiding them into the process of drafting a detailed business plan and embedding into one different business and market development methodologies.

The remote evaluation of a step 2 full proposal is similar to past evaluation of SMEI, except for the following:

- More evaluation time is awarded: 0,6 day per proposal instead of 0,3.
- Due to the enlargement to TRL9 onward, an Accelerator business plan includes a very detailed Go2Market section – at least for full blended and grant only proposals, and is hence longer than SMEI's.
- Scoring consists of a "go/no-go" approach like under step 1, but this time per criteria and not as an overall assessment. The idea is that since applicants were already filtered and provided support to develop their idea into a business plan, completeness of data and detailed justifications are expected and must be thoroughly assessed.
- Step3 evaluators have access to Step 1 evaluations, to take stock of recommendations from previous evaluators, if any.
- Evaluators have the possibility to directly embed comments in the proposal, section by section whilst reading it, as a mean to prepare their assessment based on the applicable criteria and provide useful recommendations for applicants and/or Juries. A "traffic light" system (green, orange, red) per comment allows to highlight any such an issue according to its seriousness.

"Go" proposals should be "excellent" or close to, with reference to SMEI and traditional FP evaluation: a "go" is equal to a 5 or a 4.5. It is up to each evaluator to assess where an unclear data or element can be easily checked and solved at next step (Jury interview) – in such a case one would expect these issues to be highlighted in one of the embedded comment with an "orange light".

Otherwise, the corresponding criteria should be scored “no-go”. By all means, a “no go” score should be duly justified, including in relevant embedded comments to provide useful recommendation to the applicant for possible resubmission.

5/ The selection of proposals

Based on the aforementioned elements and the outcome of first evaluations, evaluators should bear in mind **the following guiding principles**:

- **Overall, the Accelerator is not about selecting perfectly drafted proposals. It is about selecting great ideas and innovation developed by committed and tenacious innovators, that EIC support can help become real and achieve great impact for the benefit of Europe and Europeans.**
- Accelerator projects are not research projects. Developing an innovation that compete with an existing one is a non-problem as long as it brings novelty, in particular if the competitor is non-European.
- Not all impactful innovation build on breakthrough technology. Although these are a priority, impactful radical thinking or societal driven innovation using existing incremental technologies are welcome too.
- The Accelerator aims at ascertaining European strategic autonomy (technological sovereignty) and at developing potential European and global champions that can offer alternative innovation to Europeans and to others who share European values. Potential non-EU financing is henceforth no alternative to EIC support, in particular in the case of innovation based on proprietary breakthrough technologies. Hence the “risk” refers to both the risk of technological of commercial failure, and the risk of losing strategic autonomy (sovereignty).
- A larger scope compared to SMEI and the possibility to opt for different types of funding have an impact on the content of proposals. Henceforth **you should not** assess proposals by comparing them. Each proposal must be assessed **on its own merit taking into account its stage of development and funding type** – hence the **GO** or **NO-GO** scoring and the absence of any mathematical ranking.
- **GO** means “excellent” **(5)** or very close to it **(at the very least 4,5)**, although your **GO** recommendation may embed recommendations on ancillary adjustments for the development of step 2 full proposal and/or for Juries.
- Do not be shy to declare a proposal **NO-GO** where you consider that key elements are missing or that it should be improved where applicants did not deploy the necessary effort or where it cannot be done at next stage. A **NO-GO** step1 proposal may still be resubmitted once at any time, and a step2 proposal may be resubmitted directly to the next cut-off date. But justify your **NO-GO** and provide guidance to applicants for resubmission.
- For step1, as the recommendation is global and not per criteria, you must fill the “Conclusion & Additional comments” section of the ESR. If your recommendation is **NO-GO**, do not copy and paste all your comments per criteria as not all of them go in the same direction, but highlight only those specific shortcomings leading to your

recommendation and any possible remedies for resubmission. For **GO** proposals, provide guidance therein for the development of the full proposal.

- For step 3, make good use of the possibility to embed comments in the proposal with the colour reflecting its importance, as a mean to communicate on issues to be checked and solved with Juries (**green or orange**), or as guidance to the applicant for resubmission (**orange or red**).

- Incorrect or contested choice of type of support **alone** should **not lead automatically** to score a proposal **NO-GO**. You may recommend to revert a "full blended finance proposal" to a "grant first", if you consider that the company is not investment ready (see the note on "Investment readiness") or does not possess yet the metrics to define a robust business model and market strategy. But then, in such a case, you should also suggest that TRL5 to 8 activities are enhanced to better prepare for future TRL 9 and market deployment. You may also recommend reverting a "grant only" to a "full blended finance" proposal, where you consider that the applicant does not demonstrate the existence of alternate funding. Leave it to the Juries and the Agency to take the ultimate decision on this issue, following additional assessment and negotiation.