



BUSINESSEUROPE POSITION PAPER ON EUROPEAN COMPETITIVENESS FUND



INTRODUCTION

With the European Competitiveness Fund (ECF), the European Commission has created a centralised instrument that aims to help relaunch economic competitiveness and the resilience of European strategic industries within the framework of the next Multiannual Financial Framework (MFF) 2028-2034.

The ECF is designed to provide a package of financial incentives based on 14 existing programs (Innovation Fund, Digital Europe Program, Connecting Europe Facility – for its Digital component, European Defence Fund, European Defence Act in Support of Ammunition Production, Horizon Europe, Industry Reinforcement through the Common Procurement Act, European Defence Industry Program, EU4Health, European Space Program, Iris, InvestEU, Single Market Program – for its SME Strand, and LIFE), articulated across **four policy windows**:

1. The Clean Transition and Industrial Decarbonisation,
2. Health, Biotech, Agriculture, and the Bioeconomy,
3. Digital Leadership,
4. Resilience and Security, the Defence Industry and Space.

The proposed ECF aligns with the calls included in Mario Draghi's Report to direct more public-private investments towards industrial sectors deemed strategic for the EU's competitiveness and resilience.

The merging of 14 existing programmes into a single rulebook and a central digital portal offers an opportunity to reduce fragmentation and create a more efficient and strategic funding framework. The proposed framework aims to improve transparency, efficiency, and user-friendliness in the application process, award criteria, disbursement, and tracking. At the same time, it aims to enhance the combinability of funding instruments to support projects throughout the different phases of the investment lifecycle and to assist companies, particularly SMEs, not only through financial support but also through complementary non-financial instruments, such as advisory and capacity-building services.

However, the ECF's impact on competitiveness will depend on whether these modifications translate into genuinely streamlined and faster procedures in practice.

It is crucial that ECF funding be allocated through open competition, prioritising projects by following the criteria of excellence and highest relevance for European competitiveness. This principle should serve as the cornerstone for all funding decisions. In limited cases, exceptions to this principle may be justified and could be implemented through targeted calls. For example, through capacity building or resilience actions, as well as synergies with cohesion policy, to ensure a minimum degree of geographical balance. Funding under Pillar II of Horizon Europe should be assigned solely according to the principle of excellence.

BusinessEurope strongly welcomes the creation of the ECF and supports many of the elements included in the Commission proposal; however, several aspects remain unclear. As significant information is still missing, it is difficult to provide a comprehensive assessment at this stage.

The following points are positively evaluated:

- **Alignment with Horizon Europe:** A strong coordination between the ECF and Horizon Europe's Pillar II is essential to ensure the Commission's proposal effectively boosts Europe's global competitiveness and drives growth. By aligning the ECF's funding instruments (grants, equity, loans, and blended finance), and its policy windows with the collaborative research supported under Pillar II, the ECF can help close the innovation gap identified by Mario Draghi. The alignment would ensure a seamless transition from basic and applied research to industrial deployment across the entire investment journey. Collaborative, business-led research is fundamental for increasing R&D investment and for ensuring that research leads to commercialisation.

- **Top-ups to IPCEIs:** The proposal introduces the possibility of top-ups for Important Projects of Common Interest (IPCEIs), conditional on national co-funding (and private co-funding for follow-on projects). This is a welcome development, as it would help reinforce investment in strategically significant initiatives.
- **InvestEU:** The increase of the guarantee ceiling to €62 billion (2025 prices), paired with the increase of the provisioning rate from 40% to 50%, strengthens the EU's capacity to leverage private investment. The proposal envisages a minimum contribution of €9 billion from the ECF policy windows for InvestEU and advisory services. Additional clarity is required regarding the sources of the remaining guarantee financing.
- **EU Tech Frontrunners:** The EU Tech Frontrunners is an important new market-driven, business-led addition to the ECF toolbox, designed to support the creation of European value chains. The instrument introduces a two-stage process to identify and establish industry-driven consortia aimed at strengthening their global competitiveness. These consortia bring together European lead companies (frontrunners) and their European SME suppliers and startups to foster growth and innovation.
- **Increased flexibility:** Several initiatives that aim to increase the flexibility and speed of deployment funding are also welcome proposals. For instance these include the Competitiveness Seal (Art. 8) and the "industrial policy tools" referred to in Articles 16 to 19 of the ECF Regulation, specifically "Single Market Value Chains Builder", the above-mentioned "EU Tech Frontrunners", and "Production Ramp-up Actions", are all welcome proposals.
- **Support for industry participation:** Several initiatives that aim to enhance support for companies (particularly SMEs, start-ups, scale-ups, and Small Mid-Caps) are very positive. In particular, we welcome the Project Advisory service (Art. 26) which provides centralised assistance for project design and financing, the creation of an EU Business Network (Art. 27) that offers integrated business advice and market intelligence, the dedicated support actions foreseen under Art. 29, and the Beneficiary Service Desk (Art. 31) which establishes a single electronic platform to simplify procedures and improve accessibility.
- **Dual-use:** BusinessEurope supports the opening to dual-use, under a clear legal and financing framework; this includes a common definition of dual use, clear rules on eligible beneficiaries, robust governance for managing mixed civilian–defence funding, and the maintenance of the ethical safeguards applied under Horizon Europe. Moreover, if the ECF promotes a "dual-use by design" approach, appropriate support mechanisms, such as a dedicated advisory platform, should help companies address the regulatory and operational implications of dual-use R&D, especially for SMEs.
- Several points still require clarification, in particular the award criteria (which should be based on quality and impact), the governance, and the functioning of the four policy windows. In the following part of the paper, BusinessEurope examines some specific points of the Commission proposals and sets out corresponding recommendations, focusing in particular on the following areas:
- Governance:
 1. Competitiveness Coordination Tool (CCT)
 2. Strategic Stakeholder Board
 3. Governance of the four Policy windows
- Content of the four Policy Windows:
 1. Clean Transition and Industrial Decarbonisation
 2. Health, Biotech, Agriculture, and Bioeconomy
 3. Digital Leadership
 4. Resilience and Security, Defence Industry, and Space



GOVERNANCE

The regulation must ensure an effective and transparent governance of the whole ECF and its interlinkages with Horizon Europe's Pillar II, based on clear implementation mechanisms. This is central to guaranteeing all the necessary synergies and alignments between EU and national funding. A meaningful involvement of industry in setting the strategic objectives of the programs should be ensured.

1. COMPETITIVENESS COORDINATION TOOL (CCT):

In the MFF regulation, the CCT is only briefly mentioned, highlighting that it should identify competitiveness priorities and projects and link them to the ECF, ensuring synergies with national and regional pre-allocated envelopes. In the Competitiveness Compass, published on 29 January 2025, the CCT is further elaborated on as a coordination tool to address fragmented industrial and research policies by aligning EU and national investments around shared strategic priorities where Member States are involved through a streamlined European Semester. Given the limited details in the MFF regulation and the only high-level description in the Competitiveness Compass, at this stage, more information would be needed before conducting a full assessment of the CCT.

RECOMMENDATIONS:

- Considering the available information, the announced tool could be a useful instrument to better coordinate investments. Its added value will depend on a clear focus on genuine EU-wide priorities, transparent and effective governance, strong links to adequately funded financial instruments, and an efficient interface with the European Semester. Without these elements, the CCT risks adding procedural complexity without delivering meaningful competitiveness gains.
- The CCT should operate transparently and seamlessly with existing tools, avoiding the creation of unnecessary new administrative layers or opacity in project financing. It is equally important that the CCT does not lead to further unstructured relaxation or indirect use of state aid, and that existing state aid disciplines are fully respected.
- Moreover, the CCT should maximise synergies and complementarities between the ECF and Horizon and the respective financing instruments, avoiding overlaps, align them with business requirements, and act as a structural hinge that ensures continuity across Technology Readiness Levels (TRLs).
- In this context, the sharing of competences and responsibilities between the Commission's DGs, the definition of the funding priorities, and the real functioning of participation rules will have to be clearly defined.
- Finally, industry should be meaningfully involved to ensure that this coordination reflects market needs and strengthens Europe's innovation capacity.

2. STRATEGIC STAKEHOLDER BOARD

Art. 14 of the regulation establishes a Stakeholder Board, with the role of advising the overall direction of the ECF, identify long-term competitiveness trends, highlight market failures or suboptimal investment situations, and recommend strategic project portfolios within and across ECF activities. It also states that the Commission will appoint the members and set rules on composition and procedures, ensuring balance across sectors, organisation types, expertise, gender, age, and geography. The possibility to configure the board differently depending on the policy area is sensible and could help ensure that relevant expertise is included.

RECOMMENDATIONS:

- Concerning its membership: The effectiveness of the Board will depend heavily on transparent selection criteria of the stakeholders and a truly balanced composition. The Commission's intention

to ensure balance across sectors, organisation types, investors, size, expertise, and geography is welcome, but it is unclear how this will be implemented. Meaningful industry involvement, with a balanced representation of large companies and SMEs, is essential to align the ECF with market realities, support predictable multiannual investment pipelines, and crowd in private investment.

- Concerning its responsibilities: It should also be clarified how the Board will affect funding decisions, including for Pillar II of Horizon Europe. It is important that the Board does not remain purely consultative but that it plays a meaningful governance role and has a clear mandate, ensuring that stakeholders' feedback is reflected in the work programmes. Industry stakeholders should be meaningfully involved from the outset in shaping programme objectives, priorities, and design, ensuring that policy windows reflect real technological and market needs. The Board should play a central strategic role in setting priorities, defining work programmes and implementation mechanisms, ensuring effective alignment with existing and new industrial value chains and competitiveness needs, while avoiding involvement in individual funding decisions. In doing so, it should follow the aforementioned principle of excellence, and highest relevance of projects for European competitiveness.

3. GOVERNANCE OF THE FOUR POLICY WINDOWS:

The Work Programmes would define the actions, budget allocations, funding instruments, and award criteria for ECF support and Horizon Europe's Pillar II. The ECF introduces increased flexibility, including through the possibility to redeploy funds within the Work Programmes, with an annual 20% margin.¹ This could enable a faster response to emerging challenges and a more targeted deployment of funds.

RECOMMENDATIONS:

- The increased flexibility is supported, provided that clear priorities are defined together with a transparent involvement of the Council of the EU, to avoid the risk that flexibility becomes arbitrary and that funds are diverted from long-term priority areas, such as research and digitalisation, to short-term political projects. At the same time, a sufficient degree of predictability, necessary for research and project planning, should be guaranteed.
- The proposal to establish an integrated work programme for each ECF policy window and the corresponding section of Horizon Europe's Pillar II, as put forward by the Commission, is strongly supported. This will be key to ensuring a stronger alignment between FP10 and the ECF's competitiveness objectives, as well as the emphasis on the "investment journey" approach, from basic and applied research to market. Indeed, only through a genuinely integrated governance, which necessarily implies a unified programming, can a real and operational link between Horizon Europe and the ECF be achieved. If a different approach were to be pursued, the rationale underpinning the central role of R&I in supporting competitiveness would be significantly weakened. The same would happen to the objective of covering the entire innovation cycle in a coherent manner, from research to market. In fact, separate Work Programmes and Programme Committees would risk leaving this link as something that is purely theoretical rather than operational. Within the Work Programmes, the chapters dedicated to collaborative research should receive sufficient attention to ensure that the specificities of research, its timelines, incentives, and design are properly reflected.
- The four policy windows should operate under a coherent common rulebook, ensuring simplicity, predictability, and open competition. Governance arrangements must differentiate between grants, financial instruments and procurement procedures, as financial instruments rely on risk assessment, leverage, and bankability criteria. A one-size-fits-all approach would risk reducing effectiveness and slowing implementation.
- Strong industry involvement in work programme preparation is essential to ensure market relevance and crowd-in private capital. In this context, permanent, specialised steering committees should be established for each policy window. These should have balanced public-private participation and a composition which reflects the necessary technical and business expertise, including industry knowledge of key technologies, to translate ECF strategies and work programmes into concrete calls and instruments.

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52025PC0572>



FOUR POLICY WINDOWS

1. CLEAN TRANSITION AND INDUSTRIAL DECARBONISATION

The Commission identifies industrial decarbonisation and the energy transition as a core pillar of the ECF, aiming to accelerate emissions reductions, enhance the competitiveness of European industry vis-à-vis global competitors, and support key technologies such as electrification, renewable hydrogen, and clean fuels. The ECF can act as a key instrument to support European industry in its transition by complementing these investment and pricing measures. It can also promote production models that combine sustainability, innovation, and competitiveness, and that deliver measurable environmental and industrial benefits.

RECOMMENDATIONS:

- Europe's ability to mobilise private investment in production capacity and energy infrastructure will be pivotal to achieving its net-zero objectives. At the same time, targeted public funding can help de-risk investments and accelerate the deployment of key infrastructures. Existing EU instruments, such as the Innovation Fund, CEF-E, and TEN-E, should be used effectively to leverage private investment. Where market conditions remain insufficient, time-limited support for both capital (CAPEX) and operational (OPEX) expenditures may be necessary to incentivise investments in low-carbon production technologies. It must also be ensured that projects move towards market-based conditions as soon as possible and avoid long-term market distortions. Technological neutrality is essential, as all available technologies will be needed to support the transition to clean energy production.
- Actions financed under the ECF should promote projects that enhance industrial process efficiency, encourage the sustainable and circular use of resources, and foster the uptake of innovative technologies and circular business models. Such projects would help to reduce dependence on critical raw materials, strengthen supply chain security, and consolidate Europe's open strategic autonomy.
- The reference to Net-Zero Industry Academies (Art. 33(1)(n)) should be reconsidered. To date, these initiatives have not demonstrated clear added value within the European skills ecosystem. Without transparent evidence on performance, uptake, and outcomes, ECF funding should not be pre-allocated to centrally designed "Academy" initiatives. Skills development in clean technology value chains should instead rely on bottom-up approaches, with strong industry involvement and responsiveness to labour market needs.

2. HEALTH, BIOTECH, AGRICULTURE AND THE BIOECONOMY

The Commission aims to revive European competitiveness in biotechnology, pharmaceutical manufacturing, med-tech, health, biomanufacturing, advanced agriculture and the bioeconomy, while reducing dependencies and reinforcing critical supply chains. This policy window creates opportunities for European companies, in particular through the advanced digitalisation of critical systems, sensitive data and key technological capabilities.

RECOMMENDATIONS:

- It is important to strengthen critical health and biotechnology data infrastructures and promote the application of AI and supercomputing, while ensuring effective coordination with other policies, including digital, security, and clean transition programmes.
- Articles 36 and 37 of the Regulation, as well as the resources allocated under Article 3(2) to support health, biotech, agriculture, and bioeconomy policies, are strongly supported. It is essential to recognise the contribution of life sciences companies and healthcare providers to the innovation of products and services.
- The specific actions set out in Art. 37, are supported; however, their implementation should also take into account broader structural challenges, including Europe's demographic trends and the growing

burden of chronic diseases, the effective deployment and use of digital health infrastructures such as the European Health Data Space, the strengthening of European manufacturing capacities for health and bioeconomy technologies. Collaborative-research and public private partnerships should be leveraged to sustain these actions.

3. DIGITAL LEADERSHIP

In the Commission proposal, a strong signal emerges for enhancing Europe's digital leadership. A modern and resilient digital infrastructure, targeted support for key enabling technologies, is essential for Europe's industrial strength and global competitiveness. The window seeks to reduce critical dependencies and reinforce Europe's digital competitiveness, [smart technological](#) sovereignty, and resilience. It places particular emphasis on AI, semiconductors, computing, advanced robotics, and critical digital systems, connecting R&D with industrial production. The Commission has proposed approximately EUR 51.5 billion for the digital leadership window through the years 2028-2034. Moreover, Digital Leadership funding has the potential to combine the resources of the EU and its Member States, enabling access to greater investment potential. At the same time, projects at the intersection of digital and sectoral transformations should be promoted across all policy windows.

RECOMMENDATIONS:

- To deliver on the Digital Leadership objective, the EU must invest in key digital technologies and infrastructure to reduce strategic dependencies on non-European suppliers. It must also safeguard critical expertise and reinforce Europe's digital competitiveness, smart technological sovereignty and resilience, especially in AI, semiconductors, cloud, 5G, cybersecurity and quantum technologies.
- Considering that the budget allocated to the policy window amounts to €54.8 billion (current prices), it remains unclear how the objectives of Digital Leadership can be achieved in various areas, ranging from digital connectivity to semiconductors to AI and quantum computing. Policymakers should ensure that these funds are allocated in a way that maximises their impact and incentivises private investments.
- It is pivotal to coordinate investment across Member States: core technologies should be developed through open partnerships that jointly address hardware, software, and algorithms. In this context, it is important to have better alignment of EU programmes to avoid duplication and increase efficiency.
- Effective support for key technologies requires strong framework conditions, including legal certainty, regulatory simplification and harmonisation, robust infrastructure, trusted data spaces and systematic skills development. Under this pillar, priority should be given to scalable AI infrastructure, such as computing centres, cloud and edge solutions, and data spaces, as well as access to high-quality data and sufficient computing capacity. This would help to ensure digital resilience across the continent. Given the expected substantial increase (from 70 TWh in 2024 to an expected 115 TWh by 2030, according to the Commission) of European data centre energy consumption, timely access to competitive renewable energy, increased grid capacity, and simplified permitting are also needed.
- Microelectronics should be treated as a strategic element of Europe's economic security and be anchored accordingly in the European Economic Security Strategy. Cooperation on quantum technologies should be scaled up by linking leading research centres and companies.
- Europe must remain a standard setter, as strong standardisation and effective protection of intellectual property are essential to enable the wide deployment of European technologies and to allow companies to rapidly translate R&D results into market-ready products. At the same time, it is important to ensure alignment and complementarity with key EU digital initiatives and anticipate regulatory implementation needs, including those linked to the AI Act.
- Ensure the ECF contributes towards strengthening EU cyber resilience by supporting organisations to improve their cyber posture, while promoting an open, rules-based digital trade environment. Mechanisms should include dedicated funding calls for cybersecurity R&D projects, support for SMEs' cybersecurity maturity, and support for enhancing the cyber resilience of critical infrastructure.
- Dedicated support for SMEs' digital transformation and the strengthening of digital value chains through advanced infrastructure and smart technological sovereignty represents an important strategic opportunity; the introduction of dedicated instruments that help innovative SMEs secure a first reference customer is particularly important in this regard. Demand-side tools, such as innovation procurement, targeted risk-sharing measures, and fast-track contracting mechanisms can play a crucial role in accelerating market uptake.



- Support the development of European interoperable digital testbeds to facilitate validation, certification and scale-up of emerging digital technologies. This will strengthen the link between R&D and industrial deployment across the Single Market.
- It is important to foster the proposed digitalisation of the public sector; funding should support the development of digital infrastructure, data mobility and interoperable digital public services across the Union. This will enable the transition towards a real-time economy, reduce compliance costs, and facilitate cross-border operations for businesses. While the Commission rightly highlights the need to digitise public administration and critical infrastructure across Member States, the MFF proposal still lacks clarity on how this objective will be implemented in practice.

4. RESILIENCE AND SECURITY, DEFENCE INDUSTRY, AND SPACE

The window aims to strengthen the European aerospace, defence and security industrial and technological base by boosting production capacities and supporting the development and industrialisation of strategic technologies. These are essential to the EU's smart technological sovereignty, open strategic autonomy, resilience and security, including in defence, space, and dual-use (civil-military) sectors. A strong, resilient and competitive European Defence Technological and Industrial Base (EDTIB) is crucial. It supports defence readiness, credible deterrence and the ability of armed forces to operate effectively. Even though national governments remain the primary decision makers and customers for defence capabilities and main drivers of R&D, investments, and procurement, the EU budget plays an essential and complementary role.

RECOMMENDATIONS:

- Defence companies and projects should be treated equally and have full access to EU funding opportunities, including where companies are active in both civilian and defence markets. EU programmes should encourage participation across sectors, while the European Investment Bank should remove remaining obstacles to financing the defence sector. In parallel, it is also important to strengthen the internal market for the European defence industry and fair competition conditions, promote coordination among Member States and industry, and ensure that EU-funded defence R&D is effectively commercialised.
- A comparative assessment of the various proposed measures and budget items is necessary to ensure coherence, avoid overlaps, and maximise the strengthening effect on the EDTIB.
- The framework concerning defence and space still appears insufficiently defined. It is important to clarify for the Specific Programme the implementing instruments and coordination mechanism, including their relationship with the EDF, EDIP and other ongoing initiatives, to avoid overlaps and dispersion.
- Funding should be targeted mainly at fulfilling key capacity gaps identified by member states and NATO and recognised also by the EU.
- The regulation must reflect the realities of the European industrial landscape, where many systems currently in service still rely on non-EU components. The transition towards greater autonomy, therefore, requires realistic timelines and adequate support measures; this includes promoting aggregated orders, incentives to replace critical components, and support for the industrialisation of European-developed alternative technologies. It should not also be implemented at the expense of taking care of the immediate defence capability needs of EU member states or jeopardise important security partnerships.
- It is important to balance procurement and innovation, to ensure sufficient resources for Defence R&I and dual-use innovation beyond pure acquisition, with dedicated measures to support the participation of deep-tech SMEs and mid-caps.

POSSIBLE ADDITIONS TO ECF RULEBOOK

To strengthen European competitiveness and technological leadership, companies' participation in the ECF and Horizon Europe could be further encouraged, particularly through industry-driven projects. Existing instruments across the ECF and Horizon Europe could be complemented by targeted funding schemes that facilitate access for SMEs and Small Mid-Caps.

An idea to consider is to build ECF rulebook on the positive experience of the Programme for the Environment and Climate Action (LIFE), using it as a model where calls under different policy windows finance proposals based on actual project needs, without predefined constraints on partnership composition. Depending on the nature and objectives of the project, support should be available both for consortium led initiatives and for projects presented by a single beneficiary. LIFE calls are characterised by a high Technology Readiness Level (TRL), distinguishing them from other funding instruments. This approach facilitates the adoption of advanced technological solutions ready for application in real contexts. An additional advantage of the LIFE Programme is its bottom-up approach with non-prescriptive themes, directly addressing real innovation needs in line with European priorities. Such an approach could be included in the common rulebook and become transversal across all the policy windows of the ECF.



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