Council of the European Union

Brussels, 17 July 2025
(OR. en)

11770/25
ADD 2

Interinstitutional File:
2025/0555 (COD)

COMPET 760	POLGEN 95
IND 285	ECOFIN 1028
MI 558	COH 145
CADREFIN 112	INDEF 76
FIN 900	CULT 86
RECH 332	CYBER 215
ESPACE 55	JAI 1101
CONSOM 146	DIGIT 148
DUAL USE 37	DATAPROTECT 161
EDUC 330	FREMP 210
TELECOM 252	RELEX 1030
ENER 380	COPS 388
ENV 722	UD 169
CLIMA 283	AUDIO 66
AGRI 361	PROCIV 102
TRANS 314	IPCR 57
SAN 472	MAP 40
PHARM 106	FISC 191
BIOTECH 4	CODEC 1049
POLMIL 222	IA 92

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	16 July 2025
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2025) 555 final
Subject:	COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT REPORT on the European Competitiveness Fund Accompanying the documents Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, , (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696, (EU) 2023/588, and amending Regulation (EU) [EDIP] Proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe, the Framework Programme for Research and Innovation, for the period 2028-2034 laying down its rules for participation and dissemination, and

	repealing Regulation (EU) 2021/695 Proposal for a Council Decision on establishing the Specific Programme implementing Horizon Europe - the Framework Programme for Research and Innovation for the period 2028-2034, laying down the rules for participation and dissemination under that Programme, and repealing Decision (EU) 2021/764

Delegations will find attached document SWD(2025) 555 final.

Encl.: SWD(2025) 555 final

EUROPEAN
COMMISSION

Brussels, 16.7.2025
SWD(2025) 555 final

COMMISSION STAFF WORKING DOCUMENT

IMPACT ASSESSMENT REPORT

on the European Competitiveness Fund

Accompanying the documents

Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund ('ECF'), including the specific programme for defence research and innovation activities, repealing Regulations (EU) 2021/522, (EU) 2021/694, , (EU) 2021/697, (EU) 2021/783, repealing provisions of Regulations (EU) 2021/696, (EU) 2023/588, and amending Regulation (EU) [EDIP]

Proposal for a Regulation of the European Parliament and of the Council establishing Horizon Europe, the Framework Programme for Research and Innovation, for the period 2028-2034 laying down its rules for participation and dissemination, and repealing Regulation (EU) 2021/695

Proposal for a Council Decision on establishing the Specific Programme implementing Horizon Europe - the Framework Programme for Research and Innovation for the period 2028-2034, laying down the rules for participation and dissemination under that Programme, and repealing Decision (EU) 2021/764

{COM(2025) 543 final} - {COM(2025) 544 final} - {COM(2025) 555 final} - {SEC(2025) 555 final} - {SWD(2025) 556 final}

Table of Contents

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT 7
2. PROBLEM DEFINITION 10
2.1. What are the problems? 10
2.2. What are the problem drivers? 13
3. WHY SHOULD THE EU ACT? 27
3.1. Legal basis 27
3.2. Subsidiarity: Necessity of EU action 27
3.3. Subsidiarity: Added value of EU action 28
4. OBJECTIVES: WHAT IS TO BE ACHIEVED? 29
4.1. General objectives 29
4.2. Specific objectives 29
4.3. Problem tree 29
5. WHAT ARE THE AVAILABLE POLICY OPTIONS? 30
5.1. What is the baseline from which options are assessed? 30
5.2. Description of the policy options 30
5.3. Options discarded at an early stage 32
6. WHAT ARE THE IMPACTS OF THE POLICY OPTIONS? 32
6.1. Baseline scenario 32
6.2. Assessment of the three options 36
7. HOW DO THE OPTIONS COMPARE? 43
7.1. Effectiveness 43
7.2. Efficiency 44
7.3. Coherence 47
8. PREFERRED OPTION 49
9. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED? 49
Annex 1: Procedural Information 50
Annex 2: Stakeholder consultation (Synopsis report) 57
Annex 3: Who is affected and how? 72
Annex 4: Analytical Methods 77
Annex 5: Competitiveness check 81
Annex 6: SME check 83
Annex 7: Synergies between Horizon Europe and other EU programmes 87
Annex 8: Summary of the 14 programmes under scope 88
Annex 9: Overview of the current time to inform and time to grant per programme 109

Abbreviations

Acronym / Abbreviation	*Explanation*
AI	Artificial intelligence
ASAP	Act on Supporting Ammunition Production
CAPEX	Capital expenditure
CBA	Cost-benefit analysis
CCS	Carbon capture and storage
CEF	Connecting Europe Facility
CINEA	European Climate, Infrastructure and Environment Executive Agency
COMP (DG)	Competition
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CPR	Common Provisions Regulation
DEFIS (DG)	Defence, Industry, and Space
DEP	Digital Europe Programme
DG	Directorate-General
DIGIT (DG)	Digital Services
EC	European Commission
ECA	European Court of Auditors
ECF	European Competitiveness Fund
EDF	European Defence Fund
EDIP	European Defence Industry Programme
EDIRPA	European defence industry reinforcement through common procurement act
EDTIB	European Defence Technological and Industrial Base
EFG	Equity Facility for Growth
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIC	European Innovation Council
EIF	European Investment Fund
ELENA	European Local Energy Assistance
ERC	European Research Council
ERDF	European Regional Development Fund
ESA	European Space Agency
EU	European Union
EUDIS	EU Defence Innovation Scheme
FISMA (DG)	Financial Stability, Financial Services and Capital Markets Union
FP	Framework Programme
GDP	Gross Domestic Product
GROW (DG)	Internal Market, Industry, Entrepreneurship and SMEs
HADEA	Health and Digital Executive Agency
HE	Horizon Europe
HOME (DG)	Migration and Home Affairs
IA	Impact Assessment
ICT	Information and communication technologies

Acronym / Abbreviation	*Explanation*
IEA	International Energy Agency
IF	Innovation Fund
INTPA (DG)	International Partnerships
IP	Intellectual property
IPCEI	Important Project of Common European Interest
IRIS²	Infrastructure for Resilience, Interconnectivity and Security by Satellite
ISSG	Interservice Steering Group
JASPERS	Joint Assistance to Support Projects in European Regions
JRC	Joint Research Centre
JU	Joint Undertaking
JUST (DG)	Justice and Consumers
LIFE	Programme for the Environment and Climate Action
LLM	Large language model
MARE (DG)	Maritime Affairs and Fisheries
MFF	Multiannual Financial Framework
MSCA	Marie Skłodowska-Curie Actions
OECD	Organisation for Economic Co-operation and Development
OPEX	Operational expenditure
PC	Public Consultation
PPP	Public-Private Partnership
R&D	Research and development
R&I	Research and innovation
RRF	Recovery and Resilience Facility
RRP	Recovery and Resilience Plan
RSB	Regulatory Scrutiny Board
RTD (DG)	Research and Innovation
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
SMP	Single Market Programme
SSH	Social sciences and humanities
STEM	Science, technology, engineering and mathematics
STEP	Strategic Technologies for Europe Platform
SWD	Staff Working Document
TFEU	Treaty on the Functioning of the European Union
TRL	Technology Readiness Level
TTG	Time-to-grant
TTI	Time-to-inform
US	United States

Glossary

Term	*Meaning or definition*
Applicant	Legal entity submitting an application for a call for proposals.
Application	The involvement of a legal entity in a proposal. A single applicant can make several applications in different proposals. A single proposal can include several organisations and, therefore, several applications.
Blue economy	Any economic activity relating to oceans and seas.
Circular economy	A model of production and consumption, which involves sharing, leasing, reusing, repairing, refurbishing and recycling existing materials and products as long as possible. In this way, the life cycle of products is extended, their use is optimised, and products and materials are maintained in their highest value function
Critical raw materials	Raw Materials defined as critical in the regulation according to the proposed methodology (i.e. supply risks and economic importance)
European Investment Council (EIC)	The EIC was established under the Horizon Europe programme. It has a budget of EUR 10.1 billion to support game changing innovations throughout the lifecycle from early-stage research, to proof of concept, technology transfer, and the financing and scale up of start-ups and SMEs.
European Research Council (ERC)	The European Research Council is a European funding organisation for excellent frontier research which offers various grant schemes such as: starting grants, consolidator grants, advanced grants, synergy grants and proof of concept. The ERC is led by an independent governing body, the Scientific Council.
Equity investment	Provision of capital to a firm, invested directly or indirectly in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits
European Partnerships	European Partnerships bring the European Commission and private and/or public partners together to address some of Europe’s most pressing challenges through concerted R&I initiatives. They are a key implementation tool of Horizon Europe, and some exist also under other EU programmes. There are three types: • institutionalised partnerships in the field of R&I between the EU, EU Member States and/or industry (including joint undertakings, Art. 185 partnerships and the EIT Knowledge and Innovation Communities); • co-programmed partnerships between the Commission and mostly private (and sometimes public) partners; • co-funded partnerships involving EU countries, with research funders and other public authorities at the core of the consortium
Evaluation criteria	According to better regulation guidelines and toolbox, the five evaluation criteria assess the extent to which an intervention is: 1) effective in fulfilling expectations and meeting its objectives (effectiveness); 2) efficient in terms of cost-effectiveness and proportionality of actual costs to benefits (efficiency); 3) relevant to current and emerging needs (relevance); 4) coherent internally and externally with other EU interventions or international agreements (coherence); and 5) has EU added value - i.e. produces results beyond what would have been achieved by Member States acting alone (EU added value).
GDP multiplier	The GDP multiplier is obtained by dividing the cumulative change in GDP by the magnitude of the policy stimulus and can be understood as the amount of GDP produced for each euro invested in the policy. It represents the economic effect of the policy and does not account for other direct and indirect costs.

Term	*Meaning or definition*
Grants	Non-repayable funds to support specific projects or activities, typically requiring co-financing from the recipient.
Budgetary Guarantee	An instrument through which the European Union supports a programme of actions by taking on the budget an irrevocable and unconditional financial obligation that can be called upon should a specified event materialise during the implementation of the programme, and that remains valid for the duration of the maturity of the commitments made under the supported programme
Interservice steering groups (ISSG)	Commission mechanism to ensure internal consistency of policy interventions
Joint undertakings (JUs)	Public-private institutionalised partnerships of the Union with industry and stakeholders for the joint funding and implementation of strategic R&I agendas under Article 187 of TFEU (via a dedicated funding body). Under Horizon Europe, the JUs include: the Innovative Health Initiative (IHI); Global Health EDCTP3 Partnership, Europe High-Performance Computing (EuroHPC); the Chips JU (formerly, Key Digital Technologies, KDT); Smart Networks and Services (SNS); Circular Bio-based Europe (CBE); the Clean Aviation JU; the Clean Hydrogen JU; the Europe's Rail JU; and Single European Sky ATM Research 3 (SESAR 3). EuroHPC and Chips JU also receive funding from other EU programmes under the scope of this impact assessment (Digital Europe in both cases, CEF for EuroHPC). A JU solely funded by the Digital Europe Programme also exists, the European Cybersecurity Competence Centre (ECCC).
Leverage	Ratio between the total costs borne by partners other than the EU and the EU contribution. Leverage of private investment refers to the capacity of EU funding to attract complementary funding from the private sector.
Raw materials	A substance in processed or unprocessed state used as an input for the manufacturing of intermediate or final products, excluding substances predominantly used for the production of food and feed or as fuel for the production of energy;
Regional Holistic Model (RHOMOLO)	Recursively dynamic spatial computable general equilibrium model used to simulate the impact of EU policies, developed and maintained by the JRC. Main model used to estimate macroeconomic impacts in the context of the present IA.[1]
Risk-sharing instrument	Financial instrument which allows for the sharing of a defined risk between two or more entities, where appropriate in exchange for an agreed remuneration.
Public procurement	Process by which public authorities purchase goods, services, or works from private sector suppliers, following established rules and procedures.
Seal of excellence	A quality label which shows that a proposal submitted to a call for proposals exceeded all of the evaluation thresholds set out in the work programme, but could not be funded due to lack of budget available for that call for proposals in the work programme and might receive support from other EU or national sources of funding.
STEP Seal	A quality label aimed at promoting high-quality proposals that contribute to the objectives or the Strategic Technologies for Europe Platform. It may be awarded to project proposals that meet all the quality requirements under relevant calls for proposals under the following programmes: Digital Europe programme, European Defence Fund, EU4Health, Horizon Europe, and the Innovation Fund. The seal is

[1] See Diukanova, O. et al., RHOMOLO-v2 model description – A spatial computable general equilibrium model for EU regions and sectors, Publications Office, 2016.

Term	*Meaning or definition*
	meant to certify the quality of such proposal and facilitate cumulative or combined funding from several EU budget instruments, as well as attracting private finance.
Success rate	The percentage of proposals that are selected for funding out of the total number of eligible proposals expressed as a percentage (Retained proposals/Eligible proposals*100)
Synergy	Synergy occurs when the impact of the results or programmes as a whole is greater than that of the sum of their individual impacts.
Technology readiness levels (TRLs)	Technology readiness levels indicate the maturity level of particular technologies through a common understanding of technology status and address the entire innovation chain. TRL 1 – basic principles observed; TRL 2 – technology concept formulated; TRL 3 – experimental proof of concept; TRL 4 – technology validated in the lab; TRL 5 – technology validated in a suitable environment; TRL 6 – technology demonstrated in a suitable environment; TRL 7 – system prototype demonstration in an operational environment; TRL 8 – system complete and qualified; TRL 9 – actual system proven in an operational environment
Unicorn	Privately owned start-up company, which has reached a valuation of $1 billion (currently about EUR 882 million) or more.
Venture capital	Private equity financing that is provided to startups and small businesses with high growth potential, often in exchange for equity or ownership stakes, with the goal of achieving significant returns.

1. INTRODUCTION: POLITICAL AND LEGAL CONTEXT

1.1. Policy context

Europe is facing a defining period for its future, from a political, economic, social, environmental and security perspective.

The past few years have been characterised by a **highly volatile and complex political context.** Geopolitical instability, especially after Russia's war of aggression against Ukraine; a steep technological race; rising energy prices; the disruption of supply chains, including critical raw materials; the COVID-19 pandemic; and demographic changes have all contributed to this. Moreover, the **climate and biodiversity crises** are continuing to accelerate. New security threats affecting our essential services and critical infrastructures are testing the EU's resilience and call for reinforced industrial readiness.

In the face of these challenges, **the EU has been on a slow productivity growth path since the beginning of the century.** Profound innovation and technology gaps with other advanced economies, particularly China and the US, have opened up and widened. These undermine the EU's capacity to fulfil its own goals, as well as its position in the global arena, hindering its competitiveness, resilience and autonomy.[2] **Enhancing the competitiveness of the European Union has emerged as a critical priority**.

European competitiveness, as framed in the European Commission's Competitiveness Compass[3], encompasses the EU's capacity to raise productivity growth, high living standards, and strategic autonomy in a rapidly evolving global landscape. This concept extends beyond the traditional cost-based competition, emphasising innovation, investment, resilience, and industrial strength, particularly in green, digital, and key critical sectors.

In a global landscape marked by fast technological progress, increasing economic competition and trade protectionism, **the EU must strengthen its research base to focus more on strategic priorities, on groundbreaking fundamental research, scientific excellence and disruptive innovation,[4] while improving its productivity, connection with the market and stimulating growth**. Promoting the competitiveness of the EU will require deeper integration and coordination across Member States; a new approach to industrial sectors and services enabling competitiveness and economic security; and putting research and innovation, science and technology, at the centre of our economy. Security – both internal and external – along with resilience and preparedness, are also pre-conditions for competitiveness and are among the highest political priorities for the European Commission.[5] Reducing dependencies and diversifying value chains across the key areas where Europe is exposed will require significant investments: Europe heavily depends on imports ranging from raw materials to advanced technology; around 40% of Europe's imports are sourced from a small number of suppliers and difficult to substitute, and around half of these imports originate from countries with which it is not strategically aligned.[6]

Finally, greater emphasis should be put on leveraging private sector participation by improving the use of risk-sharing mechanisms between EU funds and private investors. The objectives of EU funding and the Savings and Investments Union[7] should be mutually reinforcing in unlocking

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2 Draghi, M. (2024). The future of European Competitiveness. Part A – A competitiveness strategy for Europe.
3 COM(2025) 30 final, A Competitiveness Compass for the EU.
4 Europe's Choice. Political guidelines for the next European Commission 2024-2029; page 10
5 Ibid, p.13
6 Draghi, M. (2024). The Future of European Competitiveness: A Competitiveness Strategy for Europe.
7 COM (2025)124 final. Savings and Investments Union. A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU.

additional funding for EU priorities in all Member States by leveraging the impact of public money and crowding in private and institutional investors. In the European Union, investment culture tends to be more risk-averse compared to the United States. This is evident in stricter regulatory frameworks and a preference for conservative financial products, such as bank deposits and bonds, over equities and venture capital.
European households and institutional investors often exhibit caution, allocating a larger proportion of their capital to safer assets.[8] Risk aversion is further compounded by fragmented capital markets across EU Member States.

1.2. Scope

The Commission President's Political Guidelines for 2024-2029 announced the establishment of a new European Competitiveness Fund under the next Multiannual Financial Framework (MFF) to invest in strategic technologies critical to European competitiveness to ensure that we develop and manufacture them in Europe, and support Important Projects of Common European Interest (IPCEI).[9] The Guidelines also specified the intention to put research, innovation, science and technology at the centre of the EU's economy, increasing our research spending, expanding the European Innovation Council (EIC) and the European Research Council (ERC), and focusing more on strategic priorities.[10]

The Competitiveness Compass, adopted by the Commission in January 2025 and based on the recommendations from multiple expert reports, including Draghi´s on the future of European Competitiveness[11], identifies several factors needed to boost the EU's competitiveness: (1) closing the innovation gap, (2) decarbonisation, and (3) reducing excessive dependencies and increasing security. Additionally, it highlights five horizontal enablers: (1) simplification, (2) removing barriers in the Single Market, (3) financing, (4) skills and quality jobs, (5) better coordination.

Simplification, financing and better coordination will be the primary focus of the European Competitiveness Fund. As such, the European Competitiveness Fund is not the only initiative to bolster the EU's competitiveness. It is complementary to many other measures announced in the Competitiveness Compass[12] and the efforts performed by the Member States.

The Compass also diagnoses major problems that hamper competitiveness within the EU, a central one being that **EU spending is spread over too many overlapping programmes, many of which fund the same thing but with different requirements and difficulties in combining funding effectively.[13]**

Among its concrete actions for the EU's future prosperity, the Compass outlines that the **European Competitiveness Fund** will take the form of **an investment capacity that will support strategic technologies and sectors critical to the EU competitiveness in the next MFF.** It should help to leverage and de-risk private investments.[14] The **Clean Industrial Deal[15]** further confirms that the Competitiveness Fund would support decarbonisation, mentioning that it will offer strong support to innovative industry for sustainable investment in the next MFF and a one-stop-shop offering simplified access to EU funding.

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8 IMF blog (2024). Europe can better support venture capital to boost growth and productivity.
9 Europe's Choice. Political guidelines for the next European Commission 2024-2029, p. 12.
10 Ibid, p.10.
11 Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe.
12 e.g., Start-up and Scale-up Strategy, 28th Regime, European Innovation Act, Space Act, Digital Network Act, Clean Industrial Deal, New State Aid Framework, Revision of Directives on Public Procurement.
13 COM(2025) 30 final, p. 24. A Competitiveness Compass for the EU.
14 Ibid, p. 21.
15 COM(2025)85 final. The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation

Stronger policy steer will be ensured via a steering mechanism linking EU priorities with the EU budget, considering the necessity to align Union, public and private spending with EU competitiveness priorities. The **Competitiveness Coordination Tool** will aim to a**lign industrial and research policies and investments at the EU and the national levels.** It will identify areas of strategic importance and of common European interest, to deliver on initiatives with high European added value, such as cross-border projects, for structural economic transformation, productivity, long-term growth and quality jobs, and benefiting the Single Market. [16]

The **Communication on the Road to the next MFF**[17] outlined the objectives for the next EU Budget: simpler, more focused and more impactful budget. A new approach for a modern EU budget should present at its core a European Competitiveness Fund, with a comprehensive architecture designed to support European projects along the entire investment journey, from research, through scale-up, industrial deployment, to manufacturing. It will also help to leverage and de-risk private investment.[18]

The 14 EU programmes within the scope of this IA contribute to the competitiveness of the EU and span a broad range of policy areas from R&I, digitalization, space, defence, health, Single Market support, Circular Economy to energy transition. They include Horizon Europe (HE), Innovation Fund (IF), Digital Europe Programme (DEP), Connecting Europe Facility (CEF) - Digital, European Defence Fund (EDF), the Act in Support of Ammunition Production (ASAP), the European Defence Industry Reinforcement through Common Procurement Act (EDIRPA), the European Defence Industry Programme (EDIP), EU4Health, the European Space Programme, IRIS2, InvestEU, Single Market Programme (SME Strand) and LIFE (see Annex 8 for more details of each of these programmes). The size of these programmes today is very diverse, with Horizon Europe the largest, EUR 93 billion over 7 years under this MFF (2021-2027, and the Innovation Fund the second largest, accounting for an estimated 40bn € in the period 2020-2030 (funded by ETS revenues).

The implementation of the current and previous EU programmes, as also demonstrated by the relevant programme evaluations[19], has shown that the complexity of the funding architecture is the major factor hindering the impact of the EU budget. Currently, programmes may finance the different stages of the investment journey within the same sector/area, but based on rules and conditions which can differ - and with insufficient flexibility to respond to unforeseen needs. This leads to inefficiencies and administrative burden for beneficiaries, Member States and the Commission. This is even more acute in a demanding budgetary context at EU level (for example with the start of NextGenerationEU repayments and the support to new EU priorities).

The Political Guidelines set out that the new long-term budget needs to be more focused, simpler, with fewer programmes and more impactful. In line with the Political Guidelines, the College adopted on 11 February 2025 the Communication '*The road to the next multiannual financial framework*', which states that *'the next long-term budget will have to address the complexities, weaknesses and rigidities that are currently present and maximise the impact of every euro it spends*'. The Communication also underlines that flexibility is key in guaranteeing the budget's ability to respond to a changing reality, focusing on challenges such as bolstering EU competitiveness which can only be solved through joint action in a united Europe. These guiding principles apply to several other proposals under the next MFF. A revamped external action financing will also make it more impactful and targeted for our partners and more aligned with our strategic interests. The regional and national partnerships with key reforms and investments focusing on joint priorities, including promoting economic social and territorial cohesion with regions at its center, will also be designed following these objectives. Together, the three pillars (i.e. The partnerships, the European competitiveness Fund

16 Ibid, p. 23.
17 COM(2025) 46. The road to the next multiannual financial framework
18 COM(2025) 30 final, p. 21. A Competitiveness Compass for the EU.
19 European Commission (2025): Competitiveness Fund: Assessment of costs and benefits and comparison of options

and the Global Europe instruments) and self-standing programmes will form a coherent system to deliver key priorities.

In this political context, impact assessments for programmes under the next MFF focus on how to streamline the architecture of the EU budget, thereby assessing the most important policy choices underpinning the legislative proposals for the future EU programmes. Policy aspects are considered in the analysis of the context, the problem definition and the objectives, which inform the choices on the programme architecture. Given that the architecture of the new MFF will be significantly different from the current structure, assumptions on the budget of each programme would be unreliable at this stage. Therefore, the impact assessment does not include sectoral funding scenarios.

This reflects the specificities of this exercise, as clearly acknowledged in the Commission's better regulation rules, which this impact assessment follows. Tool #9 of the better regulation toolbox states that *'the special case of preparing a new multiannual financial framework is a unique process requiring a specific approach as regards scope and depth of analysis'*

2. PROBLEM DEFINITION

2.1. What are the problems?

For the last thirty years, the productivity gaps[20] between the EU and other advanced economies have widened, making the EU less competitive than other major economies. **The EU is currently falling behind in multiple areas, including technological development, research and innovation performance, market dynamism and industrial capacity**[21].This initiative addresses challenges related to both regulatory and market failures of the current EU funding landscape with a focus on **simplification, financing and better coordination.** Furthermore, the initiative aims at reducing market failures related to the challenge of securing funding for projects with significant positive externalities like R&I, decarbonisation and digital transitions, financing gaps in the innovation journey ("valley of death") or asymmetry of information, key for SMEs to secure the necessary funding.

Concretely, **there are five key systemic challenges for European competitiveness of both architectural and broader policy nature**. The challenges include (1) suboptimal support along the investment journey, from fundamental research, applied research through scale-up, industrial deployment, to manufacturing and (2) a complex and uncoordinated EU funding landscape, while the broader policy problems include (3) an innovation gap with other world regions; (4) a challenging geopolitical situation, with excessive strategic dependencies, and security and resilience issues and (5) high investment needs to deliver on EU priorities, including for decarbonisation and the digital transition.

Problem 1 Suboptimal support along the investment journey, from fundamental research, applied research through scale-up, industrial deployment, to manufacturing

The EU currently struggles to seamlessly support the investment journey[22]. It lacks an environment that builds on its worldclass research, technology and industrial foundations to attract and retain talents, stimulate cross-border cooperation, support the emergence of innovative, high-growth companies and that promotes private investment. The drivers include investment weaknesses such as (i) fragmented support throughout the investment journey within the EU, (Problem driver 1) , as well as a an insufficient provision and leverage of private investment (Problem driver 2), which

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20 The productivity gap is driven, particularly, by the gap in innovation. See Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe, p.20.

21 See Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

22 European Commission (2025): Competitiveness Fund: Assessment of costs and benefits and comparison of options

hampers innovators' ability to exploit scientific results, commercialise and scale up their production in Europe. This results in the lack of talent retention, lack of scale and strategic focus and companies seeking funding for commercialisation and market entry outside of the EU.

Problem 2 Complex and uncoordinated funding landscape

The EU's financial landscape has evolved significantly over the past decades, but according to the European Court of Auditors (ECA) the complexity of these instruments, often overlapping in their goals and structures, has led to inefficiencies and fragmentation.[23] Despite integrating several financial instruments and budgetary guarantees in the 2021-2027 MFF through the introduction of InvestEU, there is still a lack of cohesion between funding programmes, making it challenging to coordinate investments effectively[24]. This is also reflected in the relatively long time needed for applicants to search for opportunities because of different existing frameworks which ultimately leads to complexity. As a result, **the current EU funding landscape for competitiveness** with varying conditions and criteria could make it difficult for applicants to access EU finance in the different stages of the investment journey despite the capacity to identify funding opportunities at specific junctures (see Synopsis Report in Annex 2). 88% (1 083) of respondents to the public consultation – including 86% (198) of companies/businesses and business associations[25] – have had a positive or very positive experience with identifying current funding opportunities. On the other hand, the costs for applicants/project promoters are evidenced by an EU-wide survey on access to EU funding carried out in the context of the Strategic Technologies for Europe Platform (STEP) (500 respondents), where both new and experienced users score the easiness to find information on EU funding only 5/10, indicating the overall experience to be challenging regardless of the level of experience the user has[26]. For example, while in the EU, it frequently takes close to a year to award funds from an open call[27], US federal grant calls' award procedures in the field of environment may be as short as 90 days.[28]

Complexity, combined with the lack of coherence, directionality, and a high administrative burden potentially disincentivises participation. Furthermore, while ensuring the predictability and stability of critical long-term investments in research, development and core infrastructure, the existing structure of programmes does not sufficiently allow for flexibility, impeding adequate ability to reallocate funds effectively in response to evolving needs or unforeseen crises. The drivers of this problem include complexity to access, mobilise and implement EU funding by beneficiaries (Problem driver 3), inefficient coordination mechanism (Problem driver 4) and insufficient flexibility of funding instrument (Problem driver 5).

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23 European Court of Auditors (ECA). (2023). The EU's financial landscape: A patchwork construction requiring further simplification and accountability.

24 See Annex 8.

25 The open public consultation was opened for 12 weeks and gathered 2 034 responses and 462 position papers.

26 STEP Interim evaluation (forthcoming – July 2025 (tbc)).

27 See Annex 8.

28 Grants.gov. Hydrofluorocarbon Reclaim and Innovative Destruction Grants Notice of Funding Opportunity (2024).

Problem 3 Innovation Gap

For over two decades, Europe has not kept pace with other major economies, due to a persistent gap in productivity growth, notably with the US in advanced technologies and China in certain new growth areas.[29] [30] As the Competitiveness Compass highlights, **a root cause is a lack of innovation.**

Public and private R&I investments in the EU have systematically fallen short of aspirations. In 2023, the EU allocated approximately EUR 381 billion to R&D, which accounts for 2.22% of its GDP. To meet the 3% target[31], an additional investment of EUR 134 billion per year at EU level would be required. At current pace, the R&D intensity is expected to reach 2.34% by 2030 while the objective of 3% will not be achieved until around 2050.[32] while remaining behind global competitors. China (2.6%) recently overtook the EU, and South Korea (4.9%), Japan (3.4%), and the US (3.6%) in term of R&D intensity substantially ahead of the EU.

Underinvestment in research and innovation is the most frequently mentioned challenge for EU competitiveness in the public consultation (91% of respondents, or 1 795 said it is "important" or "very important")[33], The R&D investment gap between the EU and its global competitors is particularly pronounced in private sector investments. **To regain its competitive edge, the EU must revive the innovation cycle.**[34] For this goal, multiple problem drivers need addressing, particularly: the **capacity gaps related to R&I**, a **weak translation of research results into marketable outputs,** and **low and fragmented investment in strategic technologies and sectors**. This is supported by findings from the public consultation: when asked what development stages of technologies and products the next MFF should support, 93% (N=1 815) of respondent said that applied research should be supported 'to a large extent' or 'somewhat', followed by early-stage technologies (91%, or 1 170), fundamental research (87%, or 1 691, and manufacturing capacities (66% of respondents, or 1 267).

Stronger investment in innovation, as well as intangible capital and advanced machinery and equipment is fundamental to enhancing productivity growth. The drivers of this problem include capacity gaps (Problem driver 6), weak translation of research results into marketable outputs (Problem driver 7) and low and fragmented investment in strategic technologies and sectors (Problem driver 8).

Problem 4 Challenging geopolitical situation, excessive strategic dependencies, and security and resilience issues in the EU

The EU is **highly dependent on external sources for critical materials, technologies, industrial components and products**, posing significant **risks to its economic security and strategic autonomy,** and exposing it to supply chain vulnerabilities and trade disputes. Asset and supply chain vulnerabilities are heightened by climate and environmental risks as Europe is the fastest warming continent. Additionally, reliance on foreign entities raises concerns about external control over critical

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29 Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

30 The relevance of this problem is also highlighted by stakeholders in the PC, as they consider the innovation and technological gap for the EU in strategic technologies to be the second current biggest challenge to competitiveness (81%, or 1 614 respondents), after "underinvestment in research and innovation" (91%, or 1 795).

31 The 3% R&D target was formalised through the Lisbon Strategy. A brief overview of the history of the 3% target can be found here: https://ec.europa.eu/invest-in-research/action/history_en.htm

32 DG Research and Innovation, Common R&I Strategy and Foresight Service, Chief Economist Unit, based on Eurostat

33 European Commission (2024) Steeman, J., Di Girolamo, V., Mitra, A., Peiffer-Smadja, O. et al., Why investing in research and innovation matters for a competitive, green, and fair Europe – A rationale for public and private action

34 European Commission (2025: 4): A Competitiveness Compass for the EU. COM (2025) 30.

raw materials, components and technologies, vital infrastructures and essential service providers.[35] Moreover, in the absence of effective defensive capacity, the risk of rising insecurity in a less stable geopolitical landscape risks becoming a threat to growth.[36]

On 19 March 2025, the European Commission presented the ReArm Europe Plan/Readiness 2030 to strengthen pan-European defence capabilities with new financial means.[37] To ensure that the EU can retain its autonomy and remain competitive in the global economy, it must "**guarantee its industrial presence in key technological sectors and mitigate risks for its security and resilience emanating from dependencies** – otherwise geopolitical uncertainty will cloud the outlook for our companies and weigh on investment."[38] The drivers of this problem include weak translation of research results into marketable outputs (Problem driver 7) and low and fragmented investment in strategic technologies and sectors (Problem driver 6).

Problem 5 High investment needs for delivering on EU priorities, including for decarbonisation, digital transition, resilience and security.

Substantial investment to meet the EU's long-term priorities regarding decarbonisation, digital transition, resilience and security, infrastructures and skills is needed.[39] As indication, the Draghi report estimates the EU needs annual additional investment of EUR 750 to EUR 800 billion (from public and private sources) to tackle the various challenges for European competitiveness, of which more than half relate to related decarbonisation investments[40]. Moreover, EU funding has been used in a fragmented way. Together with lack of alignment between EU and Member States' funding strategies, it limits the creation of the leverage required to address EU-wide challenges and priorities on a cross-border scale.

2.2. What are the problem drivers?

Problem driver 1 Fragmented support through the investment journey

The current offer of EU funds does not provide large-scale, seamless funding support on the entire investment journey to address market failures. It is also insufficiently linked with other sources of public (national, regional, local) and private funding, which themselves are very fragmented, as confirmed by 71% of the respondents of the public consultation (1 391 respondents). Currently, EU programmes (or programme parts) tend to focus on a certain stage of the journey, without systematic and sufficient links to other development stages or funding sources.[41] (Figure 1)

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35 Excessive dependence of the EU in foreign countries was considered the third major challenge linked to competitiveness, with 82% (N=1 598) of respondents in the PC considering it as an "important" or "very important" problem.

36 Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

37 See European Commission (2025). White Paper for European Defence – Readiness 2030.

38 COM(2025) 30 final, p.2. A Competitiveness Compass for the EU.

39 An investment gap in social infrastructures is estimated at EUR 100-150 bn. Source: High-Level Task Force on Investing in Social Infrastructure in Europe.

40 Draghi, M. (2024: 281-282). The future of European competitiveness. Part B – In-depth analysis and recommendations. For the more detailed Commission estimates see also SWD(2023)68 for the period until 2030 and SWD (2024) 63 for the period post 2030.

41 See Annex 7.

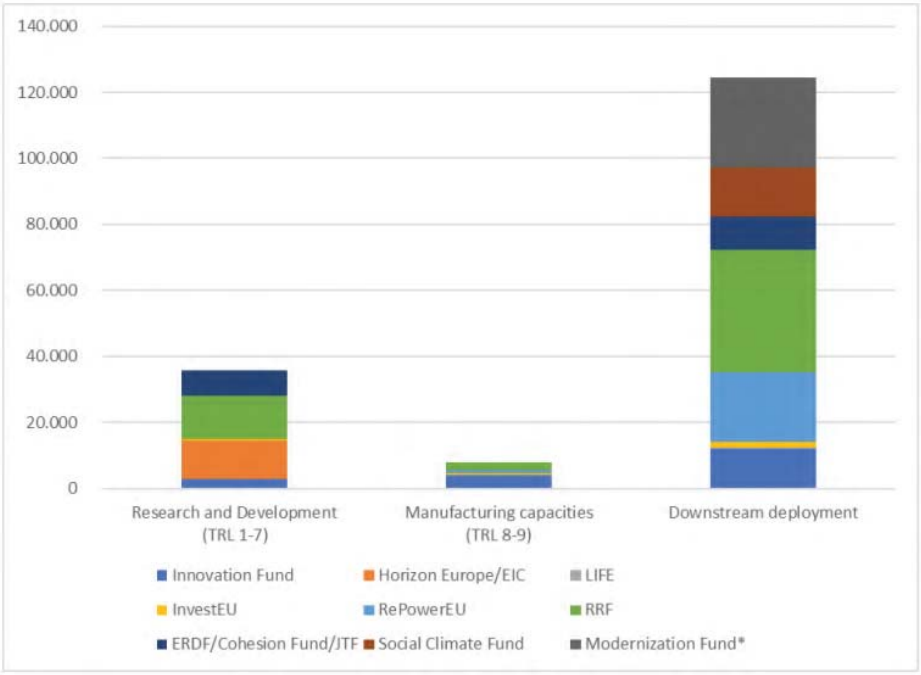

Figure 1: Estimated potential support to different stages of net zero technologies in the EU between 2021 to 2027 (EUR million)

There is a **financing and investment gap in the latter stages of innovation, development and scaling up of companies**,[42] in strategic sectors essential for supporting the competitiveness of the EU economy[43], including the **"valley of death" scaling-up problem**[44].

European startups often encounter two 'valleys of death' (Figure 1). The first occurs when innovations fail to become marketable products, while the second, particularly challenging in Europe, happens when companies struggle to scale.[45]

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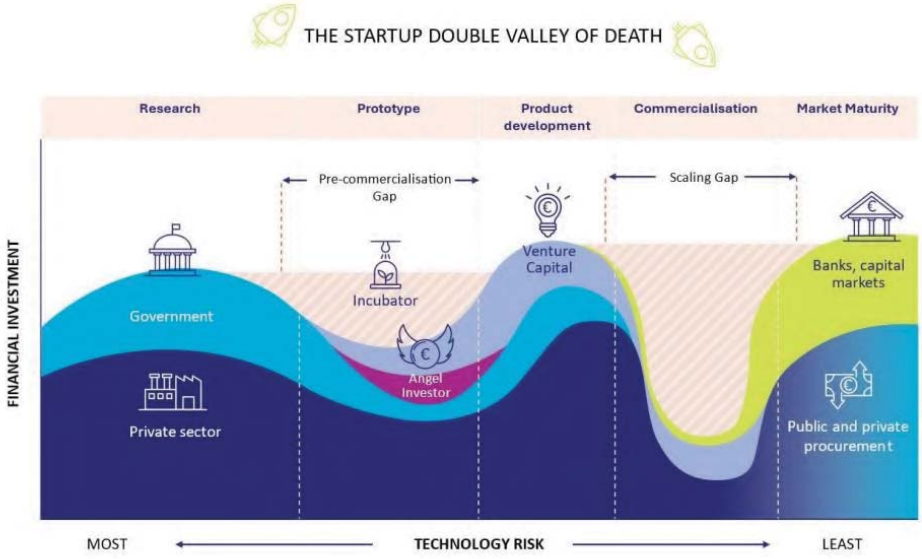
42 For example, pilot production lines for advanced chips.

43 This is one of the multiple "valleys of death" present throughout the investment journey [see European Commission (2020: 535, 538). *Science, Research and Innovation Performance of the EU 2020*]. Analytically, the concept of "valley of death" refers to "a financial or capital gap that exists between initial and later availability of funds for a company" [see Gbadegeshin et al. (2022:3). Overcoming the Valley of Death: A New Model for High Technology Startups, *Sustainable Futures*, volume 4, pp.1-15]. In this context, the valley of death describes the difficulty for a start-up or new innovative technology to economically survive the period of negative cash flow in the early stages, before the new product is bringing in revenue from real customers. See *Delivering a Climate Neutral Europe*. (n.d.). United Kingdom: Taylor & Francis.

44 The "Valley of Death" is commonly known as a market failure. Here we refer to the "second valley of death" where companies find it hard to obtain the required growth finance. Private investors are deterred by unproven ability to scale-up rapidly and generate cash flow. "First valley of death" is associated to pre-commercial development of a product, with still high technical risks and unproven ability to generate revenue. In both cases investments are seen too risky by private investors, and are, therefore, often not funded.

45 The EU Startup and Scaleup Strategy Choose Europe to start and scale, COM(2025) 270 final.

Figure 2: Simplified illustration of the startup double valley of death[46]



In the public consultation, 70% (N=1 367) of respondents outlined that one of the key challenges of competitiveness is insufficient innovation and manufacturing capacity for strategic technologies. The EU's fragmented and underdeveloped capital markets hinder the ability of promising firms to secure large private investments, often forcing them to seek funds outside the EU, which, in critical areas, puts Europe's technological sovereignty at risk. In 2023, only 8% of all active unicorns[47] were based in the EU, compared to 66% based in the US and 26% in China.[48] Currently, there is no EU company with a market capitalisation over EUR 100 billion that has been created from the ground up in the last 50 years, while in the US all six (tech) companies with a valuation above EUR 1 trillion have been created over this period. Despite some recent progress with a 5.6% growth in the number of unicorns during 2023, the disparity remains notable.

The lack of large-scale, seamless support across the stages of research, technological and industrial development hampers the creation of project pipelines in multiple policy areas. There are some positive examples of targeted connection between EU funds. For example, the Innovation Fund is connected with the Horizon Europe and EIC pipeline upstream and project development assistance to InvestEU downstream for selected projects, but **this remains limited.** In the public consultation, around half of respondents (50%, or 1 008 respondents) found that improving continuity in EU funding from research to manufacturing could have a positive impact on competitiveness, with another 37% (N=717 respondents) saying that this could have some impact.

Problem driver 2 Insufficient leverage of private investment

The huge gap in scale-up financing in the EU relative to the US is often attributed to a smaller capital market in Europe and a less developed venture capital (VC) sector. The US raised substantially higher level of VC (USD 932 billion) than the EU (USD 133 billion) over the entire period 2016-2024.[49]

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[46] Ibid

[47] A unicorn is a privately owned start-up company, which has reached a valuation of $1 billion (currently about EUR882 million) or more.

[48] Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

[49] DG Research and Innovation – Common R&I Strategy and Foresight Service – Chief Economist Unit based on PitchBook data, as of the 11th of February, 2025.

Furthermore, between 2016 and 2024, only 12 VC funds in the EU raised tickets above USD 1 billion, compared to 157 in the US.[50] The VC investment gap between the EU and the US is particularly pronounced for later-stage financing. In 2024, the EU's performance was 84% lower than in the US for growth stage financing. China and the US also have outpaced the EU in leveraging public R&D investments into robust private sector funding. The **lag in private (R&D) investments** in the EU compared to the US and China, opened and increased simultaneously with the **digital boom** and the rise of enterprises - primarily from the US and China - in the digital sector that heavily invest in R&D.[51]

Mobilising private funding at necessary levels continues to be challenging across the EU. One reason is the high degree of fragmentation of the EU's smaller capital pools across national borders. Institutional investors in the EU appear to be driven to some degree by a home-country bias when making investment decisions. This can be due to unfamiliarity with foreign Venture Capital firms or unwillingness to sustain the necessary screening costs and due diligence practices. This fragmentation, coupled with lower growth perspectives push innovative companies to seek financing outside Europe.[52]

A number of measures aimed at encouraging private sector engagement are identified in the Strategy for Savings and Investment adopted in March 2025. Positive experiences include the EU programmes such as InvestEU (with 67.4% of its total investment mobilised coming from the private sector), through which the EU budget aims at de-risking innovative projects and crowds in private sector investments using for example EU guarantees and equity. Novel financial mechanisms are considered to crowd-in private capital in sectors facing market failures (e.g., nature credits for nature restoration) or to intervene when businesses in critical areas for EU's economic security are at risk.

Joint Undertakings (JUs) and other public private partnerships (PPPs) also leverage and pool resources, notably from industry. In the area of semiconductors, the Chips JU will raise EUR 11 billion in R&I investment until 2030. However, the leverage across the large number of partnerships and JUs is highly variable and not always sufficient.[53] **Public procurement**, which accounts for approximately 14% of the EU GDP[54], is one of the tools to channel public investment towards shaping the future of the European economy in support of objectives, such as green transition and resilience of the EU economy, but its implementation can be challenging[55]. Governments can support innovative companies to overcome classic market failures, by finding initial customers for their products and services[56].

The insufficient leverage of private investment is reinforced by the risk-averse tendency of European funders. Innovation, and R&D in particular, is by nature high-risk with a heightened degree of unpredictability. Market failures arise when private funders underinvest in projects with high potential returns due to the uncertainty surrounding their outcomes. Public intervention is required to mitigate the risk and encourage private investors to invest in innovative projects, to levels that can drive EU competitiveness. **The Draghi Report shows that the capacity of the EU budget to mobilise private investment through risk-sharing instruments is hampered by limited appetite**

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[50] Ibid.

[51] European Commission (2025). Steeman, J.-T., Peiffer-Smadja, O. and Ravet, J., *A comparative analysis of public R&I funding in the EU, US, and China*,

[52] Commission Staff Working Document for the EU Startup and Scaleup Strategy Choose Europe to start and scale, SWD(2025) 138 final

[53] Staff Working document (SWD) on Horizon Europe mid-term evaluation 2025 (forthcoming).

[54] European Commission (2025). The 2025 Annual Single Market and Competitiveness Report.

[55] Ibid.

[56] European Parliament, Directorate–General for Internal Policies, The Digital Single Market and the digitalisation of the public sector, GovTech and other innovations in public procurement, May 2022.

for risk as implementing partners remain mostly focused on relatively low-risk investment.[57] There is scope to improve the capacity of the EU budget to complement and attract private investments (for example from institutional investors, patient capital and venture capital) into innovation and fast-growing companies. Even if some funding instruments support beneficiaries in bringing research results to the market, projects often struggle to access adequate funding for the next investment steps of market deployment.

Leveraging more private funding through public intervention is also needed to address the positive externalities of innovation investments. The social benefits of these activities often exceed the private benefits that can be captured by the innovator, as they generate spillovers, such as new knowledge, that can benefit other firms and society as a whole.

For example, quantum technologies are nearing practical application across various sectors, but while the EU houses 25% of global quantum companies, these are receiving less than 5% of worldwide funding, threatening their growth and EU leadership in the field.[58] Inadequate funding also hampers progress in sustainable fuels for aviation and maritime[59], drug and vaccine development, and antimicrobial innovation[60], leading to project abandonment and limited approvals.

Europe faces a debt financing gap for new SME financing of more than EUR 28 billion annually, present in every Member State albeit at a different order of magnitude..[61] These financing gaps are observed, despite the fact that significant efforts are undertaken at EU level. The severity of the financing gap and market failure necessitates structured support to SMEs.

Problem driver 3 Complexity to access, mobilise and implement EU funding for beneficiaries

The complex EU's funding landscape for competitiveness poses significant hurdles for applicants and beneficiaries, particularly for smaller entities like SMEs and start-ups.[62] Some views from the open public consultation reflect the **complexity involved in accessing, mobilising, and implementing EU funding for beneficiaries**, particularly due to fragmented programme structures, varying criteria and requirements, and administrative burdens. In open-text responses on challenges in the funding process, respondents frequently noted that lengthy evaluation timelines, unclear call descriptions, and a lack of transparency create inefficiencies and discourage participation – particularly for SMEs (who were, on average, least satisfied with the funding process) and newcomers. Multiple applications across programmes to cover the entire investment journey cause extra burden and delays that are incompatible with deep-tech innovation**.** Varying conditions imposed by programmes targeting the same sector or similar project types add to the difficulty.[63] Combining different sources of funding (e.g. directly and shared managed programmes) while legally allowed is hard to implement for stakeholders. This disparity in rules and the lack of coherence is increasing search costs and burdening potential applicants with undue complexity[64]. This hinders potential beneficiaries from easily aligning their projects with available funding opportunities and from advancing in their investment journey. An insufficiently coherent and complex-to-access support for

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57 Draghi, M. (2024). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

58 EIB (2024) A quantum leap in finance: How to boost Europe's quantum technology industry.

59 EIB (2024) Financing sustainable liquid fuel projects in Europe. Identifying barriers and overcoming them.

60 WEF(2024) Funding the future: Sustainable financing models to help the fight against antimicrobial resistance.

61 Forthcoming study by the European Commission. The study analyses the SME financing gap by exploring financial market failures in the EU27 and across each EU Member State in providing credit to financially viable borrowers. The approach uses SME survey data from 2017-2023 to gauge the number of SMEs unsuccessful in obtaining a loan,

62 Draghi, M. (2024: 289). The future of European competitiveness. Part B – In-depth analysis and recommendations.

63 Annex 8 provides an overview of the varying eligibility criteria of the programmes in the scope of this IA.

64 European Commission (2025): Competitiveness Fund: Assessment of costs and benefits and comparison of options

beneficiaries of EU funding which, together with regulatory complexity[65], ultimately affects the efficiency and effectiveness of public investment and the ability to mobilise private funding. This indicates a need for a more streamlined but flexible approach to providing funding.

For example, difficulties have emerged in the combination of Digital Europe with support from the European Regional Development Fund (ERDF) under shared management implemented by Member States[66] and with the Recovery and Resilience Facility (RRF), which is not a cost-based but a performance-based instrument. More generally Member States' contribution to co-fund actions from directly managed EU programmes is subject to state aid rules, which Member States have signalled difficulties to handle. The experience of the STEP Seal shows some practical difficulties in the combination of resources from different sources (directly managed funding and cohesion policy funds) – including burdensome coordination between the Commission and the managing authority in terms of timing and process, differing methodologies used by Commission and granting authority for estimating costs, difficulties of cumulation for large consortia projects.[67] More than 13 specific 'one-stop-shops' exist or are being developed by the European Commission. Similarly, technical assistance and advisory services are managed by each programme under different rules.

Problem driver 4 Inefficient structure and coordination mechanisms (creating overlaps and reducing complementarities)

EU financing instruments are designed and deployed in a fragmented manner and lack focus on strategic priorities. Moreover, the misaligned targeting and coordination issues between funds, varying governance structures, and timing mismatches limit effectiveness and increase complexity. Overall, the EU has close to 50 spending programmes, sometimes with multiple – occasionally intersecting – objectives and using different instruments, even within a single policy area, as illustrated by the following examples: (1) There are 13 main financial programmes with significant relevance for energy under the current MFF; (2) In the area of research and innovation, there is evidence of cross-participation between Horizon Europe and 19 other EU funding programmes[68]; (3) In the area of digital, there are at least 15 programmes that support EU's digital transformation; (4) In the transport sector, there are 6 funds and programmes that support the development and deployment of alternative fuels; (5) In relation to EU security, there are at least 7 programmes that can support the development and deployment of innovative civil security solutions; (6) there are 12 funding programmes that support health priorities.

As confirmed by the European Court of Auditors report on EU's financial landscape the multiplication of funding programmes prevents the EU budget from reaching sufficient scale for larger pan-European projects, and leads to a duplication in efforts, inefficiencies, and incoherences.[69]

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65 Evidence from the health sector shows that health innovation in the EU is hindered by a slow and complex regulatory framework. For medicines, some elements are currently under review (pharmaceutical legislation) or recently changed (clinical trials). Multi-country or EU-wide trials can provide EU developers with sufficient scale to compete with the US and others. Regulatory differences between Member States as well as the slow uptake of digital tools pose a significant challenge in this regard. In addition, approval times for new medicines in the EU/EEA can be longer than in other regions. Source: Draghi, M. (2024). The future of European competitiveness. Part B: In-depth analysis and recommendations

66 Article 63(9) of the Common Provisions Regulation (CPR) allows support to an operation from multiple EU instruments, but at the same time makes costs declared under another EU instrument ineligible under CPR. This has proven to be a difficulty in combining ERDF with directly managed programmes.

67 STEP interim evaluation (forthcoming).

68 See Annex 8.

69 European Court of Auditors (2023). The EU's financial landscape.

Another concrete example is the 2024 report of the European Court of Auditors on **EU's investment in Artificial Intelligence**[70]. One of their conclusions was the high level of fragmentation of AI funding across different programs (e.g. Horizon Europe, Digital Europe Programme, EIC, Invest EU). This has resulted in the EU financed research on three similar projects (AI taxonomies) without any coordination between them. They concluded that there was no EU body or committee to coordinate the projects at the planning, implementation or evaluation stages. They recommended that this could improve monitoring of the performance of actions and the efficiency of AI planning and funding (e.g. to avoid double funding or to identify investment gaps).

Despite efforts to foster synergies[71] (e.g. signature of Memoranda of Understanding, Seal of Excellence, coordination via the Strategic Technologies for Europe Platform), EU funding programmes are still subject to overlaps and insufficient complementarities, and the creation of synergies at project level and between sectors remains complex and difficult to implement[72]. According to some of the contributions to the public consultation, addressing fragmentation through more integrated rules and governance structures could play a central role in simplifying access and reducing the overall complexities and administrative inefficiencies. Greater coherence across programmes is seen to have the potential to improve both the user experience and the overall effectiveness of funding delivery. Similarly, **applying common rules, timelines and eligibility criteria** to all relevant EU funds **was seen as an impactful possible measure** for EU funding to better support EU competitiveness with consistent results across stakeholder groups (76%, 1 502).

This fragmentation of funding in Europe is exacerbated by the lack of directionality (see problem driver #5). As set out in 'the road to the next Multiannual Financial Framework' Communication[73], the EU budget remains too much driven by the structures of spending programmes rather than by policies. As a result, financing of the current EU policy priorities is often scattered across sometimes overlapping programmes, with insufficient link between overall policy coordination and the EU budget.

Fund fragmentation also causes coordination issues between various funds, governance challenges (e.g. different reporting requirements, timing mismatches and fragmented responsibilities), underutilised financial transfers/limited uptake of complementarity, as well as synchronisation issues of fund flows. The Strategic Technologies for Europe Platform (STEP) is a novel instrument to enhance the degree of coordination among existing programmes across the MFF, aiming to solve some of the listed issues. However, the implementation of STEP across programmes operating under different rules, timelines, and legal bases, is an operational challenge[74].

The issue of fragmentation, inefficient governance and coordination mechanisms also affects applicants (see problem driver #6).

Problem driver 5 Insufficient flexibility of funding instruments

The complexity of the EU funding landscape stems from an increased number of programmes, multiplied in the past 15 years, replying to specific rules and objectives. For instance, many EU programmes in support of competitiveness are structured around annual or multi-annual work programmes (e.g. Digital Europe, LIFE) with varying characteristics. Some work programmes are underpinned by stakeholders' consultations, prepared through comitology and adopted by the College ahead of publication. This process helps with predictability, external communication and

[70] ECA (2024) Special report 08/2024: EU Artificial intelligence ambition – Stronger governance and increased, more focused investment essential going forward

[71] See Annex 7.

[72] SWD(2025) 110 final. Interim evaluation of Horizon Europe.

[73] COM(2025) 46. The road to the next multiannual financial framework.

[74] STEP interim evaluation (forthcoming evaluation).

transparency towards shareholders. Moreover, multi-annual planning provides stability for critical long-term investments, in particular in research, development, industrial capacities and infrastructures, with high fixed costs for individual Member States. However, in the current MFF, there are more than 30 work programmes relevant for competitiveness which vary in terms of structure, prescriptiveness, granularity and rules. For example, the Single Market Programme (SMP) has both an annual work programme for internal market and a multiannual work programme for statistics or competitiveness and enterprises; the EU Space Work Programme is a single programme with different annexes by components. Horizon Europe 2023-2025 main work programme contains more than 2 500 pages across 10 thematic priorities and programme parts. (see Annex 8 for more details, varying conditions, rules and application criteria).

The ongoing implementation of the current MFF provides some lessons learnt on how the EU budget's agility could be enhanced, and better align with the EU's priorities and objectives. 90% of the 2021-2027 MFF and NextGenerationEU budget is pre-allocated for specific purposes, programmes or national envelopes[75]. Since 2021, as a result, evolving needs subsequent to crises and have been addressed by repurposing and reallocating existing funds, in sometimes lengthy procedures, as well as creating for example new ad hoc funds in the space and defence areas, programmes, or measures, accentuating the issue of scattering of EU funding (i.e. ASAP, EDIRPA, EDIP, IRIS2). Each programme benefits from a varying degree of flexibility to reorient internally its budget. Some programmes have a defined degree of flexibility, while for others, transfers are not allowed. Furthermore, programmes relevant for competitiveness are to be found in the MFF under different headings, which limit possibility of transferring resources across programmes. Budgetary inflexibility emerges as a barrier to the effective allocation and use of EU resources. Higher flexibility to transfer resources (i.e. across and within programmes) would enhance the ability to respond to evolving policy needs. While providing for the needed predictability for long-term investments required by stakeholders, the current silo structure can delay the deployment of funds toward new initiatives that arise unexpectedly, thus restricting potential growth and innovation within the EU. Introducing more flexibility into resource allocation to react to crises and emerging needs was considered impactful by 79% (1 528) of respondents. Most of these respondents called for funding mechanisms reflecting clearer prioritisation and greater flexibility to address national and regional needs, while remaining responsive to emerging challenges and crises.

Problem Driver 6 Capacity gaps (labour and skills shortage, infrastructure, R&I divide)

The EU faces significant capacity gaps, including labour and skills shortages, insufficient R&I and technology infrastructures, and national and regional disparities (the national 'R&I divide'). These issues adversely affect the EU's competitiveness on a global scale.[76]

Labour and skills shortages, as well as skills mismatches, affect critical areas for EU's competitiveness, particularly in **the digital, deep tech and net-zero sectors.**[77] These must be addressed **to lift barriers in adopting digital technologies, especially among SMEs**.[78] at current pace, the EU will not achieve the Digital Decade[79] target of having 20 million ICT specialists in employment by 2030, which could also have diversity and gender balance impact. The potential

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75 COM(2023) 401 final. Annual management and performance report for the EU budget, financial year 2022.

76 Disparities in capacities across Member States were described as an important (or very important) challenge for competitiveness by 58% of stakeholders in the PC (N=1133).

77 Draghi, M. (2024: 25). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

78 45% of SMEs report that skills shortages hinder their ability to adopt or effectively use digital technologies. European Commission (2023). Flash Eurobarometer 529. Moreover, the mismatch between skills and labour market demands was seen as a relevant challenge by 62% (N=1208) stakeholders in the PC.

79 European Commission. Report on the state of the Digital Decade 2024.

industry demand for European AI specialists is measured between 0.5 and 2.8 million over the next five years, which would require a substantial part of graduates choosing this sector or reskilling post-graduates[80]. Similarly, **skills mismatches hinder progress in net-zero technologies**. Anticipation of skills needs and targeted re-skilling efforts are required to support a fair labour market transition and mitigate the impacts on affected sectors, and communities.[81] The European space sector faces a similar shortage of specialised skills due among others to fewer STEM graduates, an aging workforce, low female employment,[82] and misaligned curricula.[83]

Beyond skills and education, ***Error! Bookmark not defined.*****to lead on innovation, the EU needs to foster an environment that allows researchers and innovators to reach their full potential. This means providing state-of-the-art infrastructures, such as laboratories and supercomputers to test and develop ideas.**

These capacity gaps are further aggravated by the high divide in R&I performance both across Member States and across regions.[84] **Underperforming regions are particularly vulnerable to these dynamics and to the challenges associated to them[85]**, including the innovation gap, demographic changes (e.g., shrinking working population and brain drain), which can exacerbate competition for highly skilled workers and hinder the development of innovations, reinforcing existing disparity of resources and expertise amongst EU Member States.[86]

Problem Driver 7 Weak translation of research results into marketable outputs

Europe is lagging behind with regards to valorising research results and the uptake of innovative solutions.[87] While the EU's scientific performance remains strong, though increasingly challenged, its innovation output is behind other major economies with the gap deepening.[88] The **EU faces a challenge in translating its research results into commercial products and industrial deployment**.[89] This is supported by stakeholders according to the results of the public consultation.

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80 Leads GAP Analysis (2023), p. 30.

81 Draghi, M. (2024: 36). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

82 Particularly in the upstream segment (e.g. the majority of workers is in the 49-58 age group).

83 OECD (2023 : 89), The Space Economy in Figures: Responding to Global Challenges, OECD Publishing, Paris.

84 European Commission (2024). *European Innovation Scoreboard 2024*; European Commission (2023). *Regional Innovation Scoreboard 2023.*

85 A stronger focus of resources on specific knowledge hubs could have a direct effect on underperforming regions. The use of smart specialization strategies and other cohesion policy tools could diminish this impact. For further discussion, see territorial effects analysis on societal impacts in Chapter 6 below. For academic evidence, see Pinheiro, F. L., Balland, P. A., Boschma, R., & Hartmann, D. (2022). The dark side of the geography of innovation: relatedness, complexity and regional inequality in Europe. Regional Studies, 1-16.

86 European Commission (2024: 193). *Ninth report on economic, social and territorial cohesion*.

87 See recent Horizon 2020 ex-post evaluation, SWD (2024) 29 final. In a similar vein, this challenge was already pointed out in the Horizon Europe impact assessment, which stated that the EU's substantial knowledge assets, notably in the field of key enabling technologies, need to be more effectively and quickly turned into innovations. See SWD (2018) 307 final.

88 European Commission (2024: 17). Science, Research and Innovation Performance of the EU: A Competitive Europe for a Sustainable Future.

89 In this regard, evidence from the health sector shows that the EU matches the US in scientific publications but lags in commercializing research, causing innovators to leave Europe. (Source: Draghi Report) To valorise the knowledge the Commission supports the development of industry academia collaboration. It is for instance investing EUR 100 million to establish a European Hub for Vaccine Development which will bring together universities, research institutes and increase links with industry.

72% (N=1419) of respondents considered the inability to bring innovation to market and integrate it into the EU's industrial base as an important challenge for competitiveness.[90]

Investments in **research excellence** generates massive scientific, economic, environmental, and societal benefits, including collaborative research.[91] It is **the basis for effective and robust knowledge valorisation**, which in turn drives economic dynamism. However, while the EU is a "*mass producer [of knowledge]",* it possesses*, "relative to its size, comparatively few centres of excellence that stand out at world level*."[92], with potential consequences into levels of talent drain in the region.[93] In parallel to the lack of enough top-tier academic institutions, levels of cross-sector and cross-border collaboration are still low,[94] leading to a **fragmentation and under-exploitation of the R&I ecosystem that undermines EU's ability to compete in the global innovation landscape**[95].

This is a lost opportunity and affects the overall innovation performance of the EU, as universities and research institutions should play a vital role in the first stages of the investment journey, via access to education, skill formation, and particularly, groundbreaking research. But this is also true in the deployment phase, as the most advanced innovation clusters tend to develop around prestigious universities.[96] The EU boasts an excellent university system on average, but its presence among the top world-leading research universities is limited, especially in natural science and health science. Lacking excellence at the top stems from difficulties in attracting and retaining top research talent. Also, the links between higher education and business are weak and researchers have few incentives to become entrepreneurs.[97]At the same time, the EU has numerous innovation clusters, but they are less developed and generate less value than those in the US and China. The EU has only one high-tech sector cluster in the global top 20, compared to 6 for the US and 7 for China.[98] [99]

To stay competitive, "we need to create the conditions for researchers to thrive".[100] This requires multiple measures, including funding for excellent research[101], as well as ensuring, stronger links with later stages of development in the investment journey.[102]

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90 This was particularly relevant for businesses, with a 83% (N=309) of them identifying it as a major obstacle.

91 SWD (2024) 29 final. Ex-post evaluation of Horizon 2020, the EU Framework Programme for Research and Innovation.

92 SWD(2017) 220 final, p. 46. In-depth interim evaluation of Horizon 2020.

93 Mahroum, S. (2000). Highly skilled globetrotters: mapping the international migration of human capital. *R&D Management*, *30*(1), 23-32.

94 An example is the fact that only between 3-10% of co-patents filed each year involve organisations located in two different European countries. Source: European Commission (2024: 267). Science, Research and Innovation Performance of the EU: A Competitive Europe for a Sustainable Future.

95 Fragmentation particularly hinders Europe's progress towards more advanced and complex technologies. Recent evidence shows that the EU R&I system is not only more fragmented than in the US, but also that this fragmentation is particularly pronounced for complex technologies, which are key for enhancing competitiveness. See Balland et al. (forthcoming). "Divided we fall behind. How R&I Fragmentation kills EU competitiveness in complex technologies."

96 Draghi, M. (20242024: 240). The Future of European Competitiveness, Part B: In-depth analysis and recommendations.

97 Draghi, M. (2024: 239-241). The future of European competitiveness. Part B – In-depth analysis and recommendations.

98 WIPO: Global rankings of science and technology clusters, 2023.

99 In the health sector, the US concentrates health funding on hubs, while the EU follows a fragmented approach (Draghi, page 192). The EU's approach limits its ability to develop large clusters, hindered by data issues and complex regulations.

100 European Commission (2024: 11). Europe's Choice. Political guidelines for the next European Commission 2024-2029.

101 Ibid.

102 For example, evidence shows that many high-quality R&I projects of Horizon Europe are unfunded due to insufficient financing options. Currently, only 33% of the high-quality proposals could be funded, see European Commission (2024), *Horizon Europe implementation – Key figures 2021-2023*.

The valorisation of research results on the market contributes to strengthening the economy, increasing competitiveness and economic and research security. Challenges for uptake and deployment include weaknesses in facilitating technology transfer and underexploited public agencies.[103] A critical factor in this process is the effective management of intellectual property (IP), which ensures that innovations are protected, managed and enforced. Strong IP strategies not only encourage investment and partnerships but also safeguard Europe's technological sovereignty. As underlined in the European Commission action plan on IP, intellectual property is a key driver for economic growth and helps companies valorise their research results and secure a return on investment.

Insufficient wide-scale collaboration between R&I and industry, as well as across disciplines,[104] hampers competitiveness. For example, **the limited diffusion of knowledge has far-reaching implications for critical sectors like healthcare**, where the lack of access to interoperable data hampers the development of innovative health technologies, and Europe's capacity to respond to health emergencies, ultimately compromising its global health security, cooperation and competitiveness. **Similar issues are faced in the digital sector**, where the suboptimal uptake of digital technologies might hinder EU competitiveness and resilience.

Problem Driver 8 Low and fragmented investment in strategic technologies and sectors (for example: clean tech, cross-border infrastructure, defence, digital, biotech)

The EU faces a persistent lack of directionality of EU funding, as investment covers multiple fields and priorities without clear focus on key strategic technologies and sectors. According to the public consultation, the innovation and technological gap in strategic technologies is the second most-important challenge (81% of respondents - N= 1 614) after underinvestment in R&I (91% - N=1 795).

This is exacerbated by the limited alignment between EU priorities and Member States funding strategies.[105] Notwithstanding progress from initiatives such as IPCEIs to support key strategic technologies, most funding raised at national or regional level responds to national or regional priorities, often insufficiently aligned with EU strategies.[106] In addition, EU **public R&D funding is fragmented** across multiple governmental layers hindering the impact of public funding. Given the constraints on public funding ensuring the efficiency and impact is vital.[107]

Europe specialises in mid-tech sectors with lower R&I intensity that are not at the centre of radical technological advances.[108] Its scientific productivity is lower than the US and China's in strategic areas, leading to a considerable technological gap, as shown in Figure 2 - EU position in complex technologies vs. the US and China, 2019-2022. This technological gap is also largely affected by a **gap in private R&I investment** (see Problem Driver #2). This creates **a vicious cycle where the EU**

[103] Mergel, I., Ulrich, P., Kuziemski, M. and Martinez, A. (2022). Scoping GovTech dynamics in the EU,.

[104] Including Science, Technology, Engineering and Mathematics (STEM), Social Sciences and Humanities (SSH), and life sciences.

[105] Draghi, M. (2024). The future of European competitiveness. Part B – In-depth analysis and recommendations, p. 236

[106] Although regional and national smart specialization strategies show that ERDF R&I investments contribute to the twin transition, there is a structural lack of coordinated policies and objectives between EU, Member States and regional levels.

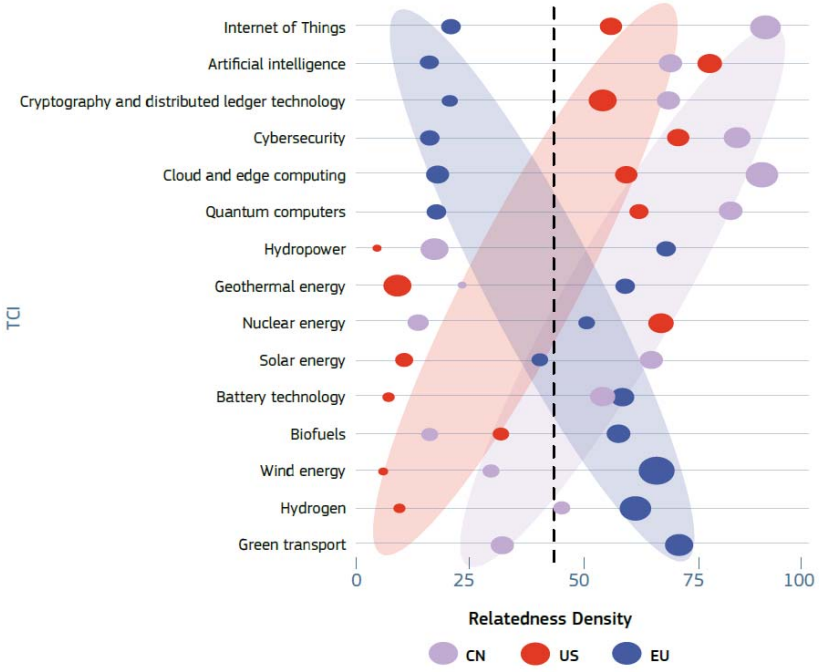
[107] European Commission (2025). Steeman, J.-T., Peiffer-Smadja, O. and Ravet, J., *A comparative analysis of public R&I funding in the EU, US, and China*,; European Commission (2025) Benoit, F., Karvounaraki, A., Stevenson, A. and Ravet, J., *Shaping the future – EU R&D investments explained*

[108] Draghi, M. (2024: 23). The future of European competitiveness. Part A – A competitiveness strategy for Europe.

focuses on mid-to-low research-intensive technologies, which widens the R&I investment gap in high-tech sectors like ICT and health.[109]

Additionally, Europe faces a debt financing gap for new SME financing of more than EUR 200 billion over a 7-year period. The financing gap exists in every Member State albeit in a different order of magnitude.[110] This financing gap is observed, despite the fact that significant efforts are undertaken at EU and Member State level to support SME financing such as through the InvestEU programme, Member State resources or EIB/EIF own resources.

Figure 2 - EU position in complex technologies vs. the US and China, 2019-2022[111]



The EU has allocated significant budget to contribute to the digital transition. In the years 2021 to 2023, the EU budget (including NextGenerationEU) has channelled over EUR 200 billion to the digital sector.[112] However, this proved insufficient to reach several EU digital targets. For instance, it is estimated that reaching the Digital Decade connectivity targets alone still requires additional investments of more than EUR 200 billion until 2030[113]. Based on a projection from 2020 data, Draghi estimates that, for the period 2025-2030, EUR 150 billion annually are needed for the EU to become a leader in digital technologies and between EUR 100 to 150 billion annually for breakthrough innovations, including in the field of digital. For example, a minimal sovereign cloud capacity requires EUR 80 billion. Reaching the target for chips production capacity (20% of global

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109 Research and development of innovative health technologies including antibiotics is a complex and expensive process that requires significant investment, including private R&I investment.

110 Forthcoming study by the European Commission. The study analyses the SME financing gap by exploring financial market failures in the EU27 and across each EU Member State in providing credit to financially viable borrowers. The approach uses SME survey data from 2017-2023 to gauge the number of SMEs unsuccessful in obtaining a loan,

111 European Commission (2024: 38). Science, research and innovation performance of the EU, 2024 – A competitive Europe for a sustainable future.

112 Budget contribution digital: Digital tracking - European Commission.

113 European Commission (2023). Report on the State of the Digital Decade.

market share by 2030) would still require 251 billion, according to an estimate of industry leader ASML[114].

Furthermore, the EU is at risk of losing its lead in **clean technologies** and putting in danger the achievement of its environmental and climate goals due to insufficient disruptive innovation leading to commercialisation in areas like circular economy, water resilience, blue economy, zero pollution, and climate change mitigation.[115] While the EU still performs better than China and the US in R&I in some energy technologies, green infrastructure, and environmental tech, and has mobilised significant resources under the 2021-27 MFF and Next Generation EU, it is still lagging in investments in promotion, development, and manufacturing.[116] Studies show two current challenges. First, many of the technologies needed for the operationalisation of the green transition are still being researched,[117] and these technologies will be essential to continue to protect our natural capital and boost our circular economy. And second, there has been a recent decrease in climate-related innovation, despite increasing commercialisation of existing technologies[118]. We are thus facing a double-edged challenge, which includes an investment shortage[119], as well as a market uptake obstacle.[120]

The Net-Zero Industry investment needs assessment, performed by the European Commission, identifies a need for around EUR 92 billion in accumulated investments from 2023 to 2030 to boost EU manufacturing capacity in strategic net-zero technologies, including solar, wind, batteries, electrolysers and heat pumps. In the industrial field, decarbonisation – especially in energy-intensive sectors like steel, cement, and chemicals – faces significant hurdles. One of the primary challenges is the current high cost of transitioning to low-carbon technologies in hard-to-abate sectors. Many green alternatives, such as hydrogen-based production or carbon capture and storage (CCS), require substantial upfront investments. As indicated in the Draghi report, on top of large upfront capital costs (CAPEX), the operational costs (OPEX) of some producing with greener technologies are uncertain when technologies are not mature and often higher than those of traditional technologies as long as electricity and low-carbon fuel (e.g. clean hydrogen) prices remain high in Europe. As a result, these technologies are often not economically viable yet compared to traditional fossil fuel-based processes.

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114 European Court of Auditors (2025). Special report “he EU’s strategy for microchips”.

115 See Draghi, M. (2024: 35-36). The Future of European Competitiveness, Part A: A competitiveness strategy for Europe.

116 In the energy sector, key for the green transition, various challenges hinder investment in the energy system. Energy projects often struggle with low return on invested capital, due to high operational and capital costs, significant upfront investment needs, and/or uncertain revenue streams, compounded by regulatory risks such as long permitting procedures. European venture capital markets are less developed than US, China and UK, and market fragmentation coupled with limited securitization deter institutional investors. Additionally, weak creditworthiness of SMEs and counterparty risks discourage investment. Source: Draghi, M. (2024). The Future of European Competitiveness, Part B: In-depth analysis and recommendations.

117 International Energy Agency (2023a), Net Zero Roadmap - A Global Pathway to Keep the 1.5 °C Goal in Reach, 2023 Update.

118 Cervantes, M., Criscuolo, C., Dechezleprêtre, A., and Pilat D. (2023), Driving low-carbon innovations for climate neutrality, OECD Science, Technology and Industry Policy Papers, No. 143, OECD Publishing.

119 Delivering the EU’s environmental objectives requires mobilising more environmental investments. Up to 2030 the environmental investment gap in the EU, i.e. the environmental investment needs unmet by existing private and public funding, is currently estimated to be at least EUR 122 billion per year. Particularly for R&I, EU´s expenditure is expected to increase further, with a view to catching up to global competitors and to delivering on previous pledges on the R&D intensity. The estimated total needs reach around EUR 27 billion per year (including both direct and indirect contributions to the environment). Given recent baseline expenditure of EUR 20 billion per year, this creates a yearly financing gap of EUR 7 billion. Sources: European Commission (2022), European Court of Auditors (2023), Special report 17/2023: Circular economy; internal Commission analyses.

120 International Energy Agency (2023). The World Energy Outlook 2023, IEA, Paris.

Companies may therefore delay or limit their transition, leading to slower progress in reducing industrial emissions.

The European defence and space sectors have suffered from decades of underinvestment, leading to critical capability gaps in the national armed forces, as well as a lack of interoperability of solutions across Member State with fragmented markets, affecting the competitiveness of EU industries and the security of the EU. This is accompanied by a **lack of private investment** linked to uncertainties and risks associated with defence, regulatory and political challenges (e.g. EIB lending policy). Particularly, private investors are reluctant to invest (in R&D or ramping up of production capacities) without having a clear perspective of long-term demand. As conflicts are by nature hybrid nowadays, ensuring the EU's security requires, alongside defence investments, to invest in purely **civil security technologies**, The civil security industry in the EU faces problems like the defence industry, in particular in terms of market fragmentation and regulatory challenges. In addition, EU space start-ups and scale-ups face significant challenges in securing the necessary funding for their growth, with the projected private investment needs for the next seven years amount to close to EUR 10 billion. The private financing gap is particularly significant in later stages of their development, translating into significant technology gaps in the EU compared to other countries.

Furthermore, a stronger focus on maximising technological spillovers between civil and defence innovation cycles is mutually beneficial for both industries by ensuring a functioning civil-to-defence and defence-to-civil innovation pipeline. In addition, it can help integrate commercial **technologies with dual-use potential**,[121] driving deeper technical innovation and expanding the use of capital for emerging technologies.[122] By investing in both civil security and defence technologies, the EU can support its resilience and competitiveness, while ensuring the growth of startups and SMEs in the EU.

In parallel, **the EU faces significant challenges in coordinating investment in infrastructures** (including cross-border ones) across key sectors such as energy, transport, and digital connectivity. This lack of coordination limits the efficiency of infrastructure projects, increases costs, and slows down the development of a truly interconnected single market. The estimated investment needs for energy infrastructure categories for the period 2028-2034 amount to a total of EUR 570 billion, corresponding to a yearly amount of EUR 81.5 billion per year[123].

The energy and digital sectors also face significant infrastructure challenges. **The decarbonisation of the energy system requires an expansion of power grids**, while delays in developing cross-border interconnectors hinder progress toward a unified European energy market. In the **digital sector**, gaps in infrastructure investment, such as the deployment of 5G and high-speed broadband, leave certain regions lagging behind, exacerbating the digital divide. The unprecedented growth in computing needs for AI and the related but essential data-storage and networking/cloud capacity were not anticipated. The infrastructural needs for Generative AI were initially not foreseen in the current MFF, but an investment of EUR 200 billion has been considered essential in 2025. [124] Furthermore, low investments and coordination of **cross-border interoperability**[125] for digital public services

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121 European Commission (2024). White Paper on options for enhancing support for research and development involving technologies with dual-use potential, COM (2024) 27.

122 Draghi, M. (2024: 163). The future of European competitiveness. Part B – In-depth analysis and recommendations. As referred to in the Draghi Report, a successful scale-up of defence manufacturing capabilities is also closely linked to the resilience of the wider value chain and interaction with related industrial ecosystems.

123 European Commission (2025) Investment needs of European energy infrastructure to enable a decarbonised economy

124 Speech by President von der Leyen at the Artificial Intelligence Action Summit, 11 February 2025.

125 At least EUR 700 million at EU level is needed for the creation and deployment of pan-European and sovereign cross-border interoperability and other digital public infrastructures. This is to be topped up by further co-investments from Member States. Source: Internal Commission analysis, an estimate based on the current budget and future needs.

failed to exploit the expected 0.4% EU GDP growth and savings for businesses up to EUR 568 billion[126].

The EU **health, biotech and med-tech sectors** faces several challenges in translating research into marketable outputs, primarily due to limited risk-tolerant capital, fragmented innovation landscapes, and regulatory barriers. The sector requires highly skilled workforce. In addition, the potential of AI and big data is underused, affecting innovation and competitiveness. These issues lead to unequal access to treatments and vulnerabilities in medicine and medical devices supply chains. The EU's pharmaceutical industry, despite a strong trade position, is losing ground in dynamic market segments. In addition, the health and biotech sector plays a key role for health security, such as through addressing antimicrobial resistance.

3. WHY SHOULD THE EU ACT?

3.1. Legal basis[127]

Article 173 of the TFEU foresees that the Union and the Member States shall ensure that the conditions necessary for the competitiveness of the Union's industry exist. The Union shall contribute to the achievement of these objectives through the policies and activities it pursues under other provisions of the Treaties.

Under Title XIX of the TFEU ("Research and Technological Development and Space" heading), Article 182(1) requires that the activities set out in Article 180 are implemented through a multiannual framework programme: "A multiannual framework programme, setting out all the research and technological development activities of the Union, shall be adopted by the European Parliament and the Council, acting in accordance with the ordinary legislative procedure after consulting the Economic and Social Committee.

3.2. Subsidiarity: Necessity of EU action

As the Problem Definition illustrates in detail, the EU is facing a competitiveness gap with other global players. Not only US and China are leading in critical sectors and key innovation clusters,[128] but these economies also leverage significantly greater financial support for R&I, deployment, and scale up. For this reason, the response to regain competitiveness needs to be coordinated at EU level to be truly effective. Pooling resources at the EU level can maximise the impact and added value of investment on the ground, and lead to economies of scale in procurement (for vaccines, medical equipment, etc.), research and innovation, space and health initiatives, making them more cost-effective than if each Member State acted independently.

Underinvestment by the private sector remains a persistent challenge in the EU, affecting a broad spectrum of investment types—including infrastructure, innovation, green and digital transitions, and industrial capacity. This underinvestment is exacerbated by fragmented capital markets, which hinder the efficient allocation of savings to productive investment opportunities across borders.[129] Despite a high level of private savings in Europe, these are not being sufficiently transformed [130] into long-term investments, especially those that are critical for the twin transitions and strategic autonomy. The fragmentation of financial markets limits cross-border capital flows, reduces scale, and increases risk for investors, particularly affecting SMEs and strategic sectors.

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126 Letta, E. (2024). Much more than a market, page 95.

127 Details of the legal basis of sectoral policies are provided in Annex 8.

128 Draghi, M. (2024:241). The future of European competitiveness. Part B – In-depth analysis and recommendations.

129 European Commission (2025). The 2025 Annual Single Market and Competitiveness Report

130 COM(2025)124 final. Savings and Investments Union. A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU.

As the Draghi report points out public R&D spending in the EU is highly fragmented across Member States, not consistently directed towards EU-wide priorities, and often difficult to access. Currently, only a small portion of this funding comes from EU-level resources, with most resources coming from the budgets of the 27 Member States.[131] EU-level action is necessary to support the type and scale of projects that would otherwise not be possible if Member States acted alone. EU support creates critical mass for large projects and partnerships to produce more impact[132] and deliver on pan-European societal needs, whilst leveraging more private and public investment.[133] Lastly, collaboration - fostering knowledge spillovers and risk-sharing opportunities - is an important element in advancing competitiveness. An EU-wide solution would foster economies of scale and cooperation across stakeholders,[134] which are vital to enhance knowledge valorisation and improve organisational and technical capacities.

3.3. Subsidiarity: Added value of EU action

1. Enhancing collaboration and integration across stakeholders and borders

EU funding fosters extensive collaboration across stakeholders and borders, reducing fragmentation of resources and efforts and facilitating knowledge transfer between stakeholders and sectors, from fundamental research to businesses.[135] This collaboration is vital for developing competitive products and services and is crucial in technological fields that require a strong European presence. EU funding breaks down national barriers and forms networks creating critical mass to address challenges like climate neutrality, biodiversity loss, pollution, digital transformation, security, competitiveness or preparedness that single Member States cannot tackle alone. [136,137]

2. Addressing market failures and suboptimal investment conditions, and generating economic impact

EU funding addresses market failures and suboptimal investment conditions, such as green-premium investments and large infrastructure projects where social returns outweigh private returns. By mitigating investment risks and incentivising stakeholder engagement, EU funding supports economically beneficial projects that might not succeed otherwise. It enhances economic resilience, leverages private funds, attracts capital, and boosts productivity across the EU, driving GDP growth and fostering long-term stability. For example, more than 370 billion EUR of additional investment had been mobilised by EFSI (the European Fund for Strategic Investments – the predecessor of InvestEU) by the end of 2022[138]. According to the RHOMOLO-EIB model, the EFSI-supported investments addressing market failure and suboptimal investment situations and leveraging private investment will help generate a 2.4% increase in GDP and 2.1 million jobs by 2025.

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131 For example, Draghi shows that for public R&D spending circa one-tenth comes from EU-level resources.
132 Letta, E. (2024). Much more than a market, page 22.
133 European Commission (2024). Evaluation study of the European framework programmes for research and innovation for an innovative Europe – Report phase 2 (support study for the interim evaluation of Horizon Europe).
134 Draghi, M. (2024:239). The future of European competitiveness. Part B – In-depth analysis and recommendations
135 European Commission (2024: 352), Science, research and innovation performance of the EU – A competitive Europe for a sustainable future.
136 European Commission (2024: 98). Horizon Europe and the Digital & Industrial Transition: Interim evaluation support study Final Report ("Phase 2" study).
137 European Commission, Mitra, A., Canton, E., Ravet, J. and Steeman, J. (2024: 8). The added value of European investments in research and innovation.
138 European Court of Auditors (2025). Special report 07/2025: The European Fund for Strategic Investments.

The R&I Framework Programme Horizon Europe is expected to make a contribution to the EU's GDP of EUR 720 to 975 billion over a 25-year period.[139]Along with impacts on GDP, there is evidence that EU R&I funding generates considerable added value at firm-level, while not displacing or replacing national funding. Similarly, it is estimated that every euro invested into the European Defence Fund will generate EUR 4.5 of benefits by 2040. EU funding can also support cross-border projects that do not attract public and private investments due to complex regulatory environments which impacts profitability and risk. This is also thanks to ensuring EU-wide competition which allows to select the best (most scientific and innovative ideas) from across the EU. Furthermore, EU action helps in limiting duplication and inefficiencies that can be caused by financing overlapping projects conducted in various countries.

3. Strengthening investment directionality

Pooling funding at EU level can ensure higher added value, by addressing EU-wide challenges and promoting shared priorities like digital and green transitions. [140] [141] Coordinated funding ensures that resources address shared challenges and helps in fostering partnerships with the private sector, aligning political and industrial priorities.[142] This collective approach supports breakthrough innovations and strategic goals, overcoming coordination limitations among Member States. For example, ex-post simulations estimate that, without EU funding for research and infrastructures over decades, essential innovations—like mRNA-based COVID-19 treatments—would have been delayed by months, hindering critical rapid market release and subsequently societal benefits.

4. OBJECTIVES: WHAT IS TO BE ACHIEVED?

4.1. General objectives

General Objective 1 - Establish an investment capacity to support European competitiveness in strategic technologies and sectors, including disruptive innovation, decarbonisation, and resilience, through a more seamless investment journey from fundamental research, applied research to deployment and manufacturing.

General Objective 2 - Leverage the funding tools of the EU Budget to unlock private, institutional and national investment in support of strategic technologies and sectors, including for research and innovation, in the EU.

4.2. Specific objectives

Specific Objective 1 - Promote public and private investments throughout the whole investment journey, notably R&I, and better leverage the de-risking potential of the EU budget to maximise its EU added value

Specific Objective 2 - Facilitate access to funding from EU programmes through user-centric, faster, simplified and harmonised procedures and improve coherence among EU instruments and with Member States investments

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139 European Commission, A new horizon for Europe – Impact assessment of the 9th EU framework programme for research and innovation (2018).

140 European Commission (2024: 90). Horizon Europe and the Digital & Industrial Transition: Interim evaluation support study Final Report ("Phase 2" study).

141 Ibid, page 62.

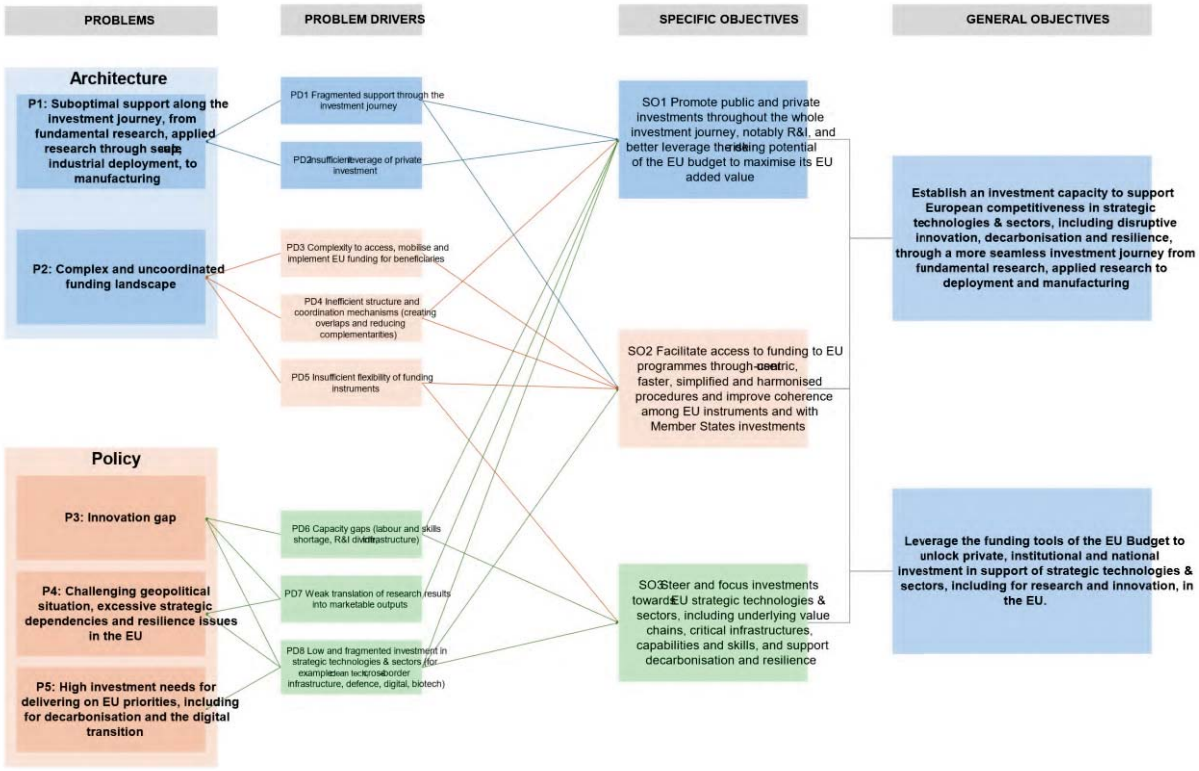
142 European Commission (2024 : 99) Viscido, S., Lotito, A. and Boekholt, P., *Horizon Europe and the digital & industrial transition – Interim evaluation support study – Final report ("Phase 2" study)*, Viscido, S.(editor), Lotito, A.(editor) and Boekholt, P.(editor)

Specific Objective 3 - Steer and focus investments towards EU strategic sectors and technologies, including underlying value chains, critical infrastructures,capabilities and skills, and in support of decarbonisation, security and resilience.

Both the general and specific objectives are: 1) achievable through the set-up and implementation of the programme, with continuous progress monitoring to address potential challenges; 2) relevant, as they align the investment goals with the EU's strategic priorities, ensuring they contribute to overall EU competitiveness; and 3) time-bound, corresponding to the duration of the next Multiannual Financial Framework (MFF).

4.3. Problem tree

Figure 3 below outlines how the general and specific objectives of the Competitiveness Fund interlink



5. WHAT ARE THE AVAILABLE POLICY OPTIONS?

5.1. What is the baseline from which options are assessed?

The baseline assumes a continuation of the current MFF; the same funding programmes in scope of this impact assessment would continue as they are, with the same instruments, budgets and budgetary split, and the same rules for participation. The policy options will be assessed against this baseline.

5.2. Description of the policy options

In line with the need for 'simplicity and flexibility, speed and strategic focus'set out in the Political Guidelines, the impact assessment will assess three options[143] affecting the architecture of EU funding ranging from the continuation of the 14 currently existing programmes related to competitiveness, to their consolidation into a new Competitiveness Fund:

A. Business-as-usual-plus: light coordination.
B. Enhanced coordination between existing programmes (single rulebook).
C. Consolidation of programmes in a new European Competitiveness Fund.

A. Business-as-usual-plus: Light coordination

Option A would entail incremental progress on the current situation. The funding landscape for competitiveness would continue to be divided across 14 programmes with their own individual rulebooks (including different funding rates, eligibility rules, application criteria), but with the Commission making best efforts to foster coordination across the programmes to enable improved horizontal consistency across funds. Each programme would continue with its own specific legal act and rules tailored to its needs and constituency (e.g. different rules on third country participation), but the Commission could seek to expand on the approach taken with Strategic Technologies for Europe Platform (STEP) to help individual projects benefit from cumulative funding under several programmes.

B. Enhanced coordination between programmes and a common rulebook

Option B would go further with harmonising rules across the programmes (including a common rulebook going further than the individual rulebooks presented in option A), such as aligning the definition of objectives, strands and pillars, as well as ensuring consistency across the implementing tools and horizontal legal provisions across programmes (e.g., rules on third country participation, monitoring and reporting, audits, evaluation procedures, funding rates). All basic acts for programmes would be based on a common template.

C. Consolidation of programmes in a new European Competitiveness Fund

This represents the most integrated of the options, involving the consolidation of the current Union programmes for competitiveness into a single fund with a strategic steer.[144] This option would be based on a single (or possibly two – cf. Article 182 TFEU) legislative proposal(s) for a European Competitiveness Fund.

This option would go furthest in creating a single investment capacity to support strategic sectors and technologies, disruptive innovation and decarbonisation, through a more seamless investment journey from fundamental research to applied research, to deployment, manufacturing, services and solutions. This option would enable a stronger strategic steer prioritising policy rather than programmes, to select cutting edge projects with the most added value for the Single Market, placing disruptive innovation at its core, while considering the need for long-term predictability for stakeholders and investors.

The European Competitiveness Fund would be structured along a small number of policy windows reflecting strategic priorities crucial to EU competitiveness and resilience (from AI and digital to space, from clean tech to biotech, from defence to health). Its open architecture would help the Fund respond quickly to new challenges and priorities by providing overall direction and strategy. It would be informed by a steering mechanism across the entire MFF, of which the Competitiveness

[143] Indicators such as" Time to prepare a proposal"," Time to grant "," Average cost of a proposal", "Time-to-inform" are consistently used to assess the options across the Impact Assessment.

[144] In light of their specific legal basis in the Euratom Treaty, Euratom Research and Training Programme and ITER cannot be merged into a single legislative act.

Coordination Tool will form part, to align funding and priorities, and build on input from a consultative board composed of key stakeholders. This new architecture would allow for the setting of policy priorities at the level of each window, to effectively target support from early research to manufacturing and deployment, including infrastructure and specific skills, relying on funding tools adapted to the project's needs and offering an appropriate leverage/impact ratio of the EU budget. In addition, within the European Competitiveness Fund, fundamental research would reflect an open, bottom-up approach and focus on frontier excellent research while developing appropriate synergies with other components of the European Competitiveness Fund.

The Fund would flexibly mobilise the entire financial toolbox provided by the EU budget (including loans, grants, equity, quasi-equity, blending, procurements and guarantees) at the service of competitiveness policy objectives, whilst also supporting decarbonisation and the digital transition. Under this option, the budgetary guarantee and financial instruments would become available to all the policy windows, making them usable across areas of funding under a single Fund. Synergies with other programmes will also be ensured, thanks to a more integrated approach at strategic level and at operational level. The integrated structure would also support cross cutting activities enhancing investment opportunities and bankability of projects across strategic areas (e.g. advisory services, dedicated support to SMEs), while better enabling synergies with other structural parts of the MFF, such as pre-allocated envelopes managed with Member States.

5.3. Options discarded at an early stage

Another option would be to partially consolidate existing programmes into a small number of sectoral programmes covering the whole investment journey from research to deployment for a specific policy. While this option could enhance policy steer and reduce budget fragmentation on specific policies, it would not sufficiently improve flexibility to respond to emerging needs across the EU budget and would miss a number of the benefits put forward by the European Competitiveness Fund (integrated funding toolbox, integrated steer to support competitiveness across sectors). There would have been also a very high number of scenarios for such partial consolidation, based on the heterogenous structuring of the funding landscape available today. This is why it was discarded at an early stage and not considered in this assessment.

6. WHAT ARE THE IMPACTS OF THE POLICY OPTIONS?

The assessment focuses on key impacts, including: (1) Economic impacts, such as competitiveness, particularly for SMEs and the European economy as a whole, as well as cost and benefits for the beneficiaries of the funding; (2) Social impacts, including employment, territorial cohesion, skills development, health, and resilience; (3) Environmental impacts, such as climate, biodiversity, circularity, and energy, with a focus on decarbonization efforts.

6.1. Baseline scenario

6.1.1. Economic Impact

Macro-economic impact

Macro-economic impact is captured in a fragmented manner adding from each programme separately. For example, the InvestEU programme would continue increasing EU's GDP (by 0.1% in 2023 – the contribution to GDP growth is expected to be higher in the following years due to the programme deployment) by mobilising more than EUR 372 billion of public and private investment through an EU budget guarantee of EUR 26.2 billion.[145] InvestEU budgetary guarantee mobilised so far around EUR 200 billion of private investments (multiplier of 14,8), [146] supporting so far over 55,000 SMEs and small midcaps, as well as a significant number of midsized companies, larger corporates and

[145] InvestEU interim evaluation (SWD(2024) 229 final).
[146] InvestEU Operational Reports as at 31/12/2024

stand-alone projects. R&I funding through Horizon Europe is expected to increase EU GDP by EUR 30-40 billion per year over 25 years. This amounts to EUR 800 billion to EUR 975 billion overall. Between 2021 and 2024, 10 077 SMEs were funded by Horizon Europe, for overall EUR 7.4 billion in grants; a further EUR 1.7 billion in equity investments were approved by the EIC Fund.[147]

Benefits and costs for relevant beneficiaries

The baseline scenario would bring continuity, predictability and certainty to stakeholders currently benefitting from EU funding, as they are already accustomed to the existing processes and governance structures including businesses [148]. Private and public financial entities (including implementing partners of EU budgetary guarantee) would benefit from the continuity and predictability, supporting long-term planning and alignment with own operating systems.

Individual programmes' investments may continue to create economic and environmental benefits thanks to EU funding.

Administrative costs linked to the application preparation would remain high and procedures complex for all stakeholders, as the programmes would continue in their current form. Beneficiaries would continue to face significant administrative costs measured in terms of Time to prepare a proposal and Time to grant (TTG) a proposal (number of days between the call deadline and the signing of the grant agreement)[149], which altogether could amount up to 7% of the total fund size. For applicants, the average cost of a proposal can vary between EUR 5000 and EUR 32,000. For multi-beneficiary projects, consortium coordinators dedicate between 36-45 person days to prepare a proposal, while contributing consortium partners spend between 16 and 25 person days. The time-to-inform (the duration between closure of a call and formal communication of the outcome to applicants, "TTI") lies between 86 and 130 days, while time-to-grant (the duration between call outcome and the signing of the grant agreement, "TTG") can be as high as 313 days (240 days, on average), [150] which translates not only into high administrative but also high opportunity costs for applicants (see Annex 9 for a breakdown of TTI and TTG per programme). Success rate[151] (the percentage of proposals retained for funding out of the total number of eligible proposals) which is relevant for the applicants in so far as it reflects the likelihood of obtaining funding in a given programme, would likely remain in the range of 12% - 78% depending on the programme (see Annex 8 for more details). Fragmentation in rules would persist, potentially deterring certain stakeholders (e.g. SMEs) from applying for EU funds and hindering the EU public administration's ability to achieve economies of scale from a more streamlined evaluation process.

Stakeholders could also be affected due to **limited flexibility across funds**.

Although the current rules allow for some transfer of funds between programmes, this process is cumbersome and limited. It restricts the ability to adapt to new priorities or respond to unexpected events, as seen with the introduction of the European Chips Act. Some flexibility is available within individual funds, but overall, the framework hinders significant transfers between programmes.[152]

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147 SWD(2025) 110 final. Horizon Europe interim evaluation.

148 European Commission (2025): Competitiveness Fund: Assessment of costs and benefits and comparison of options

149 TTG reflects the overall efficiency of the process from proposal submission to the formalisation of funding, but also Time-to-Inform + Time-to-Sign = Time-to-Grant.

150 Ibid & DEP Interim Evaluation (forthcoming).

151 Low success rates indicate higher competition and greater risk, which can be particularly challenging for smaller organisations or newcomers. When the success rate is low, applicants face a high likelihood of investing time and resources in preparing an application that ultimately does not receive funding.

152 As shown by the response to Covid-19, mpox and Ukraine emergencies. Horizon Europe interim evaluation, *forthcoming*.

In the baseline scenario, SMEs, start-ups, and scale-ups would continue to benefit from current programmes, with, for example, over 10,000 individual SMEs participating in Horizon Europe between 2021 and 2024, and 1,800 SMEs in ESA and EU projects through the European Space programme, which is expected to generate up to 8,000 jobs through the GOVSATCOM initiative[153]. InvestEU will be expected to support over 1 million SMEs [154]and small midcaps, as well as a significant number of midsized companies, larger corporates and stand-alone projects[155]. The SME Pillar of the SMP would continue to support a wide range of initiatives, having already assisted 292,000 SMEs through the European Enterprise Network.

Finally, the baseline scenario also implies to continue with 14 programmes with different forms of financial support (such as grants, budgetary guarantees, financial instruments, including equity, public procurement), but with rules, timelines and governance designed to meet each programme's objectives. This allows to provide targeted support to different stakeholders, sectors, and parts of the investment journey (e.g. research and deployment). However, it also means stakeholders do not benefit from the full range of instruments available in the EU budget (i.e to benefit from a different funding instrument, they need to go through a separate application procedure, and blending of different instruments for one project can be complex), and funding instruments used are sometimes not sufficiently tailored to the needs of the project (i.e use of grant, when a guarantee or a loan may have been more efficient – and also could have meant a better use of the EU budget). This inherently restricts the ability to provide a coherent strategy for addressing Europe's competitiveness challenges effectively and may lead to funding gaps and overlaps. It also means the funding landscape is complicated to navigate for stakeholders, notably smaller entities who are unsure of which funding opportunities they can benefit from. Last but not least, eligibility requirements are sometimes so specific, that it creates additional issues for participants, as they need more time to form the right consortia.[156]

Market impacts

Without support, SMEs in key sectors would struggle to scale up or enter new markets due to financial constraints, leading to dependence on foreign suppliers, higher prices, and stagnant market shares. Large companies would struggle to fund high-risk, high-reward projects, including in research and manufacturing stages.

In contrast, the current targeted support would effectively support the existing pool of stakeholders who would not need to adapt to new funding rules [157].

Research and Innovation impacts

Under the baseline, R&I would be funded through a continuation of Horizon Europe, as today.[158] Funding for fundamental research would continue (via the ERC), and fundamental research would then be transferred to market-creating disruptive innovations mainly through EIC blended funding for deep-tech startups. The EIC would however remain limited in size, only allowing to transfer a portion of fundamental research to market-creating disruptive innovations.

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153 COM (2018) 447 final. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the space programme of the Union and the European Union Agency for the Space Programme

154 Based on EFSI experience.

155 Invest EU Operational Reports as at 31/12/2024

156 DEP Interim Evaluation p.23. (forthcoming)

157 Crain, N. V., & Crain, W. M. (2005). The impact of regulatory costs on small firms (No. 264). Diane Publishing.

158 See Nelson, 1959; Arrow, 1962; Rosenberg, N. 1990.

Cooperation would continue to be a defining feature of R&I in the EU[159]. Similarly, progress made towards widening participation would continue, contributing to narrowing the R&I divide in EU[160].

The baseline would also continue to **mobilise private R&I investment**, by relying on R&I funding instruments that have proved effective in leveraging co-investment[161].

However, under this scenario, the funding landscape would not promote a better connection between research funding and funding aimed at scaling up technologies and bringing them to the market – and conversely in the ability to steer research towards industrial needs. It can be expected that existing successful experiences in bridging R&D and market uptake would continue (for example in the green hydrogen and mRNA[162]), but they may remain limited and not form part of an over-arching strategy to bridge the gap more systematically.

6.1.2. Social impacts

Under the baseline scenarios, current programmes would keep strengthening the creation of **employment**. Programmes such as InvestEU would continue to create or maintain jobs (900 000 so far, a figure that is expected to double upon full implementation).[163] In parallel, Horizon Europe is expected to create or maintain 100 000 jobs during its implementation, followed by an increase in employment levels of up to 200 000 jobs 8 years after.[164] By early 2025, Horizon Europe led to the creation of 39 543 full time equivalent jobs. [165]

On **skills, education and training**, **the EU invests over EUR 153 billion in skills through multiple programmes**[166] **mostly in pre-allocated envelopes managed by Member States and outside the envisaged scope of the Competitiveness Fund.** The DEP Programme has so far mobilised EUR 307 million in support for advanced digital skills out of a total of EUR 483 million planned for that specific objective. More than 435 organisations have been setting up higher education programmes and short-term trainings in key digital areas, tightly connected to industry needs. By the end of 2024, over 20 700 participants had taken part in various education and training opportunities to increase digital skills involving almost all Member States.[167] **The SMP Programme** has dedicated EUR 32 million

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159 Collaborative projects in Horizon Europe currently represent 81% of the budget and bring together stakeholders from different nationalities (62% of collaborative projects include participants from associated countries), types (including SMEs), disciplines (including SSH participants) and industries (Horizon Europe Interim Evaluation, *forthcoming*).

160 Under Horizon Europe, the share of funding for widening Member States has increased to 15%, and 61% of Horizon Europe collaborative projects include a participant from a widening Member State.

161 European Commission (2023) Mitra, A., Niakaros, K. *The Horizon effect: a counterfactual analysis of EU research & innovation grants*.

162 "The added value of the R&I policy for innovation adoption and diffusion. A focus on mRNA and green hydrogen technology". *Forthcoming.* The RADAR model is currently being customised to test policy scenarios in terms of semiconductor production and deployment in Europe. These policy scenarios will be used to assess the impacts of different policy mixes and analyse the contribution of instruments such as the Framework Programme for Research and Innovation, InvestEU, Digital Europe Programme, and EIB loans to economic security and competitiveness in the context of digital technologies and AI, with a special attention to the hardware aspect (from raw materials to semiconductor production to chip deployment). The baseline simulations show that, in the absence of shifts in policy or market structure, the European chip production tends to maintain its declining curve despite a potential growth in market size, which means additional imports would be needed.

163 InvestEU operational report 2024.

164 SWD(2018) 307 final. Horizon Europe Impact assessment.

165 SWD(2025) 110 final. Horizon Europe Interim Evaluation, page 39.

166 European Skills Agenda - European Commission. These programmes are mainly RRF, ESF+, and Erasmus+. Other programmes, including Horizon Europe, Digital Europe Programme and InvestEU, also include elements aimed at enhancing skills. + specify timeline.

167 Digital Europe mid-term evaluation.

to Net-zero skills academies[168], while the Battery Academy received EUR 10 million from REACT-EU. The Commission recently launched a "Union of Skills", which also foresees the review and the targeted implementation of EU Skills Academies, with the aim of targeting strategic sectors such as defence, automotive, the circular economy, wind, grids, food, digital. However, the current resource allocation leads to a fragmented approach. The absence of synergy and coordination impedes the creation of a skills agenda, affecting the potential for upskilling and reskilling in crucial areas, limiting Europe's ability to develop a competitive and resilient workforce for the future.

EU funding programmes fostering competitiveness can contribute to cohesion objectives, promoting cross-border cooperation, the development of value chains in the EU, and supporting smart specialization strategies. These initiatives help create innovation hubs and clusters, bridging the gap between urban and rural areas, and contributing to mitigate societal challenges.

With regards to **health**, EU programmes provide a coherent framework for tackling Europe's health issues, including through EU4Health actions to strengthen health systems' resilience and public health. Horizon Europe has also been successful in progressing in health challenges, promoting innovative solutions, and making significant contributions to advances in research and treatment of diseases[169] [170].

Finally**,** on **resilience, technological sovereignty, economic security, security of supply,** the current EU funding landscape has made progress in enhancing strategic sectors, reducing external dependence, and promoting key technologies through initiatives including, for example, European Defence Fund, EU4Health and Horizon Europe. Existing programmes have shown to play a vital role in shaping relations between the EU and third countries. However, the baseline scenario also shows fragmented programmes, limited integration of defence technologies into the civil sector, and reliance on external funding sources and technology, with impact on the EU's strategic autonomy and economic security.

6.1.3. Environmental impact

Under the baseline scenario, the **climate impact, as well as on environmental aspects** (i.e. water resilience, circularity, nature as well as pollution prevention and control) is expected to be consistent with the current situation**.** Horizon Europe would still focus on research and development[171] and the Innovation Fund and LIFE will remain important funding sources to bring innovative technologies to market (early-of-a-kind applications) and scale them up.

6.2. Assessment of the three options

6.2.1. Option A - Business-as-usual-plus: light coordination

6.2.1.1.Economic impact

Macro-economic impact

The economic impacts of Option A are expected to be similar to the baseline, as the minimal differences between the two scenarios would not generate significant effects, making it challenging for macroeconomic modelling to distinguish between them. As a result, benefits and costs for stakeholders, including businesses, research centres, and financial entities, are likely to remain unchanged.

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168 COM(2025) 90 final. The Union of Skills.

169 See Mugabushaka (2021), A.-M., Meeting the pandemic challenges – Contribution of EU R&I funding to COVID-19 related research

170 SWD(2025) 110 final. Horizon Europe Interim Evaluation, page 27.

171 In Horizon Europe, in total EUR 39.6 billion will be allocated to R&I in climate, biodiversity, and clean air combined, with over EUR 27 billion already allocated in 2021-2024.

Similarly, **market impacts, digitalisation, security, defence and space and R&I impacts** under Option A will also align with the baseline scenario. Companies, especially in strategic sectors, will still face challenges in scaling up or accessing new markets, affecting the EU's long-term global competitiveness. Individual programs will continue to contribute to job creation, growth, and economic benefits, similar to the baseline scenario. From this point of view, option A will not address the issue of fragmented support through the investment journey, nor will it leverage sufficiently private investment. It will also not make the access to the EU funding much easier with sufficient coordination mechanism and flexibility of the funding instruments.

6.2.1.2. Social and Environmental Impacts

It is expected that the social and environmental impacts of Option A will be very similar to those outlined in the baseline scenario. Specifically, the impacts on employment, skills, education and training, territorial dynamics, health, and resilience are expected to be minimal compared to the status quo. In terms of environmental impact, it is assumed that the current programmes will continue to invest as they have done so far in environment and climate-related research, innovation, and deployment, covering both R&I and deployment. This will continue to strengthen the EU's role in clean tech and net zero technologies, allowing the EU to enhance its position in the sector[172].

6.2.2. Option B- Enhanced coordination between existing programmes and a common rulebook

6.2.2.1.Economic Impacts

Macro-economic impact

For Option B, the following conclusion has been made by means of the JRC's RHOMOLO modelling framework[173]: the return on investment would be higher than in option A. Over 15 years, the total benefit (measured as the 15-year GDP multiplier) of the investment per euro spent would be 1.51% higher than expected. This extra benefit comes from two main sources: (1) making things simpler, which would make businesses more efficient and add 1.46% to the return; and (2) attracting more private investment, which would add a small extra boost of 0.05% to the return. The European Union would also export 30.48% more goods and services to the rest of the world compared to Option A due to the larger volume of private investment generated by the guarantees[174].

Benefits and costs for relevant beneficiaries

The improved coordination between programs under Option B would create synergies by combining EU funding, making it easier for businesses to access financial support. A unified rulebook would simplify compliance, reduce barriers, and streamline application processes, making funding more predictable and transparent. This would benefit SMEs, start-ups, and large companies, allowing them to combine funding streams and scale innovation projects more efficiently.

The common rulebook is expected to save applicants time in understanding the specific rules for each programme they might be interested in. However, applicants will still have to navigate the opportunities available under the different funds. It is expected that under Option B, the **cost to**

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[172] Draghi, M. (2024 :40), *The future of European Competitiveness Part A*.

[173] Further details in Annex 4.

[174] The InvestEU programme is characterised by a private investment multiplier of 14 (every euro of EU guarantee generates 14 additional euro of private investment in the economy). Assuming such a high multiplier for a scenario mimicking the impact of 14 different funds would be unrealistic, so a lower (more conservative) multiplier of 4 is assumed in Option A, which becomes 5 in Option B and 6 in Option C. The increase of the multiplier between Option A and B is justified by the increase coordination between the funds that incorporate guarantees and other financial instruments aiming to mobilize private funding.

prepare the proposal will decrease by 5%[175] compared to the baseline, lowering the proposal preparation cost to the range between EUR 4 750 and EUR 30 400 depending on the complexity of a programme. A slighty lower effort by consortium coordinator would be needed to prepare a proposal compared to the baseline option (34-43 person days), as well as bycontributing consortium partners (15-24 person days). T**he time-to-inform** and **the overall time-to-grant** is also expected to be **reduced by 5-10**[176] for applicants under grant-based instruments, especially for frequent or multi-programme applicants, without generating changes under financial instruments. Option B may have a moderately positive impact on the programme's success rate.

The adjustment costs for applicants and beneficiaries under this option would be **moderate**. The introduction of a single rulebook would generate short-term adjustment costs, modifying operational procedures and requiring applicants to adjust to new rules. However, this would lower administrative costs associated with applications, removing barriers to entry for stakeholders with limited resources and providing economies of scale to the public sector. Greater strategic alignment would help businesses and financial entities align their investment strategies with EU policy objectives. Harmonized rules and requirements would facilitate the deployment of blended instruments, improving risk management for financial entities and providing tailored financial solutions for final beneficiaries. Streamlined communication would also improve information about funding opportunities.

However, Option B does not fully address the issue of complexity, as multiple entry points and distinct applications would persist. SMEs and start-ups would still face difficulties in finding funding sources and managing administrative procedures. The challenges stemming from insufficient funding coordination and flexibility would remain, particularly affecting deep-tech start-ups, climate tech ventures, and strategic innovation projects.

By introducing a common rulebook and aligned implementation tools across programmes, option B would have **a bigger simplification potential than Option A**. This would reduce the learning curve, facilitate fund blending, and streamline proposal preparation, particularly for those applying to multiple programmes. However, sectoral distinctions would still require beneficiaries to engage with different application tracks and portals. Option B is also expected to **moderately improve speed and flexibility**. Harmonised rules could lead to faster evaluation and grant agreement processes. However, improvements would still be bounded by the limits of multi-programme governance.

Market impacts

C**ompetitiveness** would be improved compared to the baseline scenario. A stronger strategic direction and a unified rulebook would positively impact companies access to finance, particularly benefitting **SMEs, start-ups and scale-ups**.

While the situation would be marginally improved compared to today due to the enhanced strategic steer, many competitiveness issues identified earlier would remain unaddressed. These include the effective mobilisation of private capital, fund inflexibility, and overlaps between existing programmes.

Research and Innovation impacts

By improving coordination between programmes, Option B will facilitate to some extent the transition between different stages of the innovation cycle, allowing a better market uptake of research results. Alongside this, key features of the current landscape (e.g. support for bottom-up,

[175] Assumption developed only as an indicative order of magnitude for the relative ranking of options' effects. The assumptions are conservative deriving from comparing the different TTI and TTG values presented for the baseline. Due to the low extent of quantitative evidence available, the estimates are of a high level of uncertainty.

[176] Ibid.

groundbreaking ideas and collaboration opportunities) will continue to exist in the same way as they do under the baseline. R&I would be funded in a similar manner to today.

6.2.2.2 Social impacts

With regards to **employment,** results from JRC's RHOMOLO modelling framework portray that the impact of Option B in year 15 is 28% higher than in Option A (again due to the higher volume of investment). Regarding **skills, education and training**, Option B would foster greater coherence in skills development, particularly in strategic sectors like AI, cybersecurity or green technologies. In the area of **health,** effects are expected to be very similar, though the further flexibility of the budgetary allocation would enable a timely and adequate reaction to unforeseen health crises. Finally, in terms of **resilience, technological sovereignty, economic security, security of supply,** through enhanced coordination and strategic steer, programmes can better respond to emerging challenges, enhancing resilience and technological sovereignty. This approach can bolster economic security by protecting domestic industries and jobs and ensuring supply chain security. However, it could also limit access to global markets and expertise.

6.2.2.3 Environmental Impacts

The environmental impacts of Option B are expected to be like those of the baseline, with some potential for greater positive impacts due to the enhanced strategic steer across programs. Existing programs such as LIFE, the Innovation Fund, Horizon Europe, and InvestEU are expected to positively contribute to the environment. Overall, the environmental impacts of Option B are expected to be somewhat greater than the baseline, but not of a sufficient magnitude to be significantly noticeable.

6.2.3. Option C- Consolidation of programmes in a new European Competitiveness Fund

6.2.3.1.Economic Impacts

Macro-economic impact

Option C would provide a higher return on investment over 15 years, with the total benefit per euro spent being 15.74% higher than Option A. This extra benefit can be broken down into three main factors: (1) simplifying processes, which would make businesses more efficient and add 3.79% to the return; (2) attracting more private investment, although this would actually have a very small negative effect of -0.07% because of the larger volumes[177]; and (3) spending the investment money sooner, which would have a big positive impact of 12.02% because it would generate benefits earlier on. The European Union would also experience an increase in exports which is 57.53% higher compared to the first option, mainly because of the larger volume of investments. The Annex 4 contains additional results obtained with a sensitivity analysis varying the key parameters of the analysis (essentially providing a range of macroeconomic results). The results of such sensitivity analysis confirm the robustness of the simulation, as explained in the Annex.

The main driver of the GDP multiplier increase is the frontloading of investment[178], which brings forward the benefits of the interventions and leads to larger cumulative GDP gains over time. Effective implementation of budget frontloading is crucial for achieving this potential macro-economic impact. To maximise productivity gains, it is essential to strike a balance between

[177] Larger investment volumes lead to a slightly lower return per euro spent (the larger volumes make each euro marginally less efficient at generating growth).

[178] This macroeconomic analysis highlights that Option C is better able to bring investment forward compared to the other options, due to the consolidation of programmes and greater budget flexibility. This means that only Option C allows for effective and efficient frontloading of the budget on a meaningful scale. As a result, frontloading impacts the GDP multiplier only in the case of Option C. The assumed frontloading in this modelling exercise is not representative for the overall payment structure of the next EU budget.

supporting strategic technologies and maintaining competitive business dynamics. Competitive-based instruments, a focus on disruptive innovation, and evidence-based priority setting can help achieve this balance. Budget flexibility can affect the proportion of the budget used for each instrument, and achieving the necessary balance between flexibility and predictability will be an important success driver. **The overall impact of Option C on EU productivity is likely to be positive, driven by its ability to allocate resources more efficiently and effectively.**

Benefits and costs for relevant beneficiaries

Option C is expected to reduce administrative costs for beneficiaries by integrating access points and introducing a common rulebook, simplifying the funding process and creating a more efficient, business-friendly environment, particularly benefiting high-growth industries, innovative start-ups, and top-down projects requiring long-term investment support.

Based on the quantitative estimates, this option emerges as the one with the lowest unit cost per proposal in terms time to search for opportunities for grants and advisory services. This reduction in search time results from applicants being able to focus their search within the Competitiveness Fund, rather than navigating multiple program frameworks. Furthermore, this option is expected to have the **shortest proposal preparation time** for grants, expected to **decrease by 10%[179] compared to the baseline**, translating into monetary costs in the range of **EUR 4500 – EUR 28 800 per proposal**.[180] This option is also the one that requires the lowest efforts by consortium coordinators to prepare a proposal (32-41 person days), as well as by contributing consortium partners (14-23 person days).[181]

Time-to-inform and **the time-to-grant** is also expected to be **reduced by up to 10-15 days[182]** for applicants under grant-based instruments, especially for frequent or multi-programme applicants, without generating changes under financial instruments. Option C could potentially increase the average **success rate** of most oversubscribed programmes. However, success rates for specific types of applicants such as SMEs or projects could even decline. The option could either empower or sideline SMEs, depending on whether the fund design actively incorporates SME-friendly features.

Some adjustment costs for applicants and beneficiaries would likely **materialise.** The transition to a single, integrated fund would require adaptation by organisations accustomed to the current structure. However, while initial adaptation to the new fund would be needed, beneficiaries would only need to undertake this learning process once, rather than repeatedly for multiple programmes. Building upon existing features, such as the Funding & Tenders portal and the STEP Portalcan help mitigate disruptions, and robust governance structures can help manage the transition. Ultimately, a simpler and more readable structure could broaden access to funding programmes to new beneficiaries, and stimulating innovation across sectors.

Preserving predictability for bottom-up research will help safeguard the innovation capacity of the EU. A unified application process would increase certainty for applicants about possible funding opportunities, but the flexibility of Option C can also increase uncertainty due to changing political priorities. It will be important to ensure the appropriate balance between predictability and flexibility.

Option C would expand access to financial tools, and integrate advisory and business support services, enhancing access to finance and improving project bankability. As option C will also include a standardised advisory offer with a focus on value-added and maximised efficiency of leveraging

[179] Assumption developed only as an indicative order of magnitude for the relative ranking of options' effects. The assumptions are conservative, deriving from comparing the different TTI and TTG values presented for the baseline. Due to the low extent of quantitative evidence available, the assumption is very conservative on purpose

[180] Ibid.

[181] Methodological note: the three options would not have a significantly different impact on the way the consortium size impacts on costs. It should also be noted that consortium size is not seen as a cost category but as an influencing factor.

[182] Ibid.

public funds to attract private investments, it will allow to coordinate the choice of financial instruments that are most suitable for different types of beneficiaries and for the objective of mobilising private capital.

Consistency across implementing tools and horizontal legal provisions would reduce administrative costs.

The consolidation into a single fund would likely be advantageous for SMEs as they typically lack the resources to navigate complex, fragmented systems. Moreover, the strategic focus on disruptive innovation could offer SMEs new opportunities in high-growth areas.

Option C will increase budget flexibility, allowing for strategic allocation of resources with the appropriate safeguards, and provide an opportunity to offer a diverse range of financing instruments, while respecting the need for continuity of funding for certain activities. Overall, Option C aims to create a more efficient and business-friendly funding environment with potential for simplification, flexibility and speed. Its implementation will be supported by a transition process, enabling stakeholders to adjust to new opportunities.

As such, option C addresses the issues of fragmented support through the investment journey, it offers the highest potential for leveraging private investments, making the access to the EU funding much easier with sufficient coordination mechanism and flexibility of the funding instruments.

Market impacts

The proposed consolidation of multiple programs into a single structure is expected to have a positive market impact if carefully implemented: It would enhance the competitiveness of European companies, including SMEs, start-ups, scale-ups, and large enterprises, by making the funding landscape more accessible and strategically aligned. This would support European strategic autonomy by reducing reliance on foreign supply chains and mitigating critical dependencies on external actors, ultimately improving the market position of EU companies both within the Single Market and globally, in coherence with Global Europe and synergies that both programmes create.

The consolidation would also provide additional flexibility, expanded opportunities for mobilising private capital, and a substantial reduction in complexity, overlaps, and administrative burdens. It would offer effective and streamlined support to companies, particularly SMEs, with reduced administrative burdens, greater visibility of EU funding opportunities, and simpler access to support. It would also better connect research with market development, and conversely better align research priorities with industrial needs – while maintaining a bottom-up approach especially for fundamental research.

This is based on the experience with the InvestEU Programme, which is he most useful benchmark of an EU initiative that pooled a number of financial instruments under a single, streamlined framework and the EU's flagship investment programme aimed at mobilizing public and private financing to support EU priorities and ultimately increasing the EU's competitiveness.As of June 2024 InvestEU has successfully mobilized EUR 280 billion in investments using a EUR 26,2 billion guarantee. It built on the success of EFSI, which mobilised over EUR 500 billion in investments over a few years, using a relatively modest EU guarantee. InvestEU streamlined the EU 'investment landscape by pooling EFSI and a number of other financial instruments, bringing them under a single, streamlines framework. According to the mid-term evaluation published in October 2024, InvestEU is on track to meet its objectives. It performed strongly in three critical areas by (a) generating private investment, providing additionality (supporting projects that wouldn't otherwise have happened) and aligning with EU policy goals. [183]However, the success of the proposed option depends on careful implementation and a nuanced steering mechanism that considers economic and market-based criteria

[183] EP, EGOV, InvestEU *Programme: functioning, performance and future challenges*, April 2025

to avoid market imbalances and maintain the playing field. Overall, the proposed consolidation has the potential to substantially strengthen the competitiveness of the Single Market, fostering innovation, investment, and sustainable economic growth.

Research and innovation impacts

Option C introduces flexibility in funding allocations and a balance will have to be ensured between flexibility and predictability. Predictability would remain for R&I funding, same as today, in line with Treaty obligations. At the same time, consolidation into one Fund covering the whole investment journey can facilitate the market uptake of research results and better articulate applied research with industrial priorities. Option C would entail dedicated policy windows for strategic areas, enhancing deployment of technologies from research to market and increasing policy and financing coherence.

6.2.3.2 Social Impacts

Option C is expected to have several social impacts. The **employment** impact in Option C is 53.58% higher than in Option A, mainly due to the larger volume of investment.[184] On **skills, education, and training**, it would integrate initiatives into a unified framework, aligning with industry needs in strategic sectors like clean tech and AI. This alignment would promote targeted investments in reskilling and upskilling, improving synergies among education, research, and business[185], and allowing for rapid adaptation to emerging trends.

In terms of **territorial effects**, Option C is anticipated to unlock significant economic growth in regions with strategic advantages, driving innovation, development, and overall productivity. These areas are expected to become magnets for investment, talent, and entrepreneurship, creating a self-reinforcing cycle of prosperity. [186]

To ensure balanced progress, it will be important to complement this strategy with measures that promote inclusive development and cohesion across all regions and synergies with other parts of the MFF focused on national and regional funding.

In the **health** sector, Option C provides a streamlined and flexible funding mechanism that would reduce administrative burdens, enhance efficiency, and enable faster responses to crises.

Regarding **resilience, technological sovereignty, and economic security**, Option C supports more coordinated decision-making which would in turn increase its social impact but may limit international cooperation.

6.2.3.3 Environmental impacts

For the EU in particular, investing in research and technologies for decarbonisation and net zero is important given its climate neutrality target for 2050 (net zero). The environmental impacts of Option C are closely tied to its prioritisation of decarbonisation and clean tech as key sectors and technologies. This focus could lead to a positive impact on climate. Under Option C, the impact on biodiversity, water, circularity, pollution and energy will depend on their prioritisation as key investment sectors.

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184 The higher private investment multiplier is responsible for a difference of +48.13% compared to Option A, and the additional supply-side effects for +5.45%.

185 See Perkmann, M., King, Z., & Pavelin, S. (2011). Engaging excellence? Effects of faculty quality on university engagement with industry. *Research policy*, *40*(4), 539-552; Bikard, M., & Marx, M. (2020). Bridging academia and industry: How geographic hubs connect university science and corporate technology. *Management Science*, *66*(8), 3425-3443.

186 Youtie, J., & Shapira, P. (2008). Building an innovation hub: A case study of the transformation of university roles in regional technological and economic development. *Research policy*, *37*(8), 1188-1204.

Furthermore, investments in clean technologies are particularly exposed to high levels of uncertainty, including in regulatory and policy frameworks – especially because these reflect negatively on private funders, which may complement public finance.[187] Therefore, the appropriate balance between predictability and flexibility will have to be struck to ensure the model's success and the impact on climate and environment is positive.

7. HOW DO THE OPTIONS COMPARE?

7.1. Effectiveness[188]

Three options are considered for improving investment support: (1) Option A would bring limited improvements due to fragmented financial instruments and lack of integrated tools; (2) Option B would offer moderate improvements by aligning objectives and governance under a common rulebook but would still lack continuous funding and flexibility, as described in Section 6.2.2; (3) Option C would significantly enhance investment support with a fully integrated framework, unified governance, and simplified funding, allowing for seamless support from research to market deployment, as well as procurement, manufacturing and maintenance.

Effectiveness (towards its likelihood of achieving the objectives – outcomes and impacts)	**Option A – Business-as-usual-plus**	**Option B – Enhanced coordination**	**Option C – Full consolidation**
	0	+	+++
S01 - Promote public and private investments throughout the whole investment journey, notably R&I, and better leverage the de-risking potential of the EU budget to maximise its EU added value.	Lack of continuous funding across the investment journey. Suboptimal use of financial instruments. Limited integration of financial tools, limiting blending opportunities. The investment journey would be fragmented between 14 programmes. Programmes, including R&I programmes, are structured as they are today	Lack of continuous funding across the investment journey. Suboptimal use of financial instruments. Easier combination of different funds. As Option A but an easier investment journey between R&I and deployment is expected given the single rulebook and enhanced coordination	Expected higher mobilisation of private investments. Continuous support alongside the entire investment journey, from research to deployment and manufacturing. Considering the availability of a broader portfolio of financial tools, based on market demand, potential higher private leverage and tailoring of funding instruments used to needs of projects. Balance between flexibility and predictability to be ensured to avoid potential increase uncertainty, and investment risk

[187] There is ample evidence that demonstrates that uncertainty severely hampers private investment in environmental and climate innovation and deployment. For example: "green investments may be particularly exposed to high levels of uncertainty related to potential failures of new green technologies and innovations, supply chain disruptions and unforeseen changes in regulatory and policy frameworks, all of which increase risks for banks and financial investors" (Nerlich, C. et al. (2025), page 46). Additional evidence suggests that "abrupt policy changes generate substantial uncertainty, making it difficult to anticipate how the regulatory framework will unfold in the future. Faced with high levels of uncertainty about future environmental and climate policy, firms and investors may prefer to adopt a wait-and-see behavior and refrain from investing in the low-carbon economy" (Noailly, K. et al. (2022). Does environmental policy uncertainty hinder investments towards a low-carbon economy? NBER Working Paper Series. Similarly, "changes in numerous "support schemes", including FIT, tax credits, guarantees, and other government support mechanisms, have discouraged some investors" (Block, E. (2012). Finance, forecasts and predictability, Renewable Energy Focus 5(13).

[188] The assessment in the comparison table below is based on the analysis provided by the supporting study which takes into consideration the following elements: Direct economic benefits, incl. continuity of funding, ease of access to finance, ease of reallocation of funds; Indirect economic benefits, incl. strategic coherence with EU priorities; Direct/indirect non-monetary benefits.

Effectiveness (towards its likelihood of achieving the objectives – outcomes and impacts)	**Option A – Business-as-usual-plus**	**Option B – Enhanced coordination**	**Option C – Full consolidation**
	0	++	+++
S02 - Steer and focus investments towards EU strategic sectors and technologies, including underlying value chains, critical infrastructures, capabilities and skills, and in support of decarbonisation, security and resilience	Lack of strategic steering across programmes. Lack of flexibility to respond to emerging needs. Each programme has a defined (established) purpose and objective, targeting specific sectors and type of funding. Complex funding landscape with programmes structured in different ways, funding gaps and overlaps	Enhanced strategic steer across the different programmes. Lack of flexibility to respond to emerging needs. Same as Option A, but through enhanced coordination across programmes, slightly enhanced strategic steer and avoidance of overlaps	Clear strategic direction: A reinforced policy steering mechanism can help identify key priorities and enable flexible and agile responses to emerging needs. Interdisciplinary approaches: Coordinated policy windows can facilitate collaboration and innovation to address complex challenges like decarbonisation, security, and resilience. Innovation and growth: Strategic investments can support market-creating disruptive innovations, driving long-term growth and competitiveness.
	+	+	+++
S03 - Facilitate access to funding to EU programmes through user-centric, faster, simplified and harmonised procedures and improve coherence among EU instruments and with Member States investments	Highly fragmented funding landscape. Each programme keeps its own individual rulebook. efforts to foster coordination across programmes. Existence of an incomplete single-entry point for EU funds (Funding & Tenders Portal) which does not include shared management funds Duplication between efforts from several programmes	Highly fragmented funding landscape. Some degree of simplification for users due to alignment in the basic provisions of the individual programmes. Harmonisation of rules across the programmes (including a common rulebook). Adjustment costs will affect applicants with previous experience of the Funds (e.g. over 150 000 FP applicants).	Leaner and more streamlined rulebook for a use-centric approach, resulting in simpler application and reporting. Easier access to information and to EU funding and advisory support (single entry point). Enhanced visibility and recognition of EU funding. Harmonisation of 14 programmes into one single fund could take time and for stakeholders and implementing bodies, communication and support will be key in the transition phase Some operational differentiation will presumably continue to exist to avoid disproportionate access barriers for some stakeholder groups (e.g. SMEs, academia) and cater for variety of funding needs.
Possible unintended consequences	No significant change compared to the status quo.	Harmonising rules would lead to a funding landscape that, compared to the status quo, facilitates the participation of non-incumbents in application processes of different programmes. As such, this option would, to some extent, lower a barrier to entry, and increase the potential to support EU competitiveness.	The consolidation into a single fund could make EU support for competitiveness more attractive for small entities currently constrained by the perception that the initial familiarisation with rules of a heterogeneous set of different programmes is highly burdensome. Through this option, EU support could become more inclusive for non-incumbents, lowering a barrier to entry. By reaching a broader base of applicants, the Fund would represent a progress in the achievement of the goals behind EU support for competitiveness.

Effectiveness (towards its likelihood of achieving the objectives – outcomes and impacts)	**Option A – Business-as-usual-plus**	**Option B – Enhanced coordination**	**Option C – Full consolidation**
			Moreover, this option would facilitate synergies across different phases of the investment journey – thereby increasing the Fund's potential to achieve its goal of increasing EU competitiveness.

7.2. Efficiency

Three options are considered for efficiency gains: (1) Option A: Limited gains due to remaining administrative burdens; (2) Option B: Moderate gains through standardisation, reducing costs and easing applications; (3) Option C: Significant gains from a single, integrated Fund with streamlined processes, despite initial adaptation challenges.

Efficiency (relationship between the expected benefits of a policy option and the resources required to implement it)	**Option A – Business-as-usual-plus**	**Option B – Enhanced coordination**	**Option C – Full consolidation**
Governance	0	+	+++
	Each programme keeps its own governance structure. A light coordination mechanism across the different funds would be in place. Funds would exercise considerable degree of autonomy in setting their work programmes, in line with the Commission's priorities. Internal and external governance processes (i.e comitology) are the same as today Coordination costs will be present.	Fragmented governance structure with some degree of coordination. Similar to Option A. On the one hand, coordination costs will decrease thanks to the introduction of a single rulebook and template for all the legal acts of the programmes. Adjustment costs over an extended time period are also expected to be present.	Streamlined governance to respond quickly to new challenges and priorities. Key stakeholders consulted as part of the steering mechanism. Depending on the actual structure agreed upon for steering the priorities and budget of the Competitiveness Fund, coordination costs could either increase or decrease (e.g. if heavy governance processes for work programmes, as in the case of Option A). Adjustment costs are expected during the transition, including setting up internal governance mechanisms and internal coordination. Synergies will be ensured between the Competitiveness Fund and other MFF programmes, at the strategic and operational level. Improved coordination in selecting the most suitable instruments for different types of beneficiaries, stages of investment journey, and the objective of mobilising private capital.
Benefits	+	++	++
	+ Current beneficiaries will benefit from a stable landscape +/- Targeted instruments within existing programmes will address efficiently the specific needs of different stakeholders. At the same time, offer of funding	+ Time-to-inform and Time-to-grant are expected to be reduced by tens of days. + This option is expected to simplify the rules for applicants and beneficiaries through a common rulebook, facilitating	+ This option would expand access to financial tools, integrate advisory and business support, enhance access to finance and prove project bankability. + This option will increase budget flexibility, allowing for strategic allocation of resource with appropriate

Efficiency (relationship between the expected benefits of a policy option and the resources required to implement it)	**Option A – Business-as-usual-plus**	**Option B – Enhanced coordination**	**Option C – Full consolidation**
	instruments available inherently limited by existing programmes – need to go through a separate application to benefit from a different type of instruments (i.e grants vs loan) +/- Minimal flexibility across programmes and no possibility to realign when new funding needs arise (predictability for stakeholders; at the same time, stakeholders in need would not benefit from new funding)	blending and streamlining proposal preparation. + This option would moderately improve speed and flexibility-	safeguards, and provide an opportunity to offer a diverse range of financing instruments, while respecting the need for continuity of funding for certain activities. - Appropriate balance between flexibility and predictability would need to be ensured. Long-term planning of funding needed for certain stakeholders + This option aims to create a more efficient and business-friendly environment with the highest potential for simplification, flexibility and speed.
Costs	+/-	+	++
	- The cost to prepare the proposal would not decrease relative to the baseline scenario, i.e: for applicants, the average cost of a proposal is likely to remain between EUR 5000 and EUR 32,000. - The time-to-inform is likely to remain between 86 and 130 days, while time-to-grant is expected to stay as high as 313 days (240 days, on average), which translates not only into high administrative but also high opportunity costs for applicants. + No adjustment costs in getting accustomed to new procedures.	+ The cost to prepare the proposal would decrease by 5%, lowering the proposal preparation cost to between EUR 4 750 and EUR 30 400. + Time-to-inform and the overall time-to-grant expected to be reduced by 5-10 for applicants +/-The adjustment costs for applicants and beneficiaries under this option would be moderate.	+ The costs to prepare the proposal are expected to decrease by 10% compared to the baseline scenario, which would translate into a range of EUR 4 500 and 28 800 per proposal. + Time-to-inform and the time-to-grant is expected to be reduced by up to 10-15 days for applicants -Adjustment costs would be high for applicants and beneficiaries and would require a significant adaptation by organisations accustomed to the current structure. However, adjustment costs are one-off costs and the benefits of simpler application are expected to outsize any adjustment costs.
Possible unintended consequences	No significant change compared to the status quo.	+/- Consistency in definitions, tools and horizontal provisions would reduce application costs in general, but, if not well-conceived, may risk increasing application burdens for stakeholders currently benefitting from simplified application procedures.	+ The improvement for applicants would be significant in the situation where the new regulatory framework includes simplification measures exceeding those already on track to be applied under the baseline. +/- The initial reorganisation of management structures and administrative procedures may result in some delays in the first phases of implementation.
Benefits/costs for the different beneficiaries			
	+	++	+++

Efficiency (relationship between the expected benefits of a policy option and the resources required to implement it)	**Option A – Business-as-usual-plus**	**Option B – Enhanced coordination**	**Option C – Full consolidation**
European companies, including SMEs	+ familiar mechanisms to access funding for existing beneficiaries. - limit responsiveness to emerging needs. - struggling with different rulebooks and application procedures across the different programmes.	+ easier access to funding, thanks to the alignment in the basic provisions of the individual programmes (however, still limited capacity to provide a coherent investment environment) - struggling to find the appropriate funding sources and to manage overlapping administrative procedures. - gaps in the funding along the investment journey.	+ Clearer and faster access to EU funding thanks to a solid strategic alignment enabling the creation of a credible and attractive investment environment + Continuity in EU support at different stages of the investment journey. + Represented in the consultative board, as part of the steering mechanism. + Streamlined advisory/ support service. + Broader range of funding instruments available thanks to integrated financial toolbox (grants, loans, guarantees, equity). - Learning costs to adapt to a new funding landscape for existing beneficiaries. + Decrease in application costs reduce the comparative disadvantage of SMEs vis-à-vis larger companies when applying for funding (SMEs tend to have less resources to spend on funding application)
Research organisations (ROs, academia)	+	+	++
	ROs and academia will continue to be able to apply for programmes in their current form. Adaptation and adjustment costs will be minimised. + familiar mechanisms to access funding for previous beneficiaries. - no easy transition between different stages of the innovation cycle.	+ It facilitates to some extent the transition between different stages of the innovation cycle. - the alignment of provisions might complicate the administrative work of applicants and beneficiaries, leading to adaptation and adjustment costs.	+ Represented in the consultative board, as part of the steering mechanism. + Streamlined advisory/ support service. + It can facilitate the market uptake of research results and better articulate applied research with industrial priorities. - Adjustment costs are expected due to possible changes in eligibility rules and project reporting rules.
Researchers	+	+	++
	As for ROs and academia.	As for ROs and academia.	As for ROs and academia.
Private and public financial entities	+	+	+++
	+ continuity and predictability of existing funding instruments. - lack of flexibility in structuring funding solutions, including blended products.	+ easier alignment of the financial entities' investment strategies with EU policy objectives. - lack of flexibility in structuring funding solutions, including blended products.	+ Represented in the consultative board. + greater flexibility in structuring funding solutions, including blended products. - possible uncertainty in the early stage of implementation due to the new funding landscape.

7.3. Coherence

Three options are considered: (1) Option A: Limited coherence improvements due to unaddressed fragmentation; (2) Option B: Moderate coherence improvement through standardised rules, but fragmented governance remains; (3) Option C: Significant coherence enhancement through consolidated funding, reduced duplication, and broken sectoral silos.

Coherence	Option A – Business-as-usual-plus	Option B – Enhanced coordination	Option C – Full consolidation
Internal coherence	0	+	+++
	+ EC coordination across the programmes to enable improved horizontal consistency across funds. - 14 different programmes with their own entry-points. Similar level of internal coherence as the baseline. The coordination tool would diminish potential deficiencies in this regard.	+ Alignment in the basic provisions of the individual programmes. - 14 different programmes with their own entry-points. Slightly higher internal coherence than Option A, considering the higher level of strategic steer, the existence of a single rulebook and the coordination tool.	+ Common rulebook and single-entry point. + Coordination between the different instruments (grant, guarantees, equity etc.). + Easier exploitation of the synergies among instruments and actions falling under the same programme. Higher level of internal coherence. One single fund, one single rulebook, increased strategic steer and common objectives.
Synergies with other EU programs	0	+	++
	- Limited synergies due to the existence of multiple distinct programs, conflicting policy objectives and inconsistent provisions in their basic acts. Synergies provisions in all the 14 programmes have limited impact on actual synergy gains. Improved synergies based on the coordination tool.	+ improved synergies with other EU programs compared to Option A. - Limited synergies due to the continued existence of multiple distinct programs. Coordination and clarity enhanced based on the single rulebook, higher strategic steer and the coordination tool.	+ Thanks to the consolidation, there will be a limited number of EU programmes to synergize with. + Steering mechanism to ensure synergies at the level of the MFF. + The Competitiveness Coordination tool will ensure synergies with nationally and regionally pre-allocated envelopes, for example on further supporting competitiveness and continuation of funding for beneficiaries at different governance level. + Synergies with Global Europe Fund on aspects concerning the competitiveness of EU industries and companies in third countries (i.e. accession countries, emerging markets and developing economies.
Synergies with EU initiatives/policies	0	++	+++
	- synergies with broader EU initiatives remain sub-optimal due to the fragmentation of EU funding, making it harder to maximize the impact of EU funding on strategic priorities.	+ Enhanced strategic steer across programmes. An enhanced strategic steer will ensure that all programmes are in line with broader EU priorities, but this will likely be very similar to Option A and the baseline, in practice.	+ Strong alignment with EU priorities thanks to the steering mechanism. Priority setting for strategic sectors and technologies will mean that the Fund provides support to well-defined priorities, which are expected to reflect broader EU strategic priorities, while respecting the needs of sectors with a stronger bottom-up drive.
Possible unintended consequences	No significant change compared to the status quo.	-Due to the separation of EU support to competitiveness into multiple separate programmeswindows, governance and strategic oversight could remain challenging.	+/-While this option provides the most significant improvement in terms of coherence, a risk arises in terms of uniformisation of rules and implementation tools with a need to

Coherence	Option A – Business-as-usual-plus	Option B – Enhanced coordination	Option C – Full consolidation
		-At the same time, harmonisation of rules and implementation tools could generate the risk that they may not sufficiently reflect the specificities ofwould need stakeholder to get use to different implementation rules than in existing programmes,	cater for the specificities of the various targets.

8. PREFERRED OPTION

After assessing the impacts, effectiveness, and efficiency of the three policy options, Option C (consolidation of programmes into a new European Competitiveness Fund) emerges as the preferred choice. This option offers a comprehensive set of policy measures to overcome current deficiencies in the EU's funding landscape related to competitiveness. It would establish a unified investment capacity to support strategic sectors and technologies, facilitating a seamless investment journey from research to deployment on EU-level and strengthen EU's investment capacity and leverage tool.

Option C would simplify and harmonize application rules and requirements, introducing a single access point and a unified rulebook for applicants. This would reduce complexity, eliminate overlaps, and allow the EU to fully harness its potential to mobilize private capital and increase budgetary flexibility. The new fund would also strengthen connections between fundamental research and advanced stages of research, innovation manufacturing and deployment, ensuring a dynamic economic structure within the EU - with the objective to promote Europe's resilience and leadership in the era of global innovation.

To ensure the success of Option C, the EU will implement measures to minimize potential negative impacts including by balancing flexibility with the need for predictability for long-term investments and maximizing the benefits of R&I investments. This requires ensuring a sufficient degree of predictability for R&I activities, including for fundamental research and disruptive innovation, and a clear distinction between R&I and deployment activities. The proposed European Competitiveness Fund (ECF) aims to simplify and improve EU funding by consolidating 14 existing programs into one fund. The ECF is designed to reduce regulatory costs, enhance efficiency, and improve responsiveness to economic crises, ultimately supporting EU competitiveness.

9. HOW WILL ACTUAL IMPACTS BE MONITORED AND EVALUATED?

This initiative will be monitored through the performance framework for the post-2027 budget, which is examined in a separate impact assessment. The performance framework provides for an implementation report during the implementation phase of the programme, as well as a retrospective evaluation to be carried out in accordance with Article 34(3) of Regulation (EU, Euratom) 2024/2509. The evaluation shall be conducted in accordance with the Commission's Better Regulation Guidelines and will be based on indicators relevant to the objectives of the Fund. The latter shall comprise output, outcome and impact SMART (specific, measurable, achievable, relevant, and time-bound) indicators to capture the progress towards achieving the Fund's specific and general objectives along impact pathways in the short-, medium- and long-term respectively.

Annex 1: Procedural Information

1. LEAD DG, DECIDE PLANNING/CWP REFERENCES

Lead DG: DG GROW, DG RTD, SG and DG BUDG

Decide Planning: N/A

CWP Reference: N/A

2. ORGANISATION AND TIMING

The IAs work started in the second half of 2024 guided by the Inter Service Steering Group (ISSGs), which was chaired by SG in close coordination with BUDG. The ISSG was composed of the representatives of LS, JRC and the DGs responsible for the programmes in the scope of this initiative (GROW, RTD, COMP, MOVE, ENER, ENV, ECFIN, CLIMA, DEFIS, CNECT, SANTE, FISMA, MARE, DIGIT, INTPA, HERA, HOME). The ISSG met five times. with the last meeting taking place on 24 April 2025.

External study: an external study was commissioned and conducted between March and May 2025 resulting in two key deliverables: assessment of costs and benefits and comparison of options as well as the analysis of the Public Consultation. Both fed into the IA report.

Consultations: a Public Consultation (PC) ran between 12 February 2025 - 07 May 2025. It was part of the overall public consultation exercise on the next MFF with one particular strand covering EU funds that boost competitiveness: EU's next long-term budget (MFF) – EU funding for competitiveness.(for the details and the results of the consultation, please see the Synopsis report in Annex 2).

3. CONSULTATION OF THE RSB

An upstream meeting RSB and SG, BUDG, RTD, GROW took place on 3 April 2025.

The draft Impact Assessment Report was submitted to the RSB on 19 May 2025 and was examined during the RSB meeting of 4 June 2025. The RSB issued an opinion on the draft Impact Assessment Report on 13 June 2025.

Below are recommendations of the RSB:

On scope: The report does not sufficiently elaborate the definition of competitiveness, nor does it indicate how the ECF is to strengthen European competitiveness. The interplay between competitiveness and security is not sufficiently addressed.	The definition of competitiveness is now explained upfront in the section 1.1 of the report. The revised report also reflects the links between ECF and European competitiveness (section 1.2). Finally, the interplay between competitiveness and security is clarified (section 2.1). All the 14 programmes in the scope of this IA are mentioned in the section 1.2. The discontinuation and re-orientation of programmes is discussed under the sections comparing the different options (both under section 6 assessing the three options and section 7 comparing the options), which outlines adjustment costs and benefits for relevant beneficiaries.

On the problem definition and on the use of evaluations: The report does not consistently build on evidence from evaluations. It does not specify the market and regulatory failures and the societal problems, including their magnitude, which this intervention is intended to address.	More targeted examples from interim and ex post evaluations feature in parts of the problem definition (section 2). The regulatory and market failures are more prominently visible in the revised report (section 2.1 and 2.2). The problem definition now distinguishes more clearly between problems and problem drivers (Section 2.1)
On the intervention logic and objectives: The proposed options do not address all identified problems. The proposed objectives are not S.M.A.R.T.	The section 4 on general objectives now further clarifies that they are both 1) achievable by way of set-up and implementation of the programme where the progress will be continuously monitored to address potential challenges; 2) relevant as they align the investment goals with the EU's strategic priorities, ensuring they contribute to overall EU competitiveness, and 3) time-bound to the duration of the next MFF (post 2027).
On options: The report does not adequately identify the full range of options.	The revised report clearly delineates which problems and problem drivers related to competitiveness will be addressed by the initiative (Section 2.1). In addition, the revised report now explicitly mentions how the different problem drivers will be tackled by the three policy options (section 6.2.1.1, 6.2.2.1. and 6.2.3.1).
On comparison of options and cost-benefit analysis: The report does not adequately assess the costs and benefits of the options	A clearer presentation of the comparison of option is included outlining both quantitative and qualitative costs for beneficiaries, compared to the baseline scenario (section 7.2).
On governance: The report does not sufficiently describe the governance mechanisms.	As outlined in the description of Option C (Section 5.2), the ECF would be organised around a limited number of thematic policy windows reflecting strategic priorities essential to enhancing EU competitiveness and resilience. These windows will encompass the full range of policy areas covered by the programmes consolidated under the ECF. The specific list of policy windows will be set out in the legal act. Investment priorities will be determined through a steering mechanism that spans the entire Multiannual Financial Framework. It will be designed to ensure alignment between funding and strategic objectives. It will also draw on input from a consultative board comprising key

	stakeholders and will include the Competitiveness Coordination Tool.
On unintended consequences: The report does not analyse the unintended consequences that can result from the intervention	Section 7 comparing the different options now includes a dedicated analysis of possible unintended consequences.
On coherence: The report does not sufficiently specify how the ECF links with other parts of the post-2027 MFF,	The revised report reflects the links between the ECF and other parts of the post-2027 MFF
On future monitoring and evaluation: The report is not clear what monitoring and evaluation arrangements will be put in place to measure the achievement of the ECF objectives	The framework for assessing the ECF will be based on the development of a simplified and single performance framework for the post-2027 budget, which will include indicators relevant to the objectives of the programme. The performance framework of the next MFF is the subject of a separate impact assessment, prepared by a dedicated ISSG.

4. EVIDENCE, SOURCES AND QUALITY

This IA is based on an extensive desk review carried out by the European Commission and, for the cost-benefit analysis and public consultation synopsis report, an external study was tendered. The desk research covered approximately 140 documents, including previous Impact Assessments, mid-term evaluations for 2021-2027 and ex-post evaluations for 2014-2020, for all 14 programmes within the scope of this initiative. These documents served as the primary source of evidence for the analysis. For a comprehensive list of sources used for the proposes of this IA, please see the table below. Finally, a series of relevant policy and scientific reports and papers have been consulted and cited throughout the analysis.

The desk review was further completed by economic modelling carried out by **Joint Research Centre** (JRC) for quantifying selected impacts (for additional details and the methodology, see Annex 5).

Programme	Main sources of evidence used
InvestEU	• Impact assessment of InvestEU Programme 2021-2027 (2018) • EFSI 2.0 ex-post evaluation (2022) • Interim evaluation of the InvestEU Programme 2021-2027 (2024) • Evaluation of the ELENA facility (EIB, 2019)
Horizon Europe	• Ex post evaluation of Horizon 2020 (2024) • Impact assessment of Horizon Europe 2021-2027 (2018) • Evidence of the interim evaluation of Horizon Europe (2021-2027) – forthcoming 2025; shared by DG RTD on 1/4/2025 • Align, Act, Accelerate Research, technology and innovation to boost European Competitiveness (Heitor, M., 2024)

Programme	Main sources of evidence used
	• Evidence Framework on monitoring and evaluation of Horizon Europe (2023) • Study to support the monitoring and evaluation of the Framework Programme for research and innovation along Key Impact Pathways - Baseline and Benchmark Report (2022) • Country Participation in the EU R&I Framework Programmes - A retrospective on the first three years of Horizon Europe (2021-2023) (2024) • Keeping our eyes on the Horizon – Monitoring flash series (2020) • Opportunities and Challenges in Targeted Funding of Research and Innovation: Lessons learnt from the Horizon 2020 Focus Areas and implications for Horizon Europe Missions (2021) • Monitoring the open access policy of Horizon 2020 (2021) • Study on the proposal evaluation system for the EU R&I framework programme (2021) • Evaluation study on the European Innovation Council (EIC) pilot (2022) • Evaluation study on the external coherence and synergies of Horizon 2020 within the European research and innovation support system (2022) • Evaluation study on the relevance and internal coherence of Horizon 2020 and its policy mix – Final Report (2023) • Evaluation study on the implementation of cross-cutting issues in Horizon 2020 (2022) • Evaluation study of the European Framework Programmes for Research and Innovation for a Resilient Europe (2023) • Evaluation study on the European Framework Programmes for Research and Innovation for addressing Global Challenges and Industrial Competitiveness – Focus on activities related to the Green Transition – Final Report Phase 1 (2023) • Evaluation Study on the European Framework Programmes for Research and Innovation for Addressing Global Challenges and Industrial Competitiveness – Focus on Activities for the Digital and Industrial Transition – Phase 1 Final report – Horizon 2020 (2023) • Evaluation study on Excellent Science in the European Framework Programmes for Research and Innovation – Horizon 2020 - Phase 1 Final Study report (2023) • Evaluation study of the European Framework Programmes for Research and Innovation for an Innovative Europe – Final Report: Phase 1 (2023)

Programme	Main sources of evidence used
	• Evaluation study of the European framework programmes for research and innovation for excellent science (2023) • Evaluation study of the Eurostars-2 programme (2023) • Contribution of the framework programmes to IPCC (2023)
Digital Europe	• Impact assessment of the Digital Europe programme for the period 2021-2027 (2018) • 2030 Digital Compass: the European way for the Digital Decade (2021)
Innovation Fund	• NER 300 lessons learnt (ICF, 2018) • Impact assessment of the Innovation Fund 2021-2027 (2019) • Annual knowledge sharing report of the Innovation Fund (2024) • on the implementation of the Innovation Fund in 2022 (2023) • on the implementation of the Innovation Fund in 2023 (2024) • Innovation Fund Progress Report (2022, 2023)
LIFE	• Impact assessment of the Programme for the Environment and Climate Action (LIFE) 2021-2027 (2018) • Ex-post evaluation of the Programme for the Environment and Climate Action (LIFE) 2014-2020 (2022) • Contribution of LIFE to environmental improvement Support to the ex-post evaluation of LIFE 2014-2020 (2024) • LIFE 2014-2020 contribution to resource efficiency, climate change adaptation & mitigation (2024) • Contribution of LIFE 2014-2020 to the enforcement of EU environmental legislation (2024) • Contribution of LIFE 2014-2020 in supporting dissemination of information and governance of environmental and climate aspects (2024) • LIFE 2014-2020 contribution on the implementation and management of the Natura 2000 network (2024) • Contribution of LIFE 2014-2020 on triggering replication or transfer and interventions achieving synergies with or mainstreamed into other Union funding programmes (2024)
Connecting Europe Facility	• Impact assessment of the Connecting Europe Facility 2021-2027 (2018) • Mid-term evaluation of the Connecting Europe Facility (CEF) 2014-2020 (2018) • CEF Energy 2023 - Latest achievements and way forward (2023)

Programme	Main sources of evidence used
	• CEF Energy 2022 - Spotlight on supported actions (2022) • Transport investment under the Connecting Europe Facility (CEF) (2022) • Scope of the CBA in the framework of the CEF-transport (2022)
European Defence Fund	• Impact assessment of the European Defence Fund 2021-2027 (2018) • Indicative multiannual perspective 2024-2027 (2024)
European Defence Industry Reinforcement Through Common Procurement Act (EDIRPA)	• Commission implementing decision on the financing of the instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) established by Regulation (EU) 2023/2418 of the European Parliament and of the Council and the adoption of the work programme for 2024-2025 (2024) • Proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products (EDIP) (2024) • EU boosts defence readiness with first ever financial support for common defence procurement (Press Release, 2024)
Act in support of Ammunition programme (ASAP)	• Report from the Commission to the European Parliament and the Council on the implementation of Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) (2024) • Proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products (EDIP) (2024)
IRIS²	• Impact assessment of Union Secure Connectivity Programme for the period 2022-2027 (2022) • Regulation (EU) 2023/588 of the European Parliament and of the Council of 15 March 2023 establishing the Union Secure Connectivity Programme for the period 2023-2027 (2023) • The Upcoming of IRIS2: Bridging the Digital Divide and Strengthening the Role of the EU in International Space Law (Tricco, G., 2023)
European Space Programme	• Impact assessment of the space programme of the Union and the European Union Agency for the Space Programme 2021-2027 (2018) • Interim evaluation of the EU Space Programme and on the performance of the European Union Agency for the Space Programme 2021-2027 (2024)

Programme	Main sources of evidence used
	• EUSPA Annual Activity Report 2023 (2023)
EU4Health	• Impact assessment of the European Globalisation Adjustment Fund (EGF) – Annex 5: Programme specific annex on the Health Programme (2018) • Final evaluation of the third Health Programme 2014-2020 (2023) • 2024 EU4Health Work Programme (2024) • 2024 EU4Health Stakeholders' Consultation (2024) • Performance Monitoring and Evaluation Framework (2024)
SME pillar of the Single Market Programme	• Impact assessment of the Programme for single market, competitiveness of enterprises, including small and medium-sized enterprises, and European statistics and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014, (EU) No 258/2014, (EU) No 652/2014 and (EU) No 2017/826 (2018) • Final evaluation of the programme for the competitiveness of enterprises and small and medium-sized enterprises (COSME) 2014-2020 (2024) • Mid-term evaluation of the Single Market Programme – forthcoming 2025.
Strategic Technologies for Europe Platform (STEP)	• Interim evaluation of STEP – forthcoming 2025

Annex 2: Stakeholder consultation (Synopsis report)

1. Introduction

In the framework of preparing for the next Multiannual Financial Framework (MFF) starting in 2028, the European Commission conducted a public consultation to gather views on EU funding for competitiveness. The consultation targeted a wide range of stakeholders, including citizens, businesses, SMEs, public authorities, recipients of EU funding, civil society organisations, academia, and international stakeholders.

This synopsis report summarises the results of the consultation and informed the impact assessment process for a potential competitiveness fund under the next MFF.

The public consultation was conducted over a 12-week period, from 12 February 2025 to 7 May 2025. It included an online questionnaire and the option to submit position papers. The questionnaire covered both general aspects of EU competitiveness funding and more technical issues related to specific challenges and measures. It consisted mainly of closed-ended questions, with several open-ended questions allowing respondents to elaborate on their views. In total, 2 034 survey responses and 462 position papers were received.

Contributions received in the context of the public consultation published on the 'Have Your Say' portal do not represent the official position of the Commission or its services and thus do not bind the Commission, nor do they constitute a representative sample of the EU population.

2. Methodology

This section outlines the approach used to analyse the public consultation responses and position papers received. It also provides an overview of identified campaign submissions.

Quantitative analysis of closed questions

The statistical analysis of closed consultation questions **combined high-level aggregation with disaggregated insights by stakeholder group**. Cross-tabulations were used to explore variations in responses by stakeholder type. This enabled the identification of emerging trends within particular groups and helped contextualise broader patterns across responses. While all stakeholder group breakdowns have been systematically reviewed and collected in an Excel file, this report focuses on the most relevant divergences and trends to ensure a focused and concise presentation of findings within the available space.

Qualitative analysis of open-ended responses and position papers

The analysis of open-ended responses and position papers has followed **a hybrid approach, combining Large Language Model (LLM)-driven topic modelling with expert human validation**. This ensured a structured, consistent, and robust synthesis of stakeholder input. To support multilingual responses, the Commission's eTranslation tool was used to process non-English contributions.

Responses were mapped according to a set of **key issue areas** defined in the analytical framework developed during the inception phase. These categories were initially based on inputs from the Commission and refined through desk research. The framework was operationalised, tested on a sample of responses, and iteratively adjusted to ensure accuracy and consistency.

To enhance the reliability and nuance of the analysis, the study applied a **layered validation process**. Contributions were first mapped to issue areas using LLM-driven topic modelling. The initial classifications were tested against a human-coded sample, which showed a high level of alignment. A second model was then used to cross-check the outputs, with any discrepancies manually reviewed.

Following categorisation, the study analysed responses to identify stakeholder perspectives, particularly regarding the challenges to EU competitiveness, their underlying causes, and proposed measures. The choice of methodology and approach was discussed and validated with the European Commission's Joint Research Centre, which supported the robustness and credibility of the analysis.

As the consultation relied on self-selected respondents who were not required to comment on every issue area, the qualitative analysis is not statistically representative. Instead, it complements the quantitative results by illustrating stakeholder perspectives through specific examples and identifying recurring themes across position papers and open-text responses.

Information on identified campaigns

Submissions have been reviewed to identify organised campaigns among position papers and open-ended responses. In total, 12 campaigns with at least five contributions were identified. These account for 130 responses overall, representing approximately 6% of all submissions. The table below provides an overview of the number of responses per campaign, the stakeholder groups involved, their positions and their countries of origin.

Table 1. Preliminary overview of identified campaigns

Campaign number	Number of responses	Stakeholder type	Countries of origin	Positions
#1	27	Local and regional public authorities	Belgium, Finland, France, Germany, Netherlands	Importance of local and regional authorities in EU competitiveness funding
#2	23	Businesses, public authorities (transport sector)	Austria, Belgium, France, Germany, Italy, Spain	Transport as a strategic priority requiring strong and coordinated funding
#3	14	Academic/Research Institutions	Belgium, Germany, Netherlands	Importance of a dynamic knowledge cycle and the role of universities
#4	13	Academic/Research Institutions	Denmark, France, Germany, Netherlands, Spain	Critical role of national research infrastructures and need for dedicated funding
#5	13	Non-governmental organisations	Germany	Simplification and accessibility of EU funding for civil society and non-profits
#6	8	Academic/Research Institutions	Germany	Increased funding for fundamental science
#7	7	Academic/Research Institution (aviation)	Belgium, France, Germany, Netherlands, Romania	Strategic importance of aviation for European leadership and comprehensive support

Campaign number	Number of responses	Stakeholder type	Countries of origin	Positions
#8	5	Academic/Research Institution	Ireland	Enhanced investments in research and technology infrastructures
#9	5	Non-EU Citizens	Norway	Independence of Erasmus+
#10	5	Local public authorities	Germany	Simplification of state aid rules and digital transformation of grant processes
#11	5	Regional public authorities	Netherlands	Flexible funding and balanced performance criteria for regional innovation
#12	5	Businesses (aviation)	Belgium, Germany, Italy	Strategic importance of airports for economic growth and climate goals

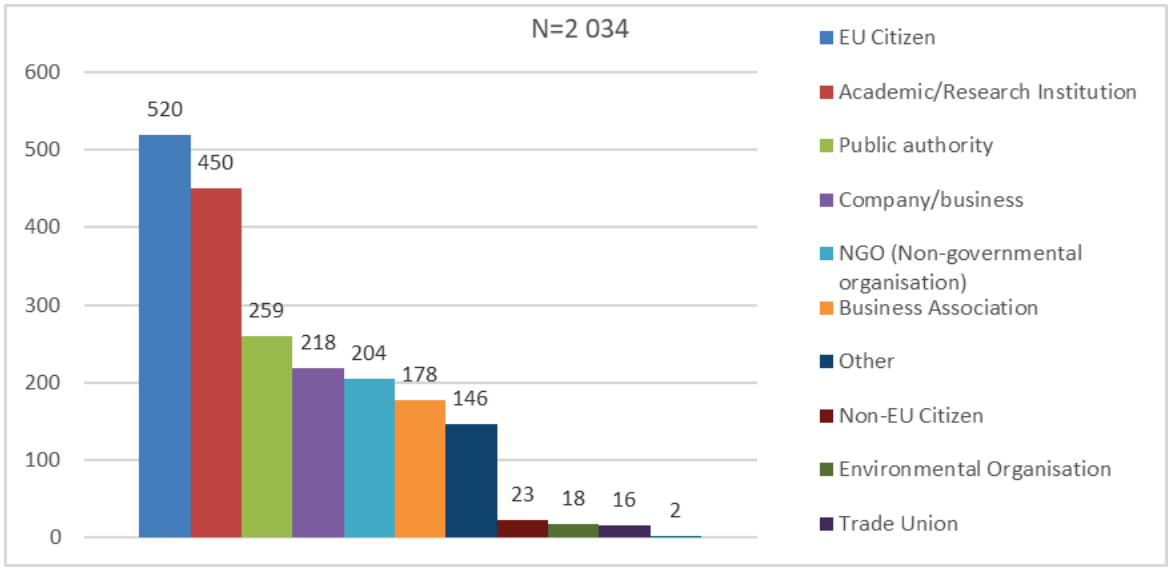
3. Analysis of public consultation results

The following sections present the analysis of key findings from the public consultation. The analysis combines both quantitative and qualitative findings, covering responses to closed and open-ended questions as well as submitted position papers. It highlights key trends, patterns, and divergences across stakeholder groups, providing an overview of stakeholder views most relevant to the impact assessment.

3.1. Background of respondents

The public consultation was answered predominantly by **EU citizens** (26%, 520 out of 2 034) and academic/research institutions (22%, 450) (see figure below). **Public authorities** represented 13% (259) of the total responses. **Companies and businesses** contributed 11% (218), of which 105 were from SMEs. **Non-governmental organisations** accounted for 10% (204) of the total respondents. 'Other' stakeholder types (7%, 146) primarily encompassed research and academic networks, industry and professional platforms, governmental and public sector alliances and other specialised groups.

Figure 1. Stakeholder types

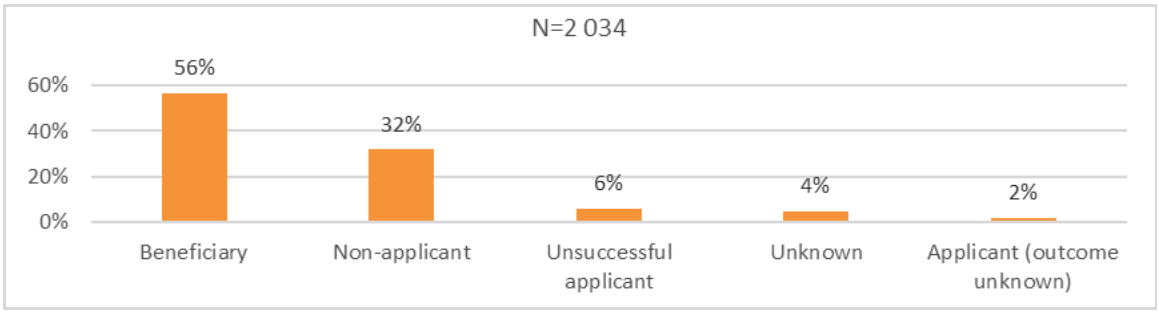


The public consultation gathered responses **predominantly from European countries** (95%, 1 932), with Germany leading with the highest number of respondents (354). Belgium followed with 277 respondents, and Italy with 181. Participation from **non-EU countries** was limited, with a total of 102 responses – led by the Norway (21), followed by the United Kingdom (20) and Moldova (11).

3.2.Respondents' experience with EU funding

The preliminary results of the public consultation indicate that **the majority of respondents are programme beneficiaries**, comprising 56% (1 149) of the total (see figure below). Non-applicants account for 32% (647) of the respondents. A smaller group, 6% (114) of the respondents are unsuccessful applicants.

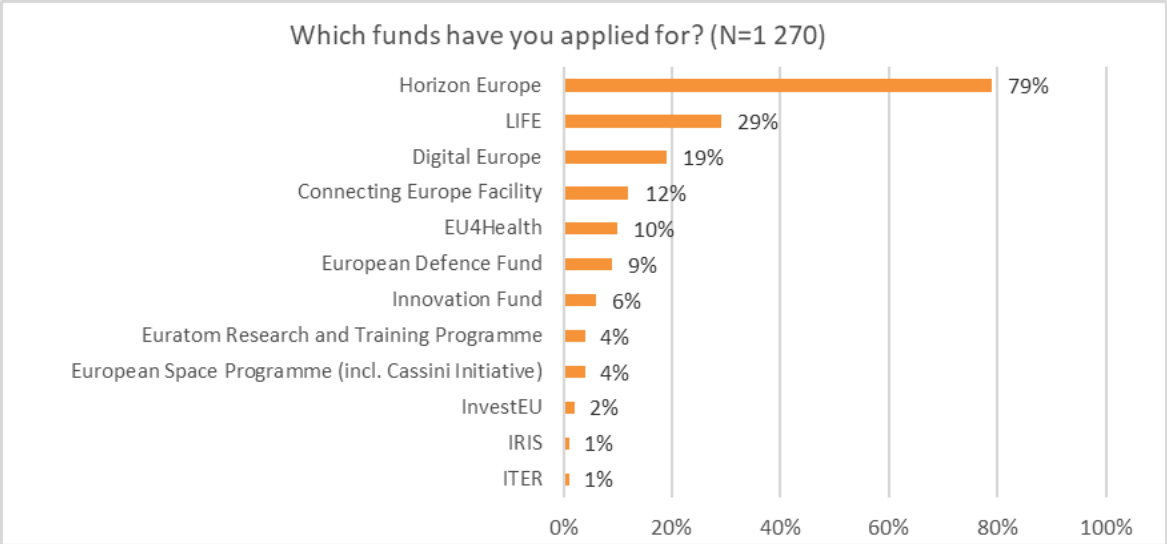
Figure 2. Respondents' funding status



Note: Respondents' funding status is based on their answers to questions 2 (whether they applied for EU funding) and question 4 (whether their application was successful).

When asked which programmes they had applied to since 2021, respondents most frequently reported **Horizon Europe**, with 79% (999 out of 1 270) indicating they had submitted an application, while 29% (374) of respondents had applied to the **LIFE programme** (see figure below). **Digital Europe** was the third most commonly selected, with 19% (246) having applied, followed by **Connecting Europe Facility** at 12% (149).

Figure 3. Types of EU funds respondents applied to

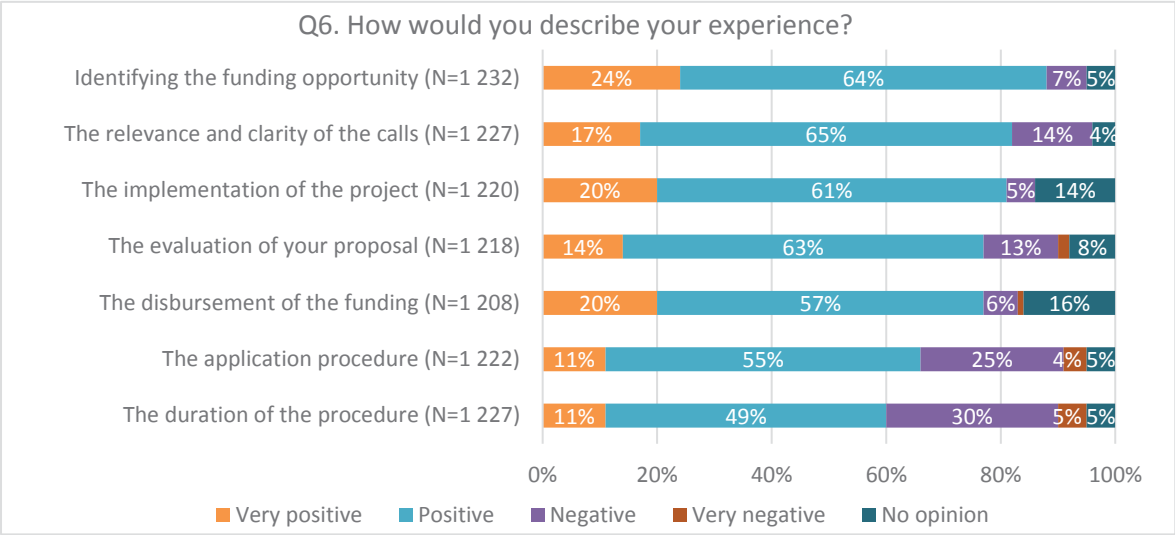


Overall, respondents reported a positive experience across most stages of the funding process. The stage of **identifying the funding opportunity** (N=1 232) received the highest ratings: 88% (1 083) of respondents rated it (very) positively, while only 7% (93) gave it a (very) negative rating (see figure below). This stage was followed by the **relevance and clarity of the calls** (82%, 1 001 out of 1 227), the **implementation phase** (81%, 999 out of 1 220) and the **disbursement of funding** (77%, 929 out of 1 208).

The perception of the **application procedure** (N=1 222) was more mixed – while 66% (806) gave a (very) positive assessment, more than a quarter (29%, 349) rated it (very) negatively. The **timeline of the process** (N=1 227) was somewhat less well-received compared to other aspects: 60% (292) of respondents reported a (very) positive experience, while 35% (430) viewed it (very) negatively.

These views reflect the **complexity involved in accessing, mobilising, and implementing EU funding for beneficiaries**, particularly due to fragmented programme structures, varying criteria and requirements, and administrative burdens (see also the detailed analysis on this aspect in section **Error! Reference source not found.**). In open-text responses on challenges in the funding process, respondents frequently noted that lengthy evaluation timelines, unclear call descriptions, and a lack of transparency create inefficiencies and discourage participation – particularly for SMEs (who were, on average, least satisfied with the funding process) and newcomers. These difficulties are most evident in respondents' lower ratings for the **application stage** and **duration of the procedure** and suggest that **simplification efforts** – particularly those aimed at greater procedural clarity, harmonised requirements, and coherence across funding programmes – could improve the overall user experience and encourage broader participation.

Figure 4. Respondents' perception of the funding process



While respondents overall provided positive ratings across most stages of the **funding process**, some differences can be observed across stakeholder groups:

- **Identifying the funding opportunity** received high satisfaction (82-91%) across groups, with EU citizens (91%, 189 out of 209), member state authorities (91%, 137 out of 150) and beneficiaries (89%, 975 out of 1 102) most positive. The relevance and clarity of calls, and the disbursement and implementation phases followed a similar trend.
- The **application procedure** and **duration of the process** received more mixed feedback. Satisfaction with the application stage was lowest among unsuccessful applicants (62%, 69 out of 111) and business stakeholders (63%, 144 out of 229), while academics (69%, 250 out of 365) and citizens (75%, 154 out of 206) were more positive. A similar pattern was observed for the duration of the procedure.
- Perceptions of the **proposal evaluation** phase were highly outcome-dependent, with beneficiaries (81%, 883 out of 1 089) reporting high satisfaction, while unsuccessful applicants were comparatively less satisfied (43%, 48 out of 112).

Among **beneficiaries**, satisfaction levels were similarly high across programmes for identifying opportunities, relevance and clarity of calls, disbursement, and implementation. The application procedure (63-73%) and the duration of the process (44-71%) showed more variation, with LIFE beneficiaries (N=279) overall reporting higher satisfaction compared to those from Horizon Europe (N=767), EU4Health (N=97), and Digital Europe (N=183).

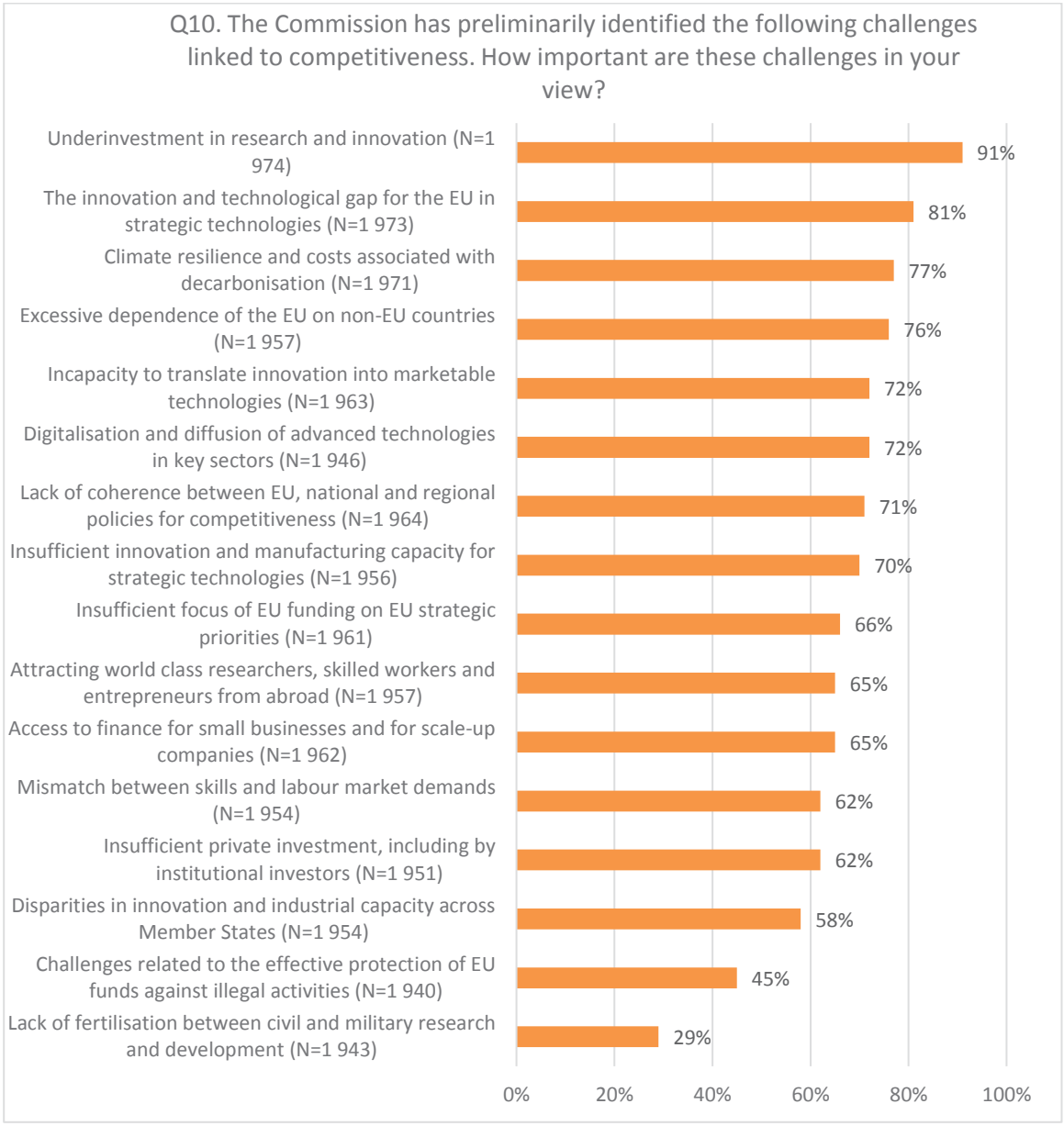
3.3.EU funding on competitiveness

Challenges and measures to support competitiveness

The following sections combine findings from closed questions, open-ended responses, and position papers to **present key trends across the key issue areas identified in relation to EU funding for competitiveness**. For each area, the analysis explores stakeholder perspectives, underlying causes, and proposed measures.

As shown in the figure below, **underinvestment in research and innovation** (91%, 1 795 out of 1 974) **and the EU's innovation and technological gap with global competitors** (81%, 1 614 out of 1 973) emerged as the most widely recognised challenges to competitiveness among public consultation respondents. By contrast, respondents placed the least emphasis on issues related to the protection of EU funds against illegal activities (45%, 872 out of 1 940) and the fertilisation between civil and military research (29%, 561 out of 1 943).

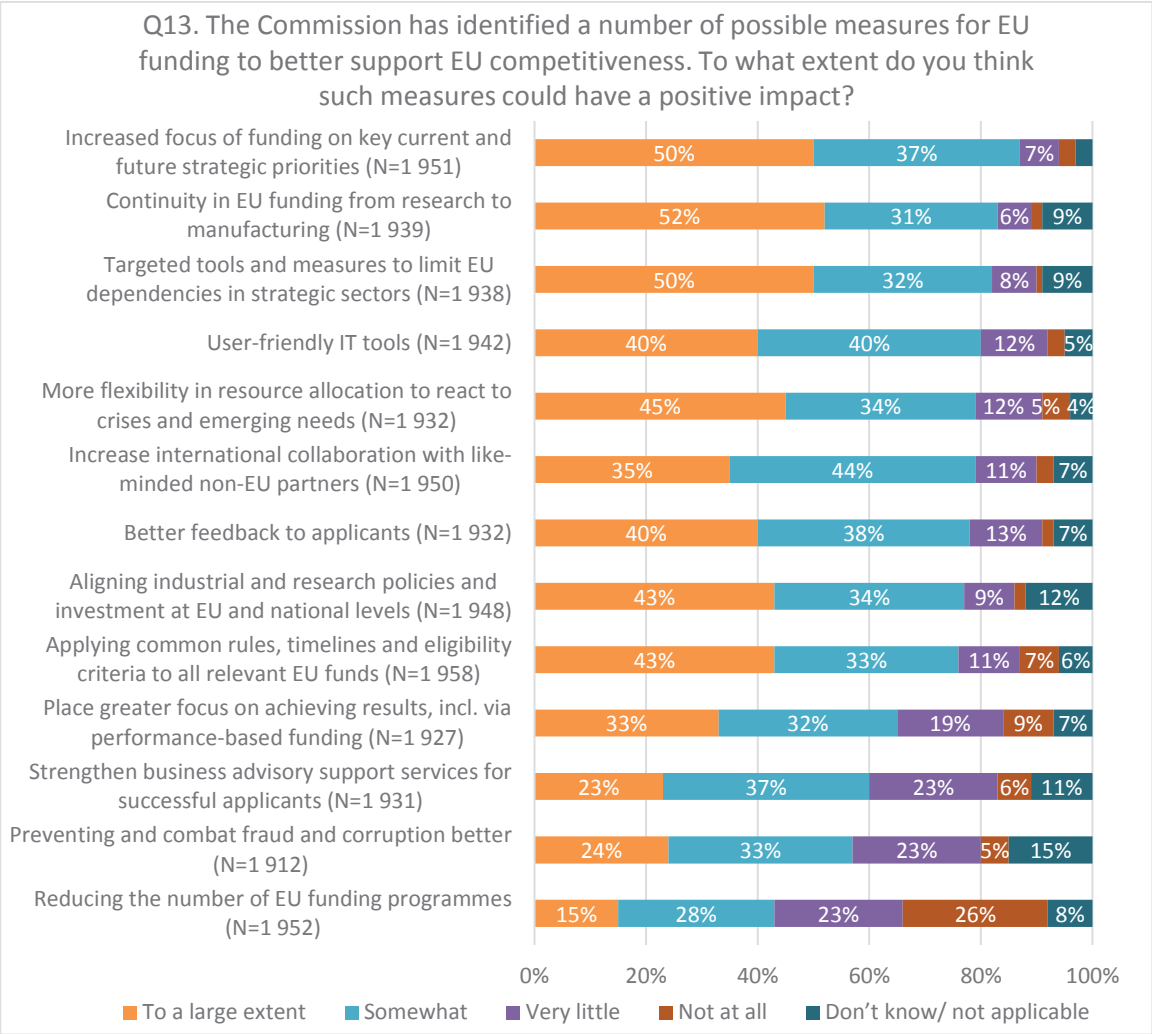
Figure 5. Importance of identified challenges



Note: The figure shows the combined share of respondents who selected 'Important' or 'Very important'.

Respondents' concerns regarding challenges to competitiveness were closely reflected in their views on potential policy responses (see figure below). The highest levels of support – based on the combined share of respondents answering *to a large extent* or *somewhat* – were expressed for **increasing the focus of funding on key current and future strategic priorities** (87%, 1 689 out of 1 951), **ensuring continuity of EU funding along the investment journey from research to manufacturing** (83%, 1 618 out of 1 939), and **limiting EU dependencies in strategic sectors** (82%, 1 583 out of 1 942).

Figure 6. Impact of possible measures



The following sections provide a detailed analysis of each key issue area, examining stakeholder perspectives, variations between groups, and proposed measures in response to the identified challenges.

Fragmented support through the investment journey

Respondents recognised fragmentation in support across the investment journey as a barrier to competitiveness, particularly in relation to **underinvestment in research and innovation**. This emerged as a top challenge across all respondent groups, with 91% (1 795 out of 1 974) of respondents rating it as (very) important. This issue also closely relates to other challenges, including scale-up financing gaps, capacity shortages, and fragmented investment in strategic sectors (see sections below). While somewhat less prominent, a **lack of coherence between EU, national and regional policies** for competitiveness was also seen as a relevant concern (71%, 1 391 out of 1 964), as it can undermine coordinated investment pathways.

To address fragmentation in support, **continuity in EU funding from research through to manufacturing** received strong backing as a potential measure. It was the second most consistently supported option across stakeholder groups, with 83% (1 618 out of 1 939) of respondents overall indicating that it could have a positive impact *to a large extent* or *somewhat*. **Aligning industrial and research policies at EU and national levels** received more moderate support, with 77% (1 514 out of 1 948) of respondents overall viewing it as at least somewhat impactful.

Open-text responses and position papers linked to this issue area frequently emphasised the **importance of coordinated, continuous, and predictable funding across the entire investment journey**. Respondents frequently noted that gaps in EU budget support, particularly at critical stages like scale-up and market application, can hinder the translation of research into commercial solutions. Businesses, in particular, highlighted the need to **address funding gaps** between early-stage feasibility and later-stage scale-up, and suggested increasing the use of streamlined funding instruments, such as cascade funding, and stronger public-private partnerships.

Academic and research institutions, businesses, and public authorities also frequently stressed the need for **closer alignment between EU and national funding frameworks** to prevent breaks in the innovation pipeline. Additionally, some respondents called for **more systematic integration of research, development and innovation components** within EU funding programmes to reduce fragmentation across funding instruments and improve coordination.

Low and fragmented investment in strategic sectors

Low and fragmented investment in key sectors emerged as a key issue area among respondents. The **EU's innovation and technological gap with global competitors** was rated as (very) important by 81% (1 614 out of 1 973) of respondents, making it one of the most frequently cited challenges. This view was especially strong among businesses (88%, 332 out of 374) and academic or research institutions (88%, 389 out of 440). The **EU's dependence on non-EU countries for critical inputs and technologies** was also widely recognised (76%, 1 490 out of 1 957), with EU citizens expressing higher levels of importance (83%, 428 out of 515) compared to other stakeholders. Other related issues included climate resilience and decarbonisation (77%, 1 514 out of 1 971) and the digitalisation of key sectors (72%, 1 394 out of 1 946).

Reflecting these concerns, stakeholders showed strong support for targeted measures to **limit EU dependencies in strategic sectors**, which was one of the most widely supported measures overall, with 82% (1 583 out of 1 938) of respondents viewing it at least somewhat impactful. Support was especially high among member state authorities (88%, 204 out of 231) and EU citizens (87%, 447 out of 511). There was also broad support for **increasing the focus of EU funding on key current and future strategic priorities** (87%, 1 689 out of 1 951), with support particularly high among businesses (93%, 341 out of 370) and member state authorities (92%, 214 out of 231).

In open-text responses and position papers, **strategic priorities were among the most frequently discussed areas**. Respondents across stakeholder groups highlighted the need for **more coordinated and sustained investment** in areas they considered essential to long-term competitiveness, such as digital technologies, AI, biotech, clean tech, and critical infrastructure. Contributions frequently noted that EU and member state investments in these sectors remained fragmented and often lacked the scale needed to address the capital needs of high-impact sectors.

Business stakeholders frequently emphasised the importance of **greater investments in specific sectors** to support long-term research and development, infrastructure modernisation, and decarbonisation. Similarly, academic and research institutions called for expanded investments in **research and technology infrastructures**, noting that advanced facilities and equipment are essential for scaling innovations and maintaining global competitiveness (see also section below on capacity gaps). Additionally, respondents from various stakeholder groups frequently highlighted the importance of **increasing investment levels to better support broader sustainability objectives**, including climate resilience, biodiversity, and circular economy goals, in order to enable key transitions and strengthen Europe's strategic autonomy.

Financing gap at scale-up level and insufficient leverage of private investment

Access to finance for small businesses and scale-up companies was seen as a (very) important challenge by 65% (1 273 out of 1 962) of respondents, with businesses (73%, 271 out of 373) – in particular SMEs (84%, 87 out of 103) – and member state authorities (76%, 175 out of 231) expressing the highest importance. **Insufficient private investment** was also noted by 62% (1 218 out of 1 951) overall, though this view was more strongly held by member state authorities (75%, 171 out of 230).

In the open responses and position papers, respondents who addressed this aspect frequently highlighted **persistent challenges associated with securing adequate financing at the scale-up and deployment stages**. Respondents frequently pointed to gaps in access to venture capital, particularly for high-risk, deep-tech sectors. Some contributions also noted that fragmented capital markets and high levels of investor risk aversion in the EU overall limit the availability of private capital, which can make it more difficult for innovative firms to reach commercial scale.

In this context, contributions from businesses frequently emphasised the **need for more effective de-risking mechanisms**, such as blended finance models or matched equity instruments, particularly to support start-ups and SMEs. They also highlighted the potential role of **strategic public-private partnerships** in attracting private capital by reducing perceived investment risks. This view is also shared by EU financing institutions that contributed to the consultation, which emphasised the need to leverage public resources through risk-sharing schemes and blended instruments to increase impact and crowd in private capital. In relation to a possible competitiveness fund, they advocate for a structure that combines EU budgetary guarantees with grant funding to maximise the impact and leverage of public spending. They also emphasised the importance of ensuring access to finance for SMEs and support the '**open architecture'** approach for national promotional banks and institutions and international financial institutions. Some of the respondents, including public authorities and businesses, also suggested **strengthening EU-level structures** to mobilise private capital and **creating clearer and more accessible pathways** to investment tools.

Capacity gaps (labour and skills shortage, infrastructure, R&I divide)

Capacity-related challenges were generally viewed as moderately important by respondents, though member state authorities in particular expressed stronger concern than other groups. **Insufficient innovation and manufacturing capacity** for strategic technologies was the most commonly cited issue in this area, rated as (very) important by 70% (1 367 out of 1 956) of respondents, with fairly consistent views across stakeholder groups. The **mismatch between skills and labour market demands** was seen as (very) important by 62% (1 208 out of 1 954) overall but rose to 77% (175) among member state authorities (N=230). Similarly, **attracting world-class researchers, skilled workers and entrepreneurs** received 65% (1 268 out of 1 957) support overall, with higher concern from academic/research institutions (76%, 336 out of 441) and member state authorities (73%, 169 out of 232) compared to businesses (55%, 201 out of 369). **Disparities in innovation and industrial capacity across member states** were considered (very) important by 58% (1 133 out of 1 954) overall, with fairly consistent views across stakeholder types.

In open responses and position papers, respondents frequently highlighted perceived **gaps in the EU's capacity to sustain a competitive research and innovation base**. These included skills shortages, infrastructure deficits, and uneven research and innovation capacity across member states. Contributions frequently emphasised the need for **sustained investments** in both physical and digital infrastructure to support the scaling and commercialisation of new technologies in key sectors such as energy, transport, and digital technologies. A recurring theme among academic and research stakeholders was the need for long-term investments in research infrastructures, perceived as important to safeguard Europe's technological edge and innovation potential. In parallel, public

authorities more frequently pointed to regional disparities in research and innovation capacity, emphasising the need to invest in local and regional ecosystems through EU funding instruments.

In addition to infrastructure, contributions also frequently highlighted the **role of skills and talent** in sustaining Europe's long-term competitiveness. This includes calls for improved training, skills development, and early-stage education to support a highly skilled workforce, particularly in the context of the EU's green and digital transitions.

Weak translation of research results into marketable outputs

While the broader issue of translating research into marketable outcomes was broadly recognised by stakeholders, specific aspects such as coordination between civil and military research were perceived as less pressing. The **inability to bring innovation to market** and integrate it into the EU's industrial base was considered (very) important by 72% (1 419 out of 1 963) of respondents, with concern especially high among businesses (83%, 309 out of 375) – including SMEs (81%, 83 out of 103) – and member state authorities (80%, 185 out of 231). In contrast, **limited interaction between civil and military research** was rated as the least important challenge across all respondent groups (29%, 561 out of 1 943).

Although translating research into marketable outcomes was rated as important in the survey, it received relatively limited attention in open-text responses compared to other issue areas, suggesting broad recognition but fewer concrete proposals. Among those who did comment, contributions frequently emphasised the need for **stronger support mechanisms** to bridge the gap between research and commercial applications. Respondents noted that while the EU has a strong foundation in research, converting scientific advancements into commercially viable innovations remains a challenge. This issue, as emphasised by respondents, is compounded by fragmented support structures, insufficient collaboration between research institutions and businesses, and a lack of integrated innovation pipelines.

In this context, respondents from academic institutions frequently called for **stronger links between research and market application**, highlighting the importance of applied research actors in this process. Similarly, respondents frequently suggested that **existing funding instruments could be better structured** to support the uptake and commercialisation of research results. Respondents frequently called for clearer pathways and incentives to bring innovations to market, suggesting dedicated measures for applied research and technology transfer. Others emphasised the importance of tailored support for sectors with high capital requirements, such as healthcare, clean tech, and digital technologies.

Complexity to access, mobilise and implement EU funding for beneficiaries

Stakeholder responses pointed to a perceived **need for greater simplification and coherence across funding programmes**. In open-text responses and position papers, respondents frequently cited varying eligibility criteria, templates and documentation requirements, across different funds as key **sources of complexity and inefficiency**. Aligning rules and procedures across different funds was among the most commonly cited measures that could help reduce administrative burden for stakeholders.

High **administrative workload** during application and reporting stages was also frequently mentioned as a challenge in open-text responses. This was seen as particularly challenging for smaller organisations, civil society groups, and new entrants, making it more difficult for them to access the EU funding ecosystem. Commonly noted proposals included **simplifying application processes**, including the use of two-stage submissions to reduce time spent on unsuccessful proposals. There were also frequent calls for clearer co-financing conditions, simplified budgeting procedures, and

greater flexibility in eligibility and project design to support broader participation, while maintaining consistency across different funds.

Addressing fragmentation through **more integrated rules and governance structures** could play a central role in simplifying access and reducing the overall complexities and administrative inefficiencies. Greater **coherence across programmes** is seen to have the potential to improve both the user experience and the overall effectiveness of funding delivery. In particular, **applying common rules, timelines and eligibility criteria** to all relevant EU funds was seen as an impactful possible measure for EU funding to better support EU competitiveness with consistent results across stakeholder groups (76%, 1 502 out of 1 958). This view is also shared by EU financing institutions that contributed to the consultation, which emphasised the need to simplify and harmonise rules, streamline reporting and eligibility criteria, and reduce administrative burdens, particularly for SMEs and smaller actors. They also stressed the importance of avoiding duplication across programmes and creating a unified, more accessible funding framework.

While applying common rules across programmes received strong overall support, a smaller group of 43% (855 out of 1 952) of stakeholders considered that **reducing the number of EU funding programmes** would have a positive effect. Among beneficiaries of the Horizon Europe programme, 47% (370 out of 791) believed that reducing the number of EU funding programmes would positively impact EU competitiveness. However, views varied across other programmes, with support for decreasing the number of programmes rising to 58% (109 out of 189) among beneficiaries of the Digital Europe programme.

In open-text responses and position papers, Horizon Europe beneficiaries frequently expressed concern that merging FP10 into a consolidated competitiveness fund could **risk the reallocation of research funding to other policy areas**. This reflects the broader uncertainty expressed in some responses, where beneficiaries frequently emphasised the importance of **ensuring dedicated support for scientific excellence** and innovation in order to maintain the EU's global leadership in research and technology. On the other hand, respondents in favour of a consolidated fund emphasised the importance of **reducing fragmentation and simplifying access** by merging multiple funding streams into a single, more coherent structure. They suggest that this approach could reduce administrative burdens, enhance financial flexibility, and improve coherence across funding streams to better support strategic EU goals, while also enabling faster responses to emerging challenges.

Governance, structure and coordination mechanisms of EU funding instruments and their implementation

Stakeholders overall agreed on the **need to better align EU funding programmes with clear strategic priorities**, in order to avoid funds becoming too widely dispersed and losing focus. This concern was considered (very) important by 66% (1 283 out of 1 961) of respondents, with relatively consistent agreement across stakeholder groups. Similarly, an **increased focus of funding on key current and future strategic priorities** was widely seen as a positive possible measure, with 87% (1 689 out of 1 951) of respondents believing it would have a positive impact *to a large extent* or *somewhat*. At the same time, some open-text responses expressed caution about introducing overly complex targets in the process of aligning funding with strategic priorities, warning that this could potentially increase administrative burden.

Introducing more flexibility into resource allocation to react to crises and emerging needs was considered impactful by 79% (1 528 out of 1 932) of respondents, with most stakeholder groups showing consistent support. In open-text responses and position papers, respondents broadly agreed on the **need for greater flexibility in EU funding instruments to address emerging needs and crises**, while ensuring the stability required for long-term strategic priorities. Contributions frequently highlighted the importance of funding mechanisms that can quickly respond to crises and

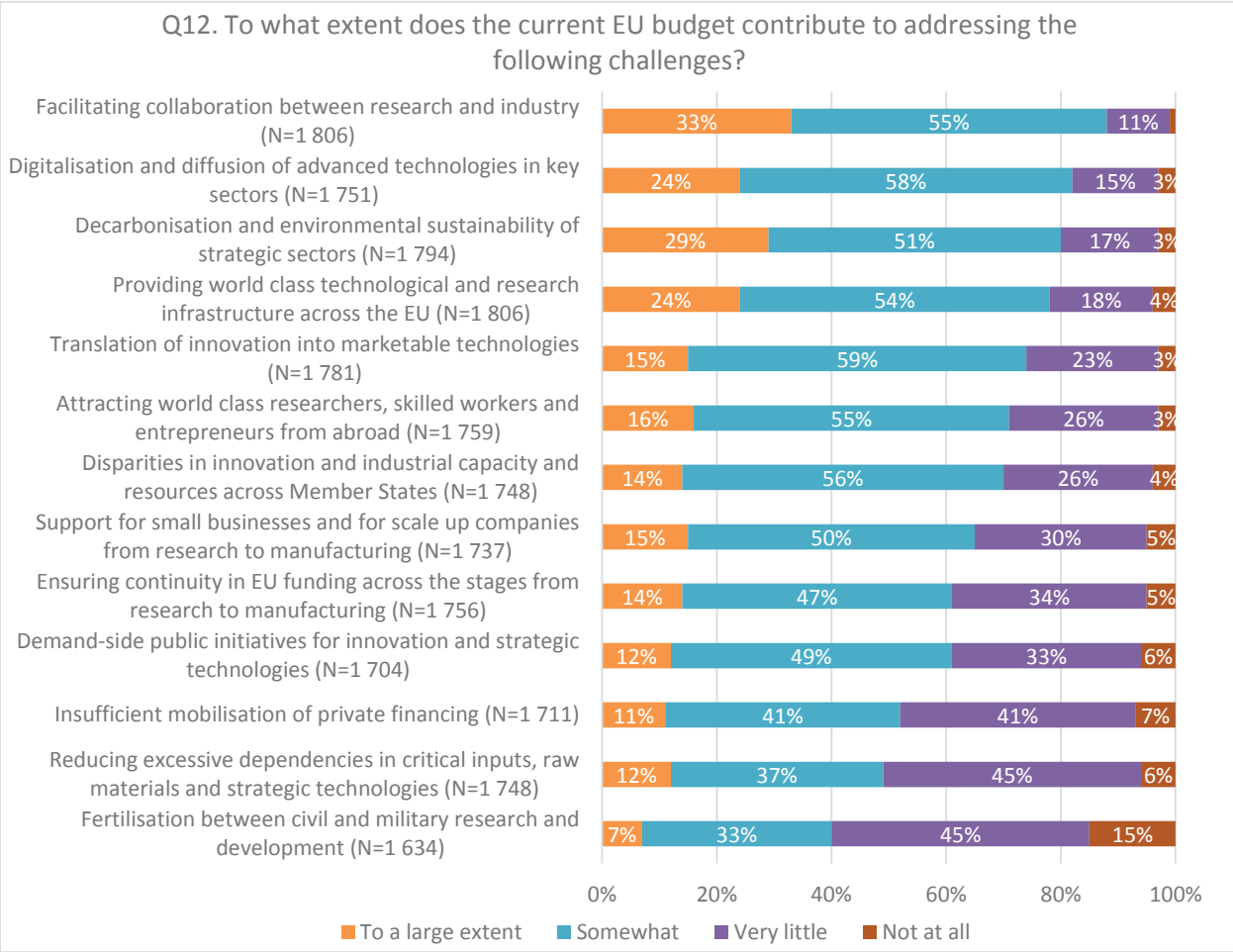
changing needs and priorities, supporting the idea of more adaptable funding instruments. At the same time, respondents emphasised the importance of predictable funding frameworks to support long-term planning, particularly in areas like research and infrastructure where continuity is important.

The **lack of coherence between EU, national, and regional policies for competitiveness** was assessed as a moderately important challenge by all stakeholder groups. Overall, 71% (1 391 out of 1 964) of respondents considered it (very) important, with fairly consistent views across stakeholder groups. Although relatively few open-text responses and position papers discussed this aspect in detail, some contributions pointed to the relevance of ensuring an appropriate balance between EU-level centralised management and member state involvement, particularly in relation to projects with substantial infrastructure or economic development implications.

Role of the EU budget in addressing challenges

The results suggest **varied perceptions of the EU budget's contribution across different policy areas**, with stronger recognition in more established domains of EU action and less in areas involving cross-sector collaboration or private investment. The strongest areas of contribution are seen in **facilitating collaboration between research and industry**, **decarbonisation and sustainability of strategic sectors**, and the **digitalisation and diffusion of advanced technologies** (see figure below). The lowest perceived contributions relate to fertilisation between civil and military research and development. In general, perceptions of the EU budget's contribution are broadly aligned across stakeholder groups. Open-text responses on other relevant areas most frequently emphasised that the EU budget also plays an important role in promoting democratic market regulation, strengthening regional innovation ecosystems, and enhancing technological sovereignty through investment in research.

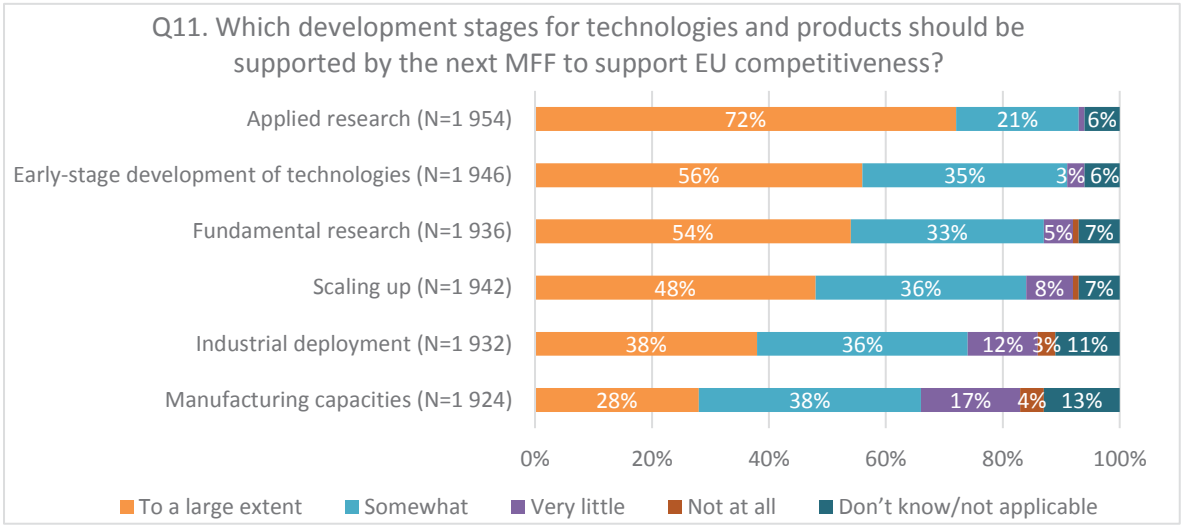
Figure 7. Role of the EU budget



Research support

The survey results show that **applied research** is perceived as the most important stage for support under the next Multiannual Financial Framework, with 72% (1 411 out of 1 954) of respondents indicating it should be supported to a large extent (see figure below). This was followed by **early-stage development of technologies** (56%, 1 095 out of 1 946) and **fundamental research** (54%, 1 049 out of 1 936). Open-text responses frequently emphasised the need for EU support across the entire investment journey – from fundamental research to industrial deployment – with particular focus on early-stage development, proof of concept, and scaling up.

Figure 8. Support for development stages



Differences in the support for various development stages across stakeholder groups reflect their differing roles within the innovation ecosystem:

- **Academic and research** respondents (min. N=435) prioritised supporting **applied research** (84%, 371) and **fundamental research** (73%, 319), but only 23% (99) and 11% (48) emphasised industrial deployment and manufacturing.
- In contrast, **business** respondents (min. N=359) placed greater emphasis on **industrial deployment** (68%, 248) and **manufacturing** (47%, 168), with less focus on fundamental research (30%, 108). Similarly, **applied research** received more moderate support (61%, 225) from businesses compared to other stakeholder groups (71-84%).

Different **business stakeholders** (business associations (min. N=152), SMEs (min. N=102), large companies (min. N=105)) all showed strongest support for applied research, scaling up and industrial deployment, and lower support for fundamental research. Some differences within this group are evident in their support for later development stages, with large companies showing higher support for scaling up (78%) and industrial deployment (82%) compared to SMEs (which reported 60% and 53% respectively).

4. Other consultation activities

The public consultation was complemented with other consultation activities for relevant stakeholders both on the industry and the research and innovation areas.

For industry stakeholders, the 9th plenary meeting of the Industrial Forum held on 19th March 2025, focused on the new European Competitiveness Fund. The participants, represented by over 60 members from different industries and business associations as well as Member States were invited to provide their feedback on the problems outlined in this IA. They were also invited to share ideas on how to address these challenges.

In addition, Research and Innovation stakeholders have been very engaged in the public debate for the future role of research and innovation in EU competitiveness, especially since the launching of the political guidelines in July 2024 and the Competitiveness Compass in February 2025.

Annex 3: Who is affected and how?

1. Practical implications of the initiative

Consolidation of programmes in a new European Competitiveness Fund

The Commission would propose a legislation to establish a single European Competitiveness Fund, designed to create a unified investment capacity across strategic sectors and technologies, from fundamental research to deployment and services. The fund would flexibly use the EU's full financial toolbox such as loans, grants, equity, blending, guarantees, and procurement, available across all policy areas. Currently, 14 programmes contribute to EU competitiveness, covering areas like R&I, defence, space, digitalisation, health, and the green transition.

2. Summary of costs and benefits

I. Overview of Benefits (total for all provisions) – Preferred Option		
Description	***Amount***	***Comments***
Direct benefits		
Proposal cost reduction	Cost savings of 10% compared to the baseline	The costs to prepare the proposal are expected to decrease by 10% compared to the baseline scenario, which would translate into a range of EUR 4 500 and 28 800 per proposal
The time-to-inform and the time-to-grant reduction	Reduced by tens of days	The time-to-inform and the time-to-grant is also expected to be reduced by tens of days for the preferred option as compared to the baseline scenario.
Success rate	Increase by approximately 10–15% for the most oversubscribed programmes	
Indirect benefits		
Social	Employment impact in Option C is 53.58% higher.	The employment impact in Option C is 53.58% higher than in Option A, mainly due to the larger volume of investment.
Environmental	An expected positive impact on climate.	The environmental impacts of Option C are closely tied to its prioritization of decarbonization and clean tech as key sectors and technologies. This focus should lead to a positive impact on climate, as the EU aims to achieve net-zero CO2 emissions by 2050, a target that cannot be met by solely deploying existing technologies.

I. Overview of Benefits (total for all provisions) – Preferred Option		
Economic (GDP)	GDP multiplier 15.74% higher	The 15-year cumulative GDP multiplier for Option C is 15.74% higher than the baseline. This increase can be broken down into three factors: (1). Simplification: +3.79% due to additional supply-side effects; (2) Investment volume: -0.07% due to larger investment volumes; and (3) Frontloading of investment: +12.02% due to earlier deployment of investment.
Economic (Export)	+57.53% export activity	An increased GDP and enhanced export activity (+57.53% for the preferred option as compared to the baseline

(1) Estimates are gross values relative to the baseline for the preferred option as a whole (i.e. the impact of individual actions/obligations of the preferred option are aggregated together); (2) Please indicate in the comments column which stakeholder group is the main recipient of the benefit;(3) For reductions in regulatory costs, please describe in the comments column the details as to how the saving arises (e.g. reductions in adjustment costs, administrative costs, regulatory charges, enforcement costs, etc.;);.

Administrative costs

- *Opt 1: Different rules on application processes would be tailored to each programme's needs and constituency. For each programme, taken individually, this constitutes a clear and highly relevant minimisation of cost.*
- *Opt 2: Harmonisation of the application process can also come with the cost of not reflecting each sector's specificities (see above).*
- *The programmes in scope cover a broad spectrum of activities. Full harmonisation of the application process can come with a cost, in light of the very different nature activities to which it would apply (for instance, funding the manufacturing or construction of physical infrastructure vs. funding researcher exchanges). Different activities entail different types of applicants and proposals, and therefore may benefit from accommodating each sector's specificities. A common rulebook would also remove the specificities of the different programmes, affecting the tailored approach / targeted support from which certain groups of stakeholders currently benefit. In fact, some stakeholders may bear costs moving from a tailored approach to a consolidated one: for example, researchers (ERC PIs) or startups & SMEs (EIC) now have specific (shorter) application templates and rules tailored to their groups, while a single rulebook would bundle together all applicant groups (researchers, start-ups, SMEs, large companies, universities, etc.).*
- *Opt 3 A single Fund would mean losing the specificities of the different programmes, as well as programme parts, affecting the tailored approach / targeted support from which certain groups of stakeholders currently benefit.*

(1) Estimates (gross values) to be provided with respect to the baseline; (2) costs are provided for each identifiable action/obligation of the preferred option otherwise for all retained options when no preferred option is specified; (3) If relevant and available, please present information on costs according to the standard typology of costs (adjustment costs, administrative costs, regulatory charges, enforcement costs, indirect costs;).

II. Overview of costs – Preferred option							
		Citizens/Consumers		Businesses		Administrations	
		One-off	Recurrent	One-off	Recurrent	One-off	Recurrent
Action (a)	Direct adjustment costs	Adjustment costs would be high for applicants and beneficiaries and would require a significant adaptation.	N/A	Adjustment costs would be high for applicants and beneficiaries and would require a significant adaptation.	N/A	Direct adjustment costs would be high as administrations would have to adapt to new processes which would require high administrative capacity. Majority of the total adjustment costs would be incurred by the public sector.	N/A
	Direct administrative costs	Negative (lower) due to simplified funding processes.	Negative (lower than at the present). Time-to-search would decrease for grants and remain the same for financial instruments.	Negative (lower) due to simplified funding processes.	Costs to prepare the proposal would decrease by 10%. Time-to-search would decrease by up to 20% for grants, it would remain the same for financial instruments.	Initial costs are projected to be high as they are primarily linked to the setup of a single-entry point and advisory service.	Comparable to current costs for financial instruments, slightly higher for grants because of increased management costs. However, time-to-inform and -grant would decrease.
	Direct regulatory fees and charges	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.
	Direct enforcement costs	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.	Cannot be estimated at this time.
	Indirect costs	N/A	N/A	N/A	N/A	N/A	N/A

III. Application of the 'one in, one out' approach – Preferred option(s)			
[M€]	**One-off** (annualised total net present value over the relevant period)	**Recurrent** (nominal values per year)	**Total**
Businesses			
New administrative burdens (INs)	N/A	N/A	N/A
Removed administrative burdens (OUTs)	Option C would significantly reduce administrative costs by integrating access points and introducing a common rulebook, simplifying the funding process and creating a more efficient, business-friendly environment.	The simplified system will reduce recurring administrative costs for businesses by shortening grant proposal preparation time. This will save up to 10% compared to the baseline, equal to EUR 4,500–28,800 per proposal.	A potentially significant reduction of administrative costs through a common rulebook, including a 10% reduction of recurring costs.
Net administrative burdens*	Negative burden, potentially significant reduction.	Negative burden, 10% reduction of recurring administrative costs.	Negative burden, 10% reduction of recurring administrative costs combined with a significant one-off reduction.
Adjustment costs**	Adjustment costs would be high for applicants and beneficiaries and would require a significant adaptation by organisations accustomed to the current structure. However, adjustment costs are one-off costs. It has the highest impact among the options, as it changes the status quo. No quantified data is available currently.	N/A	Initially high adjustment costs as a result of a need for applicants to significantly adapt to the new structure. However, those costs are offset with the highest impact of the option.
Citizens			
New administrative burdens (INs)	N/A	N/A	N/A
Removed administrative burdens (OUTs)	N/A	Some administrative burdens for researchers will be reduced over time, due to the simplifying funding process.	Administrative burdens would be reduced as a result of a simplified funding process.

III. Application of the 'one in, one out' approach – Preferred option(s)			
Net administrative burdens*	N/A	Negative as burdens would be removed over time due to a simpler funding process.	Negative, administrative burdens would be reduced as a result of a simplified funding process.
Adjustment costs**	Adjustment costs might be higher for researchers that are not supported by university administrative departments in the preparation of proposals and progress reporting.	N/A	Adjustment costs might be higher for researchers if they are not supported by university administrative departments.
Total administrative burdens***	**The total one-off administrative burden would be slightly positive, as the stakeholders would need to adapt to new processes at the start.**	**The total recurring administrative burden would be significantly lowered (negative), due to a simplified funding and application process, which would save up to 10% of the current administrative costs.**	**The total administrative burden would be significantly lowered (negative), as the one-off increase linked to stakeholders' adjustment would be lower than benefit of the reduction of recurring burdens.**

(*) Net administrative burdens = INs – OUTs;

(**) Adjustment costs falling under the scope of the OIOO approach are the same as reported in Table 2 above. Non-annualised values;

(***) Total administrative burdens = Net administrative burdens for businesses + net administrative burdens for citizens.

Annex 4: Analytical Methods

RHOMOLO model

The modelling analysis based on three scenarios for the future of the Competitiveness Fund is carried out with the RHOMOLO model (Barbero et al., 2024).

Option A is assumed to be a continuation of the programmes as they have been implemented in the current programming period (status quo). In the complete absence of any information regarding the budget assigned to the Funds for the next programming period, and regarding the geographical and sectoral distribution of the investments (nor on the nature of the investments themselves), the analysis presented here builds on the most recent impact assessment of InvestEU carried out with the RHOMOLO model (European Commission, 2024; Asdrubali et al., 2024).

Therefore, the policy interventions are introduced into the model by reducing the user cost of capital in order to stimulate private investment. This leads to a temporary accumulation of the private capital stock. Five supply-side shocks are also introduced to simulate the structural impact of investment. The financial flows used to finance the operations are also introduced to mimic the repayment of the loans in each region.

The InvestEU programme is characterised by a private investment multiplier of 14 (every euro of EU guarantee generates 14 additional euro of private investment in the economy). Assuming such a high multiplier for a scenario mimicking the impact of 14 different funds would be unrealistic, so a lower multiplier of 4 is assumed in Option A. The funds are deployed over eight years, and we assume that the bulk of the funds are deployed between years 5, 6 and 7. The simulation period is 20 years in order to capture the legacy (long-term) effects of both the supply-side effects of the policy and the increase in the private capital stock due to the investments made as a result of the policy.

These specific choices are not critical to the results of the analysis, as it is the differences between the Options that matter, rather than the specific numerical assumptions of what is essentially a baseline against which the results of Option B and C are compared.

This part of the modelling analysis does not differ between Options and provides the basis for assessing the impact of the different assumptions behind the three Options.

On this basis, in the modelling analysis carried out with the RHOMOLO model it is assumed that in Option B 25% more funds are invested thanks to a higher private investment multiplier (which increases from 4 in Option A to 5, due to the reduced fragmentation brought by this Option) and that the interventions benefit from an increased supply-side effect of 5% compared to Option A, as a result of the increased in simplification, which materialises gradually over the investment implementation period.

In Option C, we assume that the private investment multiplier is 6 (essentially, the policy shock increases by 50% in monetary terms, again as fragmentation will be lower in this Option), that the interventions benefit from an increased supply-side effect of 10% compared to Option A, which materialises gradually over the investment implementation period, and that the investments are mostly deployed in years 3 to 5 instead of 5 to 7 (as in Option A and B)) to reflect the faster deployment of the interventions of the single Competitiveness Fund that could be expected in this Option.

The modelling results presented here are expressed as differences from the values of selected macroeconomic variables obtained with Option A, namely the cumulative 15-year GDP multiplier, employment, and EU exports to the rest of the world. The GDP multiplier is a figure that can be interpreted as the number of euros of GDP generated over a given period for each euro spent on the policy. For example, a 15-year multiplier of 3 means that 15 years after the start of the policy, GDP

has increased by 3 euro for every euro invested in the policy. As Option A represents the status quo, its specific GDP multiplier is not relevant and may correspond to the multiplier of one of the current EU policy programmes.

The 15-year cumulative GDP multiplier of Option B is 1.51% higher than that of Option A. The multiplier is 1.46% higher due to the 5% additional supply-side effects and 0.05% higher due to the higher volume of investment (higher private investment multiplier). The employment impact of Option B in year 15 is 28% higher than in Option A (the fact that the amount of funds is increased by 25% leads to a difference of +24.45% – the rest is due to the additional supply-side effects). The impact on EU exports to the rest of the world behaves similarly to the one on employment: it is 30.48% higher in Option B compared to Option A, with a difference of +25.56% solely due to the higher private investment multiplier.

The 15-year cumulative GDP multiplier of Option C is 15.74% higher than that of Option A. There are three differences between Option A and C, and the difference in the multiplier can be decomposed according to the three channels: the multiplier is 3.79% higher due to the 10% additional supply-side effects; it is 0.07% lower due to the larger volume of investment (higher private investment multiplier); and it is 12.02% higher due to the frontloading of investment.

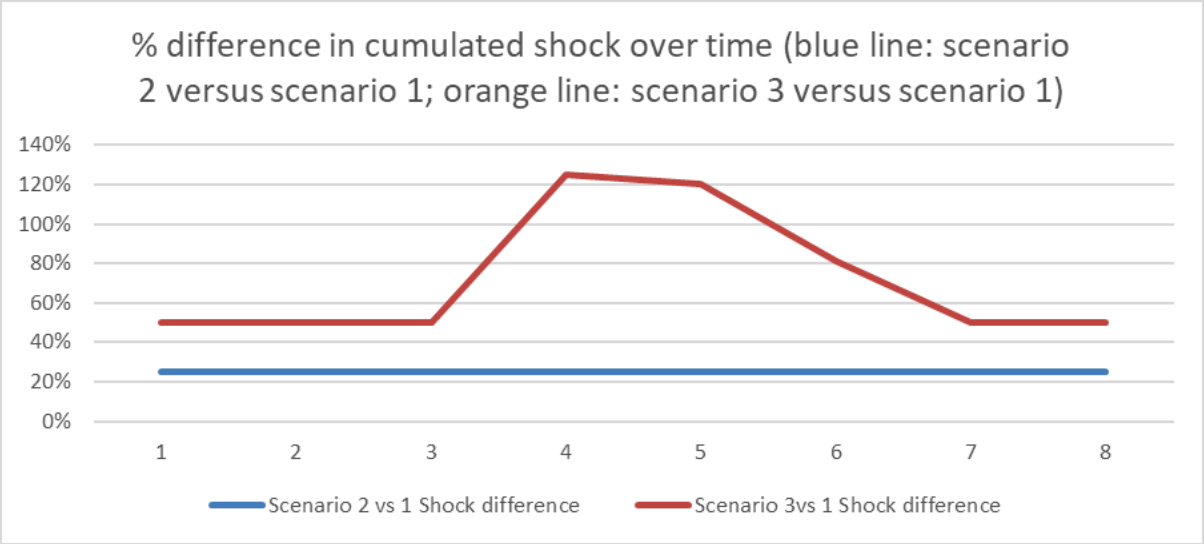
The employment impact in Option C is 53.58% higher than in Option A, once again mainly due to the larger volume of investment. The higher private investment multiplier is responsible for a difference of +48.13% compared to Option A, and the additional supply-side effects for +5.45% (the different time profile has only a negligible negative impact on the difference of -0.72%, as the peak effect is reached earlier and the decay starts earlier.). As above, the impact on EU exports to the rest of the world is similar to that on employment. In Option C, the difference with Option A is equal to +57.53% (+50.43% due to the higher private investment multiplier; -1.02% due to the different time profile; and +7.10% due to the larger supply-side effects).

Thus, larger investment volumes have a negligible impact on the differences in cumulative GDP multipliers between the scenarios (while they would have an impact in the absolute GDP changes). On the other hand, larger supply-side effects consistently lead to higher GDP multipliers. Finally, frontloading of investments means that the GDP benefits of the interventions start to materialise earlier, leading to larger cumulative GDP gains over time. As for the impact on variables such as employment and EU exports to the rest of the world, larger volumes of investments lead to substantially higher impacts.

Figure 1 shows the % differences in the cumulative policy shock over the 8 years in which the investments are deployed. By the end of the deployment period (year 8), the amount of investment deployed in Option B is 25% higher than in Option A (private investment multiplier of 5 rather than 4), and the amount of investment deployed in Option C is 50% higher than in Option A (private investment multiplier of 6 rather than 4).

The time profile of policy interventions is the same in Option A and B, so the blue line shows that in each year the cumulative shock in Option B is 25% higher than in Option A (reflecting the investment multiplier of 5 in Option B versus the investment multiplier of 4 in Option A). In Option C (orange line), the frontloading of investments (most of which are deployed between years 3 and 5 rather than between 5 and 7) leads to a temporarily larger increase in the cumulative policy injection with respect to Option A in years 4 to 6, which goes back to 50% at the end of the deployment period.

Figure 1: % difference in cumulative shock over time (blue line: Option/Scenario 2 versus Option/Scenario 1; orange line: Option/Scenario 2 versus Option/Scenario 1)



Source: own assumptions.

Finally, the results are robust to sensitivity checks. For robustness purposes, alternative hypotheses for the Options have been implemented. For example, assuming an additional supply-side effect of 7.5% instead of 5% in Option B would lead to a difference in the 15-year cumulative GDP multiplier in Option B relative to Option A of 2.25% (instead of 1.51%). Similarly, assuming an additional supply-side effect of 15% instead of 10% in Option C would lead to a difference in the 15-year cumulative GDP multiplier of 17.63% (instead of 15.74%).

As for Option C, assuming a private investment multiplier of 5 instead of 6 (higher than in Option A but the same as in Option B) would lead to a difference in the 15-year cumulative GDP multiplier of 15.71% (instead of 15.74%).

References

Asdrubali, P., Casas, P., Christou, T., García Rodríguez, A., Lazarou, N., Salotti, S., and Weiers, G. (2024). The RHOMOLO-EIB interim evaluation of InvestEU. JRC139530.

Barbero, J., Christou, T., Crucitti, F., García Rodríguez, A., Lazarou, N.J., Monfort, P., and Salotti, S. (2024). A spatial macroeconomic analysis of the equity-efficiency trade-off of the European cohesion policy. Spatial Economic Analysis 19(3), 394-410.

European Commission (2024). InvestEU interim evaluation. SWD(2024) 228 final, Brussels, 30.09.2024.

Cost benefit analysis

An external study focusing on cost/benefit analysis and comparison of the options was carried out by a consortium led by the Centre for Strategy & Evaluation Services (CSES). The analysis was based on existing literature as well as public evaluations of existing and previous EU programmes. The external evaluation also provided analysis of public consultation results, included in this Impact Assessment in Annex 2, based on systematic mapping and topic modelling using Large Language Models and interactive dashboards and Power BI.

Despite substantial efforts to make full use of existing evaluation findings, some limitations constrained the completeness and consistency of the evidence base and the conclusions. These limitations can be grouped into the following categories:

a. The comparability of findings across programmes was limited. This stems from two core issues: uneven availability of evaluation documents across the programmes and

varying level of depth of analysis across the different programmes. To address data gaps, supplementary sources were consulted.

b. The analysis relied predominantly on qualitative comparisons, while quantitative analysis relied on several assumptions. Given the nature of the policy options under consideration, which differed primarily in governance structure and coordination mechanisms, a mostly qualitative approach was a necessary choice. To mitigate this issue, where feasible, a quantitative assessment of administrative costs was conducted for applicants, beneficiaries, and the EU public sector.
c. Information on procedures and management structures of the different options was not fully developed when the IA was drafted. Many impacts depend on details of the regulatory framework, procedures, and implementation structures.
d. The results from the public consultation cannot be generalised as they refer to a limited sample (2 000 respondents ca.)

While these limitations restricted the level of quantitative precision that can be achieved, they did not undermine the general orientation or internal consistency of the conclusions reached.

Annex 5: Competitiveness check

1. Overview of impacts on competitiveness of the preferred option

Dimensions of Competitiveness	Impact of the initiative (++ / + / 0 / - / -- / n.a.)	References to sub-sections of the main report or annexes
Cost and price competitiveness	+	Impact Assessment: Section 6.3.3 Section 7.2 Assessment of Costs and Benefits Section 4 .1.1
International competitiveness	++	Impact Assessment: Section 6.3.3 Assessment of Costs and Benefits: Section 5.2 Section 6.3.4 Section 4.1.1
Capacity to innovate	+	Impact Assessment Section 6.2.3.1 Section 8.1
SME competitiveness	++	Impact Assessment Section 6.2.3 Assessment of Costs and Benefits Section 4.1.1 Section 5.6

2. Synthetic Assessment

2.1 Cost and price competitiveness

The preferred option is expected to improve cost and price competitiveness by reducing administrative complexity, harmonising procedures, and lowering participation costs, due to streamlined applications and simplified rules. Faster processing times will reduce time-to-inform and time-to-grant by several tens of days for more complex programmes. For instance, this option is expected to have the shortest proposal preparation time for grants, resulting in the cost savings of 10% compared to the baseline, (in monetary terms, the costs would range between EUR 4500 – EUR 28 800 per proposal. A single access gateway will reduce the effort needed to identify funding opportunities, especially for smaller actors. A unified framework for applications and reporting will lessen burdens for both applicants and implementers. Although short-term adjustment costs are likely, such as updates to internal systems and uncertainty during transition, these are one-off costs. Once in place, the new structure will offer a predictable and cost-efficient landscape.

2.2 International competitiveness

The initiative is expected to strengthen EU international competitiveness by consolidating fragmented programmes into a single strategic fund capable of supporting large-scale cross-border projects. This structure will streamline investments and improve productivity, generating spillovers to adjacent sectors and reinforcing the EU's global value chain position. Funded technologies may have applications in other industries, further enhancing innovation. The initiative also allows for stronger strategic steering and selection of high-impact projects, while ensuring predictability for investors. Strategic autonomy will be enhanced through support for domestic manufacturing capacities and reduced dependence on foreign supply chains. The coherent approach will improve the global market position of EU firms. An increased GDP and enhanced export activity (+57.53% for the preferred option as compared to the baseline) are both expected to strengthen the EU's competitiveness in the international arena by improving productivity, fostering innovation, and enhancing efficiency, among other factors.

2.3 Capacity to innovate

The initiative will positively impact the EU's capacity to innovate, despite temporary adaptation challenges. An appropriate balanced between flexibility and predictability will have to be reached. Continuous investment from research to deployment will help bridge gaps between knowledge generation and market application. At the same time, consolidation into one Fund covering the whole investment journey can facilitate the market uptake of research results and better articulate applied research with industrial priorities. The preferred option would also entail dedicated policy windows and policy steer on digital technologies as well as on resilience, defence, and space, enhancing the deployment of critical technologies from research to market and increasing policy and financing coherence.

2.4 SME competitiveness

SMEs will benefit significantly from a simplified and unified funding environment. A single access point and harmonised procedures will lower participation barriers and reduce administrative costs. The time-to-inform and the time-to-grant is also expected to be reduced by tens of days for the preferred option as compared to the baseline scenario. This is particularly important for SMEs lacking the capacity to navigate through fragmented programmes. Additionally, the initiative ensures continuous support across the investment journey and improves access to capital and advisory services. Streamlined rules will reduce application complexity and expand access to funding tools, enhancing project bankability. Although the removal of some programme-specific features may reduce tailored support, the long-term gains from simplified access, increased visibility, and a more predictable framework are expected to outweigh these drawbacks. With appropriate transitional measures, SMEs will be better positioned to scale and compete.

3. Competitive position of the most affected sectors

Since the budget allocation has not yet been determined for specific windows, it is currently impossible to specify which sectors are most affected, and this therefore falls outside the scope of this impact assessment. The preferred option is expected to support strategic sectors and a seamless funding path from fundamental research to market deployment thus reshaping the EU's industrial base into a more resilient and globally competitive system. By focusing resources on fewer high-impact areas, the initiative aims to maximise returns and catalyse innovation. Positive spillover effects are expected, as technologies developed under the fund may benefit adjacent sectors. Demand generated by beneficiaries is also expected to raise productivity in supplier networks. As innovations mature, they may disrupt market structures and enhance competition within the Single Market. The fund positions the EU to act as a coherent industrial actor, coordinating investment with long-term policy objectives and reinforcing competitiveness across sectors

Annex 6: SME check

Overview of impacts on SMEs

Relevance for SMEs
Based on SME filter and the ISG discussion, this initiative is relevant/**highly relevant for SMEs**[1]

(1) Identification of affected businesses and assessment of relevance
Are SMEs directly affected? (Yes/No) **In which sectors?**
The European Competitiveness Fund would be structured along a few policy windows corresponding to the strategic priorities crucial for the EU competitiveness and resilience (from AI and digital to space, from clean tech to biotech, from defence and resilience to health). Since the budget allocation has not yet been determined and falls outside of the scope of this IA, it is currently impossible to specify which sectors will be most affected. SMEs operate across key strategic sectors, including advanced manufacturing, clean technologies, blue economy, digital transformation, biotechnology, professional services, defence and space. Defence and Space sector is very meaningful to illustrate the magnitude of SME's involvement in the strategic sectors. SMEs constitute there around 80% of that sector including innovative startups, often with strong links to other ecosystems (such as electronics). SMEs and startups serve as key collaborators, providing expertise, niche technologies and agile, disruptive solutions. They play a critical role in the supply chain, contributing with components, subsystems, software, engineering services and research to the broader ecosystem. Their agility and innovation prowess often result in groundbreaking advancements, especially in areas like avionics, materials, propulsion and satellite technology. Despite their crucial role, SMEs operating within the defence sector face higher barriers to accessing finance compared to companies active in other sectors (50% of SMEs refrained from seeking debt financing in the defence sector, compared to 6.6% average among SMEs in the EU during between 2021-2022)[189]. The initiative is also relevant for SMEs from traditional sectors, who can innovate. The consolidation of 14 existing EU funding tools into a single Competitiveness Fund is expected to facilitate SMEs access to funding throughout the investment journey, from research to deployment. It helps stimulate the participation of SMEs and help opening up the supply chains, linking large companies with SME ecosystems across the EU. SME specific support could be built in the architecture of the Competitiveness Fund to allow SMEs to use the funding more efficiently than under the previous MFF.
Estimated number of directly affected SMEs
Although a total number of SMEs participating in all the programmes under the scope of this initiative is not available, scale of SME's involvements can be illustrated by the participation number of SMEs in programmes for which this data is available: Based on the collected data, 332 236 SMEs benefitted from the 9 programmes over different timeframes between 2020 and 2025. This figure is obviously an underestimation of the total number of SMEs supported by the programmes over a programming period. It refers, approximately, to half a programming period, does not cover all

[189] A new European Defence Industrial Strategy: Achieving EU readiness through a responsive and resilient European Defence Industry.

programmes under scope, and only refers to beneficiaries (i.e. excluding applicants). Based on this, a rough estimate can be put forward (but to be interpreted with caution) about the total number of SMEs affected by the introduction of the Competitiveness Fund (option 3): it is estimated that this number is approximately one million SMEs.[190]

Estimated number of employees in directly affected SMEs

According to the European Commission, Europe has 24.3 million SMEs, providing jobs to more than 85 million European citizens, i.e. with a ratio of about 3.5 jobs per SME. As such, the estimated number of employees in directly affected SMEs is 3.5 million.

Are SMEs indirectly affected? (Yes/No) **In which sectors? What is the estimated number of indirectly affected SMEs and employees?**

Positive spillover effects are expected, as technologies developed under the fund may benefit adjacent sectors. Demand generated by beneficiaries is also expected to raise productivity in supplier networks. While a precise number is not available, SMEs are also indirectly affected. The creation of a single fund is expected to stimulate broader market activity by simplifying funding access, which can generate spillover effects in supporting sectors—such as consulting, supply chains, legal services, and skills.

2. **Consultation of SME stakeholders**

How has the input from the SME community been taken into consideration?

The Commission gathered SME input through open public consultations, where more than 100[191] SMEs and SME associations contributed. SMEs highlighted difficulties with fragmented funding instruments and administrative burdens. Additionally, stakeholders including SME association represented by SMEUnited were consulted in a targeted manner through the 9th plenary meeting of the Industrial Forum of 19th March 2025, which was specifically dedicated to the Competitiveness Fund initiative.

During the exchange session, members, including representative SME associations, raised similar challenges, particularly the lengthy processes to access funding. They called for simpler, leaner, and faster procedures, emphasising the need for a ‘one-stop-shop’ for funding opportunities to streamline access. Members of the Forum highlighted the importance of supporting all Technology Readiness Levels (TRLs), both for deep tech and traditional sectors, and stressed that more funding should be dedicated to deployment, manufacturing and scaling up (high TRLs). Capacity building and advisory support must go hand in hand with financing. They also expressed a strong need for robust funding to support long-term competitiveness and prosperity, underscoring the importance of mobilising private funding alongside national and regional resources. State aid framework should be simplified and revised to allow support for high TRLs. Strategic projects should be prioritised (IPCEIs), with clear conditionalities to de-risk the value chain. Concerns were raised about the risk of losing advanced manufacturing to global competitors and the need for clearer frameworks and tailored support for SMEs. They also emphasised the importance of supporting clean industries, welcoming the new Clean Industrial Deal, and ensuring strategic investment across the value chain.

[190] European Commission (2025): Competitiveness Fund: Assessment of costs and benefits and comparison of options

[191] Synopsis report.

Through an interactive survey, members were asked about which key priorities the Competitiveness Fund should address. Simpler, leaner and quicker processes to access funding were voted for as the main priority, followed by funding for scale-up, manufacturing and deployment, the need for de-risking private investments, and a 'one-stop-shop' for funding opportunities.
Are SMEs' views different from those of large businesses?
While large companies can manage complexity of different requirements per programme and scattered funding information due to greater resources, SMEs often find the current system fragmented and difficult to navigate. They are more dependent on streamlined processes, and thus more supportive of the consolidation into one funding tool. SMEs favoured stronger guidance, simpler eligibility rules, and faster access to funding—all of which have been integrated into the Competitiveness Fund. The time-to-inform and the time-to-grant is also expected to be reduced by tens of days, especially helping SMEs.

3. **Assessment of impacts on SMEs[3]**
What are the estimated direct costs for SMEs of the preferred policy option ?
Qualitative assessment
The direct costs for SMEs under the Competitiveness Fund relate mainly to transitional efforts—adjusting to the new rules and learning the consolidated application system. However, these are expected to be temporary. Over time, SMEs will face significantly lower costs due to reduced administrative and compliance burdens.
Quantitative assessment
Current proposal is expected to have the shortest proposal preparation time for grants, expected to decrease by 10% compared to the baseline, translating into monetary costs in the range of EUR 4500 – EUR 28 800 per proposal. With the streamlined procedures in the Competitiveness Fund, this is expected to fall.
What are the estimated direct benefits/cost savings for SMEs of the preferred policy option[4]?
Qualitative assessment
Qualitatively, SMEs will benefit from easier access to funding, and lower reporting and compliance burdens. The consolidation will enhance predictability, reduce overhead, and allow SMEs to focus on their core activities, and create innovation and growth.
Quantitative assessment
There are no current quantitative numbers on the estimated cost savings for SMEs. But when reduced documentation and harmonized rules are applied across 1 million of SMEs, this could result in high savings across the EU. The time-to-inform and the time-to-grant is also expected to be reduced by tens of days for the preferred option as compared to the baseline scenario.

What are the indirect impacts of this initiative on SMEs?
Indirectly, SMEs will benefit from a stronger, more coherent investment ecosystem that fosters innovation, enables scale-up, and integrates EU funding across the value chain. These changes reduce transaction costs, improve coordination, and expand access to finance.

4. **Minimising negative impacts on SMEs**
Are SMEs disproportionately affected compared to large companies? (Yes/No) **If yes, are there any specific subgroups of SMEs more exposed than others?**
No
Have mitigating measures been included in the preferred option/proposal? (Yes/No)
SMEs will benefit through: • Single-entry application portal • Simplified, harmonized rules • Streamlined advisory services. These will make funding more accessible and reduce cost and complexity for SMEs. • One Stop for advisory services

Contribution to the 35% burden reduction target for SMEs
Are there any administrative cost savings relevant for the 35% burden reduction target for SMEs?
The expected administrative cost savings under the Competitiveness Fund are supported by the simplification measures proposed, such as a single-entry point and harmonised procedures. These are designed to reduce the complexity and administrative burden for SMEs, contributing to the EU's 35% burden reduction target.

Annex 7: Synergies between Horizon Europe and other EU programmes

External evaluation support studies for Horizon Europe[192] have found evidence of synergies with 18 programmes out of the 20 identified in the Horizon Europe regulation – to a varying extent. Based on interviews, financial data and text analysis, **the strongest synergies were identified with the LIFE programme, Erasmus+ and the Digital Europe programme, while the weakest evidence concerns synergies with the Common Agricultural Policy (with the exception of Cluster 6), the Creative Europe programme and InvestEU.**

Despite Commission efforts to create synergies, 64% of beneficiaries surveyed (4 045 out of 6 280 respondents) reported that they had not sought additional funding for their research projects. Among unsuccessful applicants, 29% of survey respondents (2 587) applied for alternative sources of funding. Over half of the beneficiaries also stated that the project they were working on was not a continuation of previous or other funding schemes[193].

The Seal of Excellence (SoE) is a quality label which shows that a proposal exceeded all of the evaluation thresholds but could not be funded due to lack of budget. With this label the Commission recognises the value of project proposals and encourage other funding organisations to take advantage of the high-quality Horizon Europe evaluation process. This quality label, which was awarded to 7 166 high quality proposals that could not be funded between 2021 and 2024, is a relevant instrument to strengthen synergies in Horizon Europe. The largest proportion was awarded to researchers who applied under the Marie Skłodowska-Curie Actions, followed by the EIC Accelerator and the ERC Proof of Concept scheme.

Around half of unsuccessful applicants who responded to the evaluation survey (45% of the 129 respondents) reported that the SoE did not make it easier to secure alternative funding. In open question responses, applicants specifically mentioned a lack of follow-up funding opportunities in their respective Member States that recognise their SoE. Nevertheless, Member States have seized the opportunity of creating synergies between Horizon Europe and the Recovery and Resilience Facility by supporting SoE projects.

Regarding European Partnerships, it has been reported in the Biennial Monitoring Report survey that their **synergies mostly consist of strategic exchanges, communication and dissemination of results and networking with project partners in the same area of research or a similar one**. Only one third of BMR partnership respondents indicated joint calls for research and/or innovation proposals (together with other partnerships)[194]. Nevertheless, five partnerships reported that the share of budget covered by regional and national funds is above 50%: Risk assessment of chemicals – 50%, Global health EDCTP3 – 59%, Metrology – 56%, and Biodiversa – 79.4%.

Several JUs are co-funded by other EU programmes, including the EuroHPC JU, which receives most of its funding from the Digital Europe programme and the Connecting Europe Facility; the Clean Hydrogen JU, co-funded by REPowerEU; and Chips JU, which is co-funded by the Digital Europe Programme. Among the **co-programmed partnerships**, only 'Clean Steel - Low Carbon Steelmaking' has received a commitment of funding from other EU funds.

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192 Excellent Science:, Resilient Europe: Digital & Industrial Transition:, Green Transition:, Innovative Europe (2024)

193 Reaching as high as 60% of respondents in Pillars I and III. Source: Survey of beneficiaries, May-July 2023.

194 European Commission, Biennial Monitoring Report (BMR), 2024, p. 37

Annex 8: Summary of the 14 programmes under scope

InvestEU

Regulation Regulation (EU) No 2021/523 of the European Parliament and of the Council Legal base: Article 175(3) of the Treaty on the Functioning of the European Union
Period 2021 – 2027
Impact assessment Carried out in 2018: https://europa.eu/!jV77BQ
Mid-term evaluation Carried out in 2024: link
Budget The InvestEU programme's budget is EUR 10.189 bln for the 2021-2027 period. This includes EUR 6.074 bln from NextGenerationEU to provide crucial support to companies in the recovery phase. The budget underpins a nominal EU Guarantee of EUR 26.2 billion (at a provisioning rate of 40% of the nominal EU Guarantee amount). EUR 430 million is foreseen for InvestEU Advisory Hub and InvestEU Portal.
Focus The InvestEU programme aims to ensure an additional boost to investments fostering recovery, resilience, green growth and employment in the EU over the 2021-2027 period. This goal is achieved by mobilising public and private financing sources, in order to provide long-term funding and support to companies and projects in line with the EU priorities in the current challenging economic and social context. Furthermore, InvestEU is an important vehicle to implement the REPowerEU Plan as well as the Green Deal Industrial Plan, aiming to accelerate clean tech and industrial innovation to reach the EU's 2030 clean energy targets. The InvestEU programme consists of: the InvestEU Fund; the InvestEU Advisory Hub; the InvestEU Portal.
Delivery mode InvestEU is implemented in indirect management through the European Investment Bank (EIB) Group and other implementing and advisory partners. DG GROW is in the lead for the Commission.
Predecessor The InvestEU Fund brings together 13 EU financial instruments (CEF Equity, COSME EFG, EaSI Capacity Building IW, Innovfin Equity, EaSI Guarantee, Student Loans GF, COSME Loan Guarantee Facility, Private Finance for Energy Efficiency, Innovfin Debt, Cultural and Creative Sector GF) and an EU budgetary guarantee (the European Fund for Strategic Investments - EFSI) into a single EU investment support programme. Similarly, the InvestEU Advisory Hub acts as a central entry point for advisory requests and aggregated 13 existing advisory initiatives from the previous MFF, including the European Investment Advisory Hub (EIAH), Island Facility, City Facility, EEEF technical assistance, PF4EE Expert Support Facility, Smart Specialisation Platform for Industrial modern, InnovFin

Advisory, H2020 (EE11 PDA), European Local Energy Assistance (ELENA), CEF (through JASPERS), NCFF support facility, EaSI Technical Assistance, CEF Programme Support Actions.

Type of recipients

Public and private investors and project promoters, small and medium-sized enterprises and mid-caps, service providers and recipients of microfinance.

Forms of EU support

EU guarantee; grants; loans; advisory.

Third countries associated to the programme

The EU compartment of the InvestEU Fund and each of the policy windows may receive contributions from the following third countries for the purpose of participation in certain financial products: members of the European Free Trade Association (EFTA) which are members of the EEA; acceding countries, candidate countries and potential candidates; European Neighbourhood Policy countries; other third countries, based on a specific agreement (Reg. (EU) No 2021/523, Art. 5).

Application

For support from the InvestEU Fund, project promoters apply directly to implementing partners on suitable financing solutions based on the financial products supported by the EU guarantee.

Implementing partners select financial intermediaries through procedures such as calls for expressions of interest.

To apply for advisory support, the InvestEU Advisory Hub is the central entry point for project promoters and intermediaries seeking advisory support and technical assistance related to centrally managed EU investment funds. Managed by the European Commission, the InvestEU Advisory Hub connects project promoters and intermediaries with advisory partners, who work directly together to help projects reach the financing stage. Within the InvestEU Central Entry Point, a set of questions helps identify advisory needs and the potential advisory partner most suitable to address them. Applicants are also invited to provide details about support needs (e.g. location, area of activity sector, type of advisory support needed, maturity of the proposal and beneficiary contact details).

Horizon Europe

Regulation

Regulation of the European Parliament and of the Council establishing Horizon Europe – the Framework Programme for Research and Innovation, laying down its rules for participation and dissemination COM(2018) 435.

Legal base: Article 173(3), Article 182(1), Article 183, and the second paragraph of Article 188 (procedure for adoption, TBD)] of the Treaty on the functioning of the European Union

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Forthcoming

Budget

EUR 93.5 bln. This includes EUR 5.4 bln from NextGenerationEU to boost recovery and make the EU more resilient for the future, as well as an additional reinforcement of EUR 4.5 bln.

Focus

Horizon Europe is the EU's largest funding programme for research and innovation activities. Its general objective is to 'deliver scientific, technological, economic and societal impact from the Union's investments in R&I so as to strengthen the scientific and technological bases of the Union and foster the competitiveness of the Union in all Member States including in its industry, to deliver on the Union strategic priorities and to contribute to the realisation of Union objectives and policies, to tackle global challenges, including the Sustainable Development Goals by following the principles of the 2030 Agenda and the Paris Agreement, and to strengthen the European Research AreaHorizon Europe is also implemented through its Specific Programme and through the European Defence Fund and complemented by the Euratom Research and Training Programme.

Delivery mode

Implemented directly by the Commission (DG RTD coordinating the co-design process with relevant policy DGs) or via funding bodies designated by it (in particular executive agencies). The association of policy DGs allows strong policy steer on R&I priorities and stronger consideration of the relevant stakeholders needs.

Predecessor

Horizon 2020. As a result of the interim evaluation of the Horizon 2020 programme, some changes were made that are continued under Horizon Europe for example the European Innovation Council pilot launched in 2017 to support breakthrough innovation. In addition, novelties have been introduced in Horizon Europe, notably:

- EU missions, to deliver targeted solutions to societal challenges together with citizens;
- Streamlined approach to European Partnerships, to rationalise the funding landscape;
- Extended association possibilities, to strengthen international cooperation;
- Open Science policy, to reinforce openness;
- Widening participation and spreading excellence, to decrease the R&I gap in Europe;
- Synergies with other EU programmes and policies, to increase the R&I impact; and
- Simpler rules, to reduce administrative burden.

Type of recipients

Private-for-profit entities, higher or secondary education establishments, research organisations, public bodies, and others.

Forms of EU support

Grants, prizes, procurement and financial instruments.

Third countries associated to the programme

There are four categories of countries eligible for association with the programme:

- Members of the European Free Trade Association (EFTA) which are members of the European Economic Area (EEA)
- Acceding countries, candidate countries and potential candidates
- European Neighbourhood Policy (ENP) countries

Other third countries and territories that fulfil a set of criteria related to their economic, political and research and innovation systems

The association of third countries also implies a substantial financial input. The combined annual financial contribution of the associated countries is close to EUR 3 billion.

Application

For most collaborative projects funded under Horizon Europe, the application process is the following:

- Horizon Europe work programmes announce the specific research and innovation areas that will be funded.
- The European Commission publishes calls for proposals based on the work programmes. The calls for proposals are grouped by subject areas – so-called "destinations". The destinations are based on the EU's policy priorities.
- All calls for proposals, the specific call topics, the deadlines and application forms can be found on the one-stop-shop Funding and Tenders Portal.
- .After the call for applications for funding has closed, the process moves to the evaluation phase.

Digital Europe Programme (DEP)

Regulation

- Regulation (EU) 2021/694 of the European Parliament and of the Council of 29 April 2021 establishing the Digital Europe Programme and repealing Decision (EU) 2015/2240.
- Regulation (EU) 2023/1781 of the European Parliament and of the Council of 13 September 2023 establishing a framework of measures for strengthening Europe's semiconductor ecosystem and amending Regulation (EU) 2021/694 (Chips Act)
- Regulation (EU) 2024/903 of the European Parliament and of the Council of 13 March 2024 laying down measures for a high level of public sector interoperability across the Union (Interoperable Europe Act)

Legal base: Article 172 of the Treaty on the functioning of the European Union

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Not publicly available (planned for fourth quarter 2025)

Budget

The Digital Europe programme's original budget was EUR 7.588 bln covering five specific objectives over the 2021-2027 period. For the implementation of the new specific objective 6 (semiconductors), EUR 800 mln were transferred to Digital Europe programme. On the other hand, EUR 270 mln were transferred from the Digital Europe programme to the Secure Connectivity Programme. Further changes through the Chips Act brought the programme's total budget to EUR 8.168 bln.

Focus

The Digital Europe programme (DEP) aims to deploy pan-European digital infrastructures and capacities, and bring digital technology to businesses, citizens and public administrations. It provides strategic funding to face challenges in the area of digital technology and infrastructure, supporting projects in six key capacity areas: supercomputing, artificial intelligence, cybersecurity, advanced digital skills, interoperability, and the wide use of digital technologies across the economy and society, including through digital innovation hubs, and semiconductors. The specific objective on semiconductors was integrated into the Digital Europe Programme with the adoption of the Chips Act Regulation, which promotes Europe's leadership in semiconductor technologies and applications.

Delivery mode

Three specific objectives (artificial intelligence, advanced digital skills, deployment and best use of digital capacities and interoperability) are managed directly by the Commission, with support in some areas from the Executive Agency for Health and Digital (HaDEA). The other three specific objectives (high-performance computing, cybersecurity and trust, semiconductors) are implemented respectively through the EuroHPC joint undertaking, the European Cybersecurity Industrial, Technology and Research Competence Centre, and the Chips Joint Undertaking. Some activities are implemented via Contribution Agreements with the European Space Agency (ESA), the European Centre for Medium-Range Weather Forecasts (ECMWF) and the European Operational Satellite Agency for Monitoring Weather, Climate and the Environment from Space (EUMETSAT) for Destination Earth, with the European Union Agency for Cybersecurity (ENISA) for cybersecurity and the European Union Agency for the Operational Management of Large-Scale IT Systems in the Area of Freedom, Security and Justice (eu-LISA) for the digitalisation of justice. The financial instruments, the Investment Platform for Strategic Digital Technologies and the Chips Fund, are implemented through indirect management with the European Investment Fund under InvestEU.

The lead DG is DG Communications Networks, Content and Technology (DG CNECT), with other DGs also involved (DG DIGIT, DG FISMA, DG JUST, DG GROW).

Predecessor

None

Type of recipients

Public and private organisations, industry and small and medium-sized enterprises, scientists and academics, universities, etc.

Forms of EU support

Grants and procurements.

Third countries associated to the programme

- Iceland, Liechtenstein, and Norway are fully associated as members of the European Free Trade Association (EFTA) and the European Economic Area (EEA). Additionally, Ukraine, Montenegro, North Macedonia, Serbia, Albania, Kosovo, Turkey, Moldova, and Bosnia and Herzegovina are associated countries. Switzerland can also participate under transitional arrangements as of January 1, 2025, but with specific limitations.

Application

- Calls for proposals are published on the Funding & Tenders Portal, based on the annual work programme set by the European Commission. Applicants must submit their proposals

electronically via the portal, following the specific guidelines and templates provided for each call.

Innovation Fund

Regulation Commission Delegated Regulation (EU) 2019/856 Legal base: Article 10a(8) of Directive 2003/87/EC
Period 2021 – 2030
Impact assessment Carried out in 2018: link
Mid-term evaluation Not publicly available (planned for 2025)
Budget The revised EU emissions trading system directive stipulates that the Innovation Fund will be endowed with the revenues from the auctioning of around 530 million allowances from 2020 to 2030 and any unspent revenues from the second call of the predecessor programme, the NER 300, which translates into around EUR 40 bln (at a carbon price of EUR 75 per tonne of carbon dioxide). The budget programming for 2021-2027 amounts to EUR 8.3 bln.
Focus The Innovation Fund aims at catalysing funding for highly innovative technologies and flagship projects in all Member States that can yield significant emission reductions. The Innovation Fund is the EU fund for climate policy, with a focus on energy and industry. It aims to bring to the market solutions to decarbonise European industry, scale up clean tech manufacturing and support its transition to climate neutrality while fostering its competitiveness.
Delivery mode The Innovation Fund is implemented in direct management by the Commission (DG Climate Action) with the assistance of the European Climate, Infrastructure and Environment Executive Agency, to which the implementation of the grant component of the programme is delegated. Some activities are implemented in indirect management, through the European Investment Bank (EIB), for the management of the project development assistance support, and the channelling of Innovation Fund resources via financial instruments. The monetisation of the Innovation Fund allowances and the management of the Innovation Fund revenues have also been delegated to the EIB.
Predecessor The Innovation Fund builds on its predecessor, the NER 300 programme (which was an off-budget fund, thus not part of the 2014-2020 MFF), but it is open also to projects from energy-intensive industries, has a larger grant coverage, provides support in more flexible ways, and – following

recommendations from the European Court of Auditors – has a streamlined governance and simplified decision-making.

Type of recipients

Any legal entity (private company, public body, consortium) registered in countries in the European Economic Area that participate in the EU ETS.

Forms of EU funding

Grants, prizes, and procurement. Innovation Fund grants can be combined with funding from other support programmes. For example, its resources may contribute to InvestEU financial instruments, to provide debt or equity financing to innovative clean-tech projects. Also, the programme may award project development assistance in the form of technical assistance

Third countries associated to the programme

Liechtenstein, Iceland, and Norway.

Application

The Innovation Fund awards grants through regular calls for proposals and competitive bidding procedures (auctions). The application procedures follow the following steps:

- **Call issuance & requirements**: CINEA (under DG CLIMA) publishes open calls, either single-stage or two-phase (Expression of Interest + Full Proposal), detailing project scope, eligibility, evaluation criteria, and deadlines
- **Proposal submission via portal**: Project promoters can apply via the EU Funding and Tenders portal by submitting their proposals when there is an open call for projects.

Evaluation and award criteria: Proposals are evaluated externally based on effectiveness of greenhouse gas emissions avoidance, degree of innovation, project maturity, replicability, cost efficiency. Small-scale projects may follow simplified evaluation.

LIFE

Regulation

Regulation (EU) 2021/783 of the European Parliament and of the Council

Legal base: Article 192(1) of the Treaty on the functioning of the European Union

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Not publicly available (planned for third quarter 2025)

Budget

The current LIFE programme (2021-2027) has a total budget of EUR 5.45 bln (compared to EUR 3.4 bln for previous programme 2014-2020).

Focus

The programme for the environment and climate action (LIFE) aims to facilitate the shift towards a sustainable, circular, energy-efficient, renewable energy-based, climate-neutral and climate-resilient economy. LIFE contributes to reduce greenhouse gas emissions and our vulnerability to the harmful effects of climate change, to protect, restore and improve the quality of the environment – including air, water and soil – and to halt and reverse biodiversity loss. Moreover, it tackles the degradation of ecosystems, including through supporting the implementation and management of the Natura 2000 network, thereby contributing to sustainable development.

Delivery mode

LIFE is implemented through direct management (grants, procurement, prizes and technical assistance to support investments) and indirect management for specific activities, including with the European Investment Bank (EIB) to support the mobilisation of investments in line with the objective of the LIFE programme. Within the Commission, DG Environment is the lead, with support from DG Energy and DG Climate Action. Each DG is responsible of specific subprogrammes. The European Climate, Infrastructure and Environment Executive Agency manages the bulk of the grants, few procurement activities and a technical assistance scheme to support green investment and the greening of other investments (Green Assist).

Predecessor

The 2021-2027 LIFE programme builds on the strategic integrated projects first launched under the 2014-2020 LIFE programme. Compared to the previous MFF, the number of subprogrammes has increased from two (environment and climate action) to four (nature and biodiversity, circular economy and quality of life, climate change mitigation and adaptation, and clean energy transition). The 'Clean energy transition' subprogramme has an incorporated actions for capacity building supporting energy, efficiency and renewable energy previously funded under Horizon 2020 (until 2020).

Type of recipients

EU national or local authorities, private commercial organisations and private non-commercial organisations (e.g. non-governmental organisations).

Forms of EU support

Grants, procurements and prizes.

Third countries associated to the programme

Iceland, Moldova, North Macedonia, and Ukraine.

Application

Calls for proposals are published on the Funding & Tenders Portal, based on the annual work programme set by the European Commission. Applicants must submit their proposals electronically via the portal, following the specific guidelines and templates provided for each call.

Connecting Europe Facility (CEF)

Regulation

Regulation (EU) No 2021/1153 of the European Parliament and of the Council

Legal base: Article 172 of the treaty on the functioning of the European Union

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Not publicly available (planned for 2025)

Budget

EUR 31.72 bln (budget programming 2021-2027) – CEF-Digital: EUR 1.8 bln,

Focus

CEF aims to develop and modernize trans-European networks, supporting the 2030 climate and energy targets, long-term decarbonization goals of the European Green Deal, and fostering sustainable growth and cohesion. It targets investments in the transport, energy and digital sectors.

Delivery mode

CEF is implemented under direct management by the Commission through Executive Agencies: CINEA for transport and energy and HaDEA for digital.

Predecessor

For the transport and energy sectors, the CEF continues the successful work of its 2014-2020 multiannual financial framework predecessor, with a focus on new priority actions, such as dual-use civilian-military infrastructure requirements, new energy infrastructure categories and cross-border projects in the field of renewable energy. For the digital strand, the CEF departs from the 2014-2020 CEF Telecom by being fully dedicated to supporting the deployment of high-performance digital communication infrastructures. While building on the experience gained with the previous programme, CEF Digital represents a step forward in terms of the scope, volume and intensity of the proposed EU support, in particular concerning new critical infrastructures like 5G corridors and secure backbone networks.

Compared to its predecessors, CEF introduced improvements such as a unified management structure (delegated to Executive Agencies), common coordination, better monitoring, diversified funding rates, and shared financial instruments across transport, energy, and telecommunications.

Type of recipients

Industry, small and medium-sized enterprises, research organisations, other public and private entities established in a Member State or in a non-EU country associated with the programme, or created under EU law, and international organisations.

Forms of EU support

Grants and procurements. CEF may also contribute to blending operations.

Third countries associated to the programme

There are four categories of countries eligible for association with the programme:

- Members of the European Free Trade Association (EFTA) which are members of the European Economic Area (EEA)
- Acceding countries, candidate countries and potential candidates

- European Neighbourhood Policy (ENP) countries

Other third countries based on specific agreements.

Application

Calls for proposals under CEF are defined in line with multiannual and annual Work Programmes adopted by the European Commission. These Work Programmes set the strategic priorities, available budget per sector (Transport, Energy, Digital), and detailed conditions for funding. Each call specifies the objectives, eligibility criteria, funding rates, and expected impacts, and may target specific project types (e.g. cross-border transport links, renewable energy corridors, or 5G infrastructure). Calls are launched on the EU Funding & Tenders Portal and are typically open for several months. Applicants submit proposals via the EU Funding & Tenders Portal, using available templates.

European Defence Fund (EDF)

Regulation

Regulation (EU) 2021/697 of the European Parliament and of the Council

Legal base: Article 173(3), Article 182(4), Article 183 and the second paragraph of Article 188 of the treaty on the functioning of the European Union

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Not yet published

Budget

Around EUR 7.95 billion.

Focus

The European Defence Fund aims to promote cooperation between companies, including SMEs and research actors throughout the Union. It also aims to boost defence capability development through investments and to help EU companies develop innovative technologies and equipment.

The European Defence Fund, with its instrument EUDIS, will support the Defence Equity Facility, a component of the InvestEU initiative.

Delivery mode

Implemented directly by the Commission (DG DEFIS), which will be supported by the National Focal Points (NFPs). On an ad hoc basis, and if justified, specific initiatives may be implemented under indirect management.

Predecessor

The EDF builds and expands on the experience acquired through two precursor programmes implemented under the 2014-2020 multiannual financial framework, namely the Preparatory Action on Defence Research (PADR) and the European Defence Industrial Development Programme (EDIDP).

The design of the EDF largely builds on the architecture of these two 2014-2020 programmes, but it has been implemented as one single fund. The EDF is expected to lead to better exploitation of defence research results, bridging the gap between the research and the development phases and promoting all forms of innovation, including support for disruptive defence technologies, and to encourage small and medium-sized enterprises and entities not yet involved in defence-specific research and development to participate in the programme and to be involved in cross-border cooperation.

Type of recipients

Industry consortia; companies of all sizes, including small and medium-sized enterprises and mid-caps; research centres and universities.

Forms of EU support

Grants.

Third countries associated to the programme

Norway.

The Fund is open to the participation of members of the European Free Trade Association which are members of the EEA.

- For the purposes of an action supported by the Fund, the recipients and subcontractors involved in an action shall not be subject to control by a non-associated third country or by a non-associated third-country entity.

Application

Applying for funding requires the creation of a consortium consisting of at least three Member States or associated countries (currently only Norway). Calls for disruptive technologies allow smaller consortia (at least two entities from two Member States or associated countries).

Recipients and subcontractors must be EU-based, with their executive management structure in the EU.

They should not be controlled by a non-associated third country, with exceptions possible through approved guarantees. Entities from non-associated third countries can participate, but under conditions ensuring the EU security and defence interests, without receiving EDF funding.

Applicants submit proposals via the EU Funding & Tenders Portal, using available templates.

European Defence Investment Programme (EDIP)

Regulation

Proposal for a regulation of the European Parliament and of the Council establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products (EDIP) (2024)

Period

2025 – 2027

Impact assessment

An Impact Assessment could not be prepared due to urgency. However, SWD C(2024) 4822 accompanying the proposed regulation provides additional information concerning the proposal's underlying rationale, sets out the problems and their drivers, identifies and evaluates the main options available to address the challenges: link.

Mid-term evaluation

Not applicable.

Budget

EUR 1.5 billion.

Focus

In March 2024, the European Commission has issued a proposal for a Regulation establishing the European Defence Investment Programme (EDIP) and a framework of measures to ensure the timely availability and supply of defence products. EDIP's aim is to start implementing concrete measures identified in the 2024 European Defence Industrial Strategy (EDIS).

EDIP looks to: provide financial support with EUR 1.5 billion from the EU budget over the period 2025-2027; strengthen the competitiveness and responsiveness of the European Defence Technology Industrial Base; ensure the availability and supply of defence products; promote cooperation with Ukraine on the recovery, reconstruction and modernisation of its defence industry. EDIP may also include the establishment of a Fund for the acceleration of defence supply chain transformation ('FAST'). FAST would leverage, de-risk and speed-up investments needed to increase the defence manufacturing capacities of EU-based SMEs and small mid-caps, in the form of a blending operation offering support in the form of debt and/or equity.

Delivery mode

EDIP shall be implemented in direct management by the European Commission and in indirect management (especially for FAST, building inter alia on the experience of the defence equity facility, established in the context of the European Defence Fund as an InvestEU blending operation).

Predecessor

EDIP aims to bridge the gap after the ending of the short-term emergency measures such as ASAP and EDIRPA and ensure the EU's defence industrial readiness for the future. ASAP, adopted by co-legislators in July 2023, will end on 30 June 2025. EDIRPA, adopted by co-legislators in October 2023, will end on 31 December 2025.

Type of recipients

Potential applicants are: national procurement authorities, the European Defence Agency or an international organisation designated to conduct a common procurement (for the follow up to EDIRPA); Producers of ammunition and missiles in the EU, as well as their supply chain (for the follow up to ASAP).

Forms of EU support

Grants, prizes, procurement, and financial instruments within blending operations.

Third countries associated to the programme

The Fund shall be open to the participation of members of the European Free Trade Association which are members of the EEA.

Application

Calls for proposals will be published on the EU Funding and Tenders Portal. Applicants must submit their proposals electronically via the portal, following the specific guidelines and templates provided for each call.

EU Defence Industry Reinforcement Through Common Procurement Act (EDIRPA)

Regulation Regulation (EU) 2023/2418 of the European Parliament and of the Council of 18 October 2023 on establishing an instrument for the reinforcement of the European defence industry through common procurement (EDIRPA) Legal base: Article 173(3) TFEU of the Treaty on the Functioning of the EU
Period 2021 – 2027, although the fund was set up in 2023 and will last until 2025
Impact assessment No impact assessment carried out.
Mid-term evaluation By 31 December 2026, the Commission shall draw up a report evaluating the impact and effectiveness of the actions taken under the Instrument (the 'evaluation report') and shall submit it to the European Parliament and to the Council.
Budget Around EUR 300 mln. All funds have been allocated in November 2024, five selected projects are receiving EUR 60 mln each.
Focus EDIRPA aims at incentivising Member States to commonly procure defence products for which there is an urgent and critical need, especially those amplified following the Russian aggression against Ukraine. EDIRPA also aims at strengthening the European Defence Technological and Industrial Base (EDTIB) – and by providing predictability - to increase its manufacturing capacity and face the increase in demand of defence equipment. It will also lead to increased interoperability between the armed forces of the Member States. The fund will achieve its goals by will support cooperation of at least three Member States for the common procurement of most critical and urgent defence products from the EDTIB. EDIRPA and ASAP are complementary initiatives, on the demand and supply side respectively. EDIRPA aims at incentivising Member States to commonly procure urgently needed defence capabilities and products.
Delivery mode The Instrument shall be implemented under direct management in accordance with the Financial Regulation. Grants implemented under direct management shall be awarded and managed in accordance with Title VIII of the Financial Regulation.
Predecessor

EDIRPA is a new programme agreed by the co-legislators during the current MFF and in the context of the Russian aggression against Ukraine. It does not build on previous MFF programmes as support for common procurement of defence products is a new area for the EU.
Type of recipients Potential applicants are national procurement authorities, the European Defence Agency or an international organisation designated to conduct a common procurement.
Forms of EU support Grants
Third countries associated to the programme Norway. The Fund is open to the participation of members of the European Free Trade Association which are members of the EEA. Member States can make Ukraine and Moldova a recipient of quantities of the defence products concerned by the collaborative procurement action.
Application Calls for proposals are published on the EU Funding and Tenders Portal. Applicants must submit their proposals electronically via the portal, following the specific guidelines and templates provided for each call.

Regulation on Supporting Ammunition Production (ASAP)

Regulation Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP) Legal base: Article 114 and Article 173(3) of the treaty on the functioning of the EU
Period 2021 – 2027, although the fund was set up in 2023 and will last until 2025
Impact assessment No impact assessment carried out.
Mid-term evaluation As per Article 23 of the ASAP regulation, the Commission shall draw up a report evaluating the implementation of the measures set out in this Regulation and their results, as well as the opportunity to extend their applicability and provide for their funding, particularly with regard to the evolution of the security context.
Budget Around EUR 500 mln. An amount of EUR 30 mln may be allocated to actions under a Ramp-up Fund.
Focus

ASAP is part of a larger effort of the European Union to ramp-up production of ammunition production capacity to 2 million per year by the end of 2025. ASAP in particular focuses on identifying and funding production facilities in the European Union and EFTA countries for a total of EUR 500 mln. The funds have already been fully allocated in 2024, according to the following breakdown:

- EUR 124 mln in explosives
- EUR 248 mln in powder
- EUR 90 mln in shells
- EUR 50 mln in missiles
- EUR 2 mln in testing

ASAP constitutes track 3 of the three-track approach of the ammunition plan agreed by the council. While ASAP constitutes the supply-side part of the intervention, EDIRPA represents the demand-side. EDIRPA, ASAP and the fourth Work Programme of EDF all work towards the reinforcement of the European defence technological and industrial base, in the wake of the adoption of the European Defence Industrial Strategy (EDIS)

Delivery mode

Implemented directly by the Commission (DG DEFIS). Meanwhile, the Ramp-up fund will be implemented under indirect management in the form of a financial instrument as a blending operation.

Predecessor

As this programme was adopted in 2023 to respond to urgent operational needs originated in 2022, there is no direct link to the 2014-2020 Multiannual Financial Framework. The ASAP budget resulted from a partial deployment of the budget of the European Defence Fund (EUR 260 mln) and of the proposed budget for the European Defence Industry Reinforcement through common Procurement Act (EUR 240 mln), within the 2021-2027 Multiannual Financial Framework.

Type of recipients

Producers of ammunition and missiles in the EU, as well as their supply chain

Forms of EU support

Grants, financial instruments

Third countries associated to the programme

The Fund is open to the participation of members of the European Free Trade Association which are members of the EEA.

Only entities, whether public or privately owned, which are established and have their executive management structures in the Union or in associated countries should be eligible for support.

Application

Calls for proposals are published on the EU Funding and Tenders Portal. Applicants must submit their proposals electronically via the portal, following the specific guidelines and templates provided for each call.

Infrastructure for Resilience, Interconnectivity and Security by Satellite (IRIS^2)

Regulation

Regulation (EU) 2023/588 of the European Parliament and of the Council of 15 March 2023 establishing the Union Secure Connectivity Programme for the period 2023-2027 Legal base: Article 189(2) of the Treaty on the functioning of the EU
Period 2021 – 2027, although the programme was established in 2023
Impact assessment Carried out in 2022: link
Mid-term evaluation Not yet carried out.
Budget Around EUR 10.6 bln. This includes EUR 2.4 bln from the EU budget, EUR 685 mln from the European Space Agency, while the rest will be covered by the private sector.
Focus The IRIS2 programme focuses on establishing a secure, resilient, and autonomous satellite-based communication system for the European Union. Its core aim is to provide uninterrupted, high-speed, and low-latency connectivity for government-authorised users, while also enabling commercial services that help bridge the digital divide across Europe and beyond. Horizon Europe, the Neighbourhood, Development and International Cooperation Instrument (NDICI) and the EU Space Programme (through GOVSATCOM) will all allocate some funds to the programme, thus contributing to its development.
Delivery mode The delivery mode combines direct Union implementation (for the governmental infrastructure) and a public-private partnership through concessions and procurement contracts.
Predecessor GOVSATCOM, an EU Space Programme initiative focused on providing satellite communication, can be regarded as a precursor, as it will be complemented by IRIS^2. The programme builds also upon existing EU space initiatives like Galileo, a satellite navigation system and Copernicus, an Earth observation programme.
Type of recipients The contract's recipient is the SpaceRISE consortium, composed of three European satellite network operators (SES SA, Eutelsat SA, and Hispasat S.A.). The consortium relies on a Core Team of European subcontractors from all segments of the satcom ecosystem for the delivery of the scope of the concession contract (Thales Alenia Space, OHB, Airbus Defence and Space, Telespazio, Deutsche Telekom, Orange, Hisdesat and Thales SIX).
Forms of EU support Grants, prizes, procurement, financial instruments within blending operations.
Third countries associated to the programme There are four categories of countries eligible for participation in the programme:

- Members of the European Free Trade Association (EFTA) which are members of the European Economic Area (EEA)
- Acceding countries, candidate countries and potential candidates
- European Neighbourhood Policy (ENP) countries

Other third countries based on specific agreements.

Application

The call for tender for a Concession Contract for the Implementation of the Union Secure Connectivity Programme was published in March 2023 on the TED eTendering platform.

A first phase of the procurement procedure for a concession contract to design, develop and operate the IRIS² took place in March/April 2023. The Commission invited the industry to submit their proposals. During this phase, eligibility and participation conditions of the tenderers were evaluated.

In May 2023, a second phase started: the selected consortium is asked to submit initial proposals addressing the scope of the concession contract, in particular in terms of design, cost, schedule and private sector investment. In order to ensure the security and autonomy of IRIS², the Commission continuously monitored throughout the procurement process any changes in the structure of participating companies, so as to ensure that the eligibility and participation conditions were respected.

The third and final phase consisted in the request of a best and final offer. This "optimised best-and-final offer" (OBAFO) was received in September 2024.

The contract was awarded in October 2024 and in December 2024, the Commission announced the signature of the concession contract for IRIS².

EU Space Programme

Regulation

Regulation (EU) 2021/696 of the European Parliament and of the Council

Legal base: Article 189(2) of the Treaty on the Functioning of the EU

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Carried out in 2024: link

Budget

Around EUR 14.67 bln.

Focus

The EU Space Programme aims at providing:

- state-of-the-art, robust and secure positioning, navigation and timing services
- accurate and reliable Earth Observation data, information and services
- enhanced Space Surveillance and Tracking (SST) capabilities

- long-term availability of reliable, secure and cost-effective satellite communications services
- support to an autonomous, secure and cost-efficient capability to access space
- the development of a strong Union space economy

The EU Space programme has been planned in synergy and coherence with Horizon Europe and InvestEU. Research and development activities are an essential component for the development of the Programme, covering both upstream and downstream segments

Delivery mode

Implemented mainly through indirect management by the newly established European Union Agency for the Space Programme (EUSPA) and the European Space Agency (ESA) (as well as some additional entrusted entities like EUMETSAT). A small part of the budget is implemented through direct management by the Commission (DG DEFIS).

Predecessor

The EU Space Programme builds on the success of its predecessor programmes (i.e. Copernicus, EGNOS, Galileo) which will all continue with a greater focus on synergies with other EU policy areas. GOVSATCOM and Space Situational Awareness are instead new initiatives.

Type of recipients

The EU space industry, manufacturers, businesses and start-ups; scientists and academics; etc.

Forms of EU support

Grants and procurements.

Third countries associated to the programme

Galileo, EGNOS and Copernicus, as well as the sub-components on SWE (space weather events) and NEO (near-Earth objects), but excluding the SST subcomponent, are open to the participation of: members of the European Free Trade Association (EFTA) which are members of the European Economic Area (EEA); acceding countries, candidate countries and potential candidates; European Neighbourhood Policy (ENP) countries.

Third countries and international organisations may have access to GOVSATCOM and SST services provided that they conclude an agreement and comply with Art. 43 about classified information in Reg. (EU) 2021/696.

Application

Calls for proposals are published on the EU Funding and Tenders Portal. Applicants must submit their proposals electronically via the portal, following the specific guidelines and templates provided for each call.

EU4Health

Regulation

Regulation (EU) 2021/522 of the European Parliament and of the Council.

Legal base: Article 168 (5) of the Treaty on the functioning of the European Union

Period

2021 – 2027
Impact assessment Carried out in 2018. It is included in the Annex 5 of the SWD(2018) 289 final.
Mid-term evaluation Not publicly available (planned for fourth quarter 2024)
Budget The EU4Health programme had an initial EUR 5.3 bln budget for the 2021-27 period, reduced to EUR 4.4 bln following the revision of the 2021-2027 MFF.
Focus The EU4Health programme is a key instrument for delivering a comprehensive response to the health needs of EU citizens, reflecting the implementation of priority EU legislative proposals and acts, flagship initiatives such as the Europe Beating Cancer Plan, preventing non communicable and communicable diseases, lessons learned from the COVID-19 crisis, the consequences of Russia's unjustified and unprovoked war against Ukraine, and previous health programmes. The EU4Health programme supports health crisis preparedness, health systems, healthcare digitalisation and disease prevention.
Delivery mode The programme is implemented in direct and indirect management mode and in synergies and complementarities with other EU programmes and instruments. The European Health and Digital Executive Agency implements the part on direct management as delegated by DG Health and Food Safety and by HERA. The funds under indirect management are disbursed by DG Health and Food Safety or HERA.
Predecessor The EU4Health programme if the continuation of its 2014-2020 predecessor: the Third Health Programme.
Type of recipients Legal entities, health organisations and NGOs from EU countries, or non-EU countries associated to the programme. The EU4Health Annual Work Programmes specify the eligible entities for each topic together with the objectives, scope, activities, expected results and impact. The detailed rules and requirements to apply for the specific topics are specified in the calls.
Forms of EU support Grants, prizes and procurements.
Third countries associated to the programme Norway, Iceland, Ukraine, Moldova, Montenegro and Bosnia and Herzegovina are associated to the EU4Health Programme.
Application HaDEA manages funding through action and operating grants (via open calls), direct grants to designated entities (e.g. European Reference Networks), joint actions with national health authorities,

and procurement via open or framework contracts. Each EU4Health Annual Work Programme outlines eligible entities, objectives, and detailed requirements for applications. Calls for proposals are published on the Funding & Tenders Portal, based on the annual work programme set by the European Commission. Applicants must submit their proposals electronically via the portal, following the specific guidelines and templates provided for each call.

SME Pillar of the Single Market Programme

Regulation

Regulation (EU) 2021/690 of the European Parliament and of the Council of 28 April 2021 establishing a programme for the internal market, competitiveness of enterprises, including small and medium-sized enterprises, the area of plants, animals, food and feed, and European statistics (single market programme) and repealing Regulations (EU) No 99/2013, (EU) No 1287/2013, (EU) No 254/2014 and (EU) No 652/2014 (OJ L 153, 3.5.2021, p. 1).

Period

2021 – 2027

Impact assessment

Carried out in 2018: link

Mid-term evaluation

Supporting study assessing the programme's performance over 2021-2023 has been reviewed, despite not publicly available yet (planned for 2025)

Budget

An indicative amount of EUR 1 billion is allocated by the SMP Regulation to Pillar 2, relates to strengthening the competitiveness and sustainability of SMEs. The overall budget allocated to the SMP amounted to EUR 4.2 billion over the period of 2021-2027.

Link with other programmes

None

Focus

The Single Market Programme (SMP) is implemented in six pillars, the second of which (Pillar 2) relates to strengthening the competitiveness and sustainability of SMEs. The overall programme aims to improve the functioning of the internal market and helps protect and empower citizens, consumers and businesses by designing, implementing and enforcing EU legislation underpinning the proper functioning of the single market.

Delivery mode

The European Innovation Council and SMEs Executive Agency (EISMEA) is entrusted with the management and implementation of the vast majority of the SME Pillar's activities. Overall, the SMP is mainly implemented under direct management, in particular, but not exclusively, using grants and procurement. The participating directorates-general are DG Internal Market, Industry, Entrepreneurship and SMEs, DG Competition, DG Financial Stability, Financial Services and Capital Markets Union,

DG Taxation and Customs Union, DG Health and Food Safety, DG Justice and Consumers and Eurostat. The programme is coordinated in accordance with the memorandum of understanding signed by the seven participating DGs, with the support of a coordination team based in DG Internal Market, Industry, Entrepreneurship and SMEs.

Predecessor

The SMP brings together six predecessor programmes from various policy areas. The main components of Pillar 2, especially its flagship initiatives build on earlier actions implemented for many years under the predecessor programmes COSME (2014-2020) and partly the Entrepreneurship and Innovation Programme (EIP) (2007-2013). Drawing from the lessons of the impact assessment, this integrated set-up is expected to constitute a more flexible and agile financing framework, which will allow the exploitation of synergies, the prevention of duplication and fragmentation, and prioritisation to be improved across all 14 industrial ecosystems. An important change in the support provided to SMEs with the introduction of the SMP is the establishment of multiannual initiatives to provide medium-term continuity to flagship initiatives that had already demonstrated their impact upon SMEs, such as the Enterprise Europe Network, actions for clusters and Erasmus for young entrepreneurs. In addition, the financial instruments for SMEs that were previously included in the COSME programme are now part of the InvestEU framework.

Type of recipients

SMEs, clusters, business network organisations, and business support organisations.

Forms of EU support

Grants, prizes, procurements, advisory.

Third countries associated to the programme

Iceland, Norway and Liechtenstein

Application

Calls for proposals for actions supporting EU businesses under the Single Market Programme are advertised on the website of the European Innovation Council and SMEs Executive Agency and published on the European Commission's Funding and tender portal. Applicants can submit their proposals electronically through the Funding and tender portal. Information including the legislation and rules for participation, templates for proposals, evaluations and project reporting can be accessed on the Funding and tender portal.

Annex 9: Overview of the current time to inform and time to grant per programme

Programme	Related MFF	Reference period	TTI (Number of days)	TTI target (Number of days)	Source
Horizon	14-20	14-20	112	153	Ex-post evaluation of Horizon 2020
Horizon	21-27	21-24	130 (range: 108 Pillar II to 148 Pillar III w/o EIC)	153	Interim evaluation of Horizon Europe
Digital Europe	21-27	2023	110**	183	HaDEA - Annual Activity Report 2023
Innovation Fund	21-27	2021	132	183	CINEA - Annual Activity Report 2023
Innovation Fund	21-27	2022	122	183	CINEA - Annual Activity Report 2023
Innovation Fund	21-27	2023	113	183	CINEA - Annual Activity Report 2023
LIFE	21-27	2021	94	183	CINEA - Annual Activity Report 2023
LIFE	21-27	2022	146	183	CINEA - Annual Activity Report 2023
LIFE	21-27	2023	144	183	CINEA - Annual Activity Report 2023
CEF	14-20	2016	141	183	Mid-term evaluation of CEF 2014-20 (2018)
CEF – Transport +Energy	21-27	2021	116	183	CINEA - Annual Activity Report 2023
CEF – Transport +Energy	21-27	2022	134	183	CINEA - Annual Activity Report 2023
CEF – Transport +Energy	21-27	2023	150	183	CINEA - Annual Activity Report 2023
CEF – Digital	21-27	2023	110**	183	HaDEA - Annual Activity Report 2023
EU4Health	21-27	2023	110**	183	HaDEA - Annual Activity Report 2023
SMP – SME Pillar	21-27	21-23	86	183	Mid-term evaluation SME pillar of SMP
COSME	14-20	14-20	115	183	Mid-term evaluation SME pillar of SMP

Programme	Related MFF	Reference period	TTG (Number of days)	TTG target (Number of days)	Source
FP7	07-13	07-13	313	270	Ex post evaluation H2020 (2024)
Horizon 2020	14-20	14-20	187	245	Ex post evaluation H2020 (2024)
Horizon Europe	21-27	21-24	240[195]	245	Interim evaluation of Horizon Europe

[195] According to the Horizon Europe Interim Evaluation, the average TTG in Horizon Europe is currently 240 days, with 77% of grants signed on time. The annual TTG figures for Horizon Europe over the last three years show a progressive improvement: 135 days in 2021 (for 18 grants), 249 days in 2022 (4 092 grants), 239 days in 2023 (3 641 grants), and 229 days in 2024 (3 122 grants).

Programme	Related MFF	Reference period	TTG (Number of days)	TTG target (Number of days)	Source
Horizon Europe	21-27	2021	135	245	Interim evaluation of Horizon Europe
Horizon Europe	21-27	2022	249	245	Interim evaluation of Horizon Europe
Horizon Europe	21-27	2023	239	245	Interim evaluation of Horizon Europe
Horizon Europe	21-27	2024	229	245	Interim evaluation of Horizon Europe
Digital Europe	21-27	2023	229**	274	HaDEA - Annual Activity Report 2023
Innovation Fund	21-27	2021	268	274	CINEA - Annual Activity Report 2023
Innovation Fund	21-27	2022	270	274	CINEA - Annual Activity Report 2023
Innovation Fund	21-27	2023	263	274	CINEA - Annual Activity Report 2023
LIFE	21-27	2021	237	274	CINEA - Annual Activity Report 2023
LIFE	21-27	2022	212	274	CINEA - Annual Activity Report 2023
LIFE	21-27	2023	242	274	CINEA - Annual Activity Report 2023
CEF	14-20	2016	249	274	Mid-term evaluation of CEF 14-20
CEF – Transport +Energy	21-27	2021	234	274	CINEA - Annual Activity Report 2023
CEF – Transport +Energy	21-27	2022	257	274	CINEA - Annual Activity Report 2023
CEF – Transport +Energy	21-27	2023	259	274	CINEA - Annual Activity Report 2023
CEF – Digital	21-27	2023	229**	274	HaDEA - Annual Activity Report 2023
EDF	21-27	2021	342	274	DG DEFIS - Annual Activity Report 2022
EDF	21-27	2022	354	274	DG DEFIS - Annual Activity Report 2023
EDF	21-27	2023	374	274	DG DEFIS - Annual Activity Report 2023
EU4Health	21-27	2023	229**	274	HaDEA - Annual Activity Report 2023
SMP – SME Pillar	21-27	21-23	218	274	Mid-term evaluation SME pillar of SMP
COSME	14-20	14-20	226	274	Mid-term evaluation SME pillar of SMP

Programme	Related MFF	Reference period	Success rate (%)	Source
Horizon 2020	14-20	Total	12	Ex post evaluation of Horizon 2020
Horizon Europe	21-27	Total	16	Interim evaluation of Horizon Europe
Digital Europe	21-27	2023	66	HaDEA - Annual Activity Report 2023
Digital Europe	21-27	2022	72	HaDEA - Annual Activity Report 2023
CEF	14-20	Total	51	Mid-term evaluation of CEF 14-20

CEF-Energy	14-20	Total	64	Mid-term evaluation of CEF 14-20
CEF-Digital	21-27	2023	76	HaDEA - Annual Activity Report 2023
CEF-Digital	21-27	2022	78	HaDEA - Annual Activity Report 2023
EU4Health	21-27	2023	57	HaDEA - Annual Activity Report 2023
EU4Health	21-27	2022	75	HaDEA - Annual Activity Report 2023