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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee/Council
Subject:	Preparation of the Competitiveness Council (Internal Market, Industry, Research and Space) on 29 September 2025 Competitiveness Fund - <i>Presentation by the Commission</i> - <i>Policy debate</i>

Delegations will find attached a Presidency background note on the Competitiveness Fund with a view to the policy debate at the Competitiveness Council on 29 September 2025.

DISCUSSION PAPER**Meeting of the Competitiveness Council****Brussels, 29 September 2025****MAKING THE COMPETITIVENESS FUND WORK FOR BUSINESSES**

Recent reports from Draghi and Letta, as well as the *European Commission's Competitiveness Compass*, have underlined a significant investment gap that must be closed if Europe is to achieve its ambitions of competitiveness, green transition, security, and resilience. This shortfall not only threatens the EU's ability to maintain its industrial strength, but also to lead in the twin transition and the global technological race. Both the *Draghi and Letta reports* demonstrate that Europe's future prosperity and geopolitical influence relies on bridging this gap through targeted and more risk-willing investments.

Achieving Europe's green and industrial policy goals requires a much greater appetite for risk from both public and private actors. The challenge lies in the fact that decarbonisation, digitalisation, and the development of new technologies involve substantial uncertainties and long payback horizons, making them unattractive under conventional, risk-averse funding models. As emphasised in the Draghi report, existing mechanisms are not mobilising sufficient levels of capital, especially for large-scale or breakthrough projects needed to strengthen Europe's industrial leadership and sovereignty. Private investors, in particular, are currently reluctant to engage at the required scale or take on the needed level of risk without public support.

In response and inspired directly by the Draghi report, the European Commission has proposed the creation of a *European Competitiveness Fund (ECF)*. The ECF is intended to serve as a catalyst to close the investment gap, drawing on the full suite of EU financial tools to mobilise investments that serve Europe's strategic and industrial priorities. By consolidating a broad array of existing funds and financing schemes under one coherent regulatory and governance framework, the ECF aims to provide more efficient and targeted support for key sectors and projects to ensure European technological and industrial leadership.

The ECF will deploy all available EU financial instruments – grants, procurement, loans, guarantees, equity investments, blended finance, etc. For the ECF to be truly effective, it must be seen as a success by businesses and investors – the very stakeholders that need to actively use the ECF if it is to achieve its objectives. Companies must be able to access funding easily and quickly, with clear guidance and a minimum of administrative hurdles. Fast, predictable application and award processes and tailored support will be vital, especially for SMEs, start-ups and scale-ups looking to grow into globally competitive players.

Meanwhile, investors must have positive incentives to participate. They must be confident that financial tools and risk-sharing mechanisms are robustly designed for all stages of the investment journey, from early-stage innovation to industrial-scale deployment. Using financial instruments that are more market-driven, such as those under *ECF InvestEU*, can leverage more private capital, help mitigate commercial risks through guarantees and co-investments, thus amplifying the impact of each euro of public money and supporting the scale-up of breakthrough innovations and technologies. At the same time, using grants could allow the Commission to target support towards strategic actions.

Understanding the realities faced by businesses is critical. Only by actively engaging with companies and investors, and by shaping the ECF's offerings to match their real-world needs and obstacles, can the ECF truly unlock private capital and optimise the use of available public resources. Simplification, transparency and flexibility must be central tenets in the ECF's governance and operation.

Making the ECF work for businesses will require strong political commitment to simplifying its governance and administration. Success depends on finding the right balance between state-driven instruments, such as grants and public procurement, and more market-driven tools like loans, guarantees, and equity investments under ECF InvestEU. With this approach, the ECF could become a cornerstone for realising the EU's industrial ambitions and technological leadership.

Member States are invited to engage in discussions on two key issues:

- What will be the most important success criteria for the European Competitiveness Fund in the eyes of companies and investors, especially in terms of simplification and faster processing of applications?
- How can we make the financial instruments included in the proposed European Competitiveness Fund most effective for the mobilisation of private capital to projects that deliver on Europe's industrial policy objectives?