European Competitiveness Fund

2025/0555(COD) - 16/07/2025 - Legislative proposal

PURPOSE : to establish a European Competitiveness Fund including a specific programme on defence research and innovation.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: on 16 July 2025, the European Commission unveiled its proposal for the next Multiannual Financial Framework (MFF) 2028-2034, a EUR 2 trillion budget designed to strengthen Europe's sovereignty, competitiveness, and resilience. This new MFF will significantly enhance the EU's capacity to deliver on core policies while addressing new and emerging priorities.

The Union is facing a defining period for its future, from a political, economic, social, environmental, climate and security perspective, including increased risks of conventional military threats. To regain and reinforce its competitive edge, it is essential that the Union revives the innovation cycle by developing its disruptive innovation capacity and investing in emerging, cutting-edge and strategic technologies with significant economic potential. To ensure its autonomy in the global economy, the Union should guarantee its technological and industrial leadership in strategic sectors, starting with critical raw materials supply chains, to develop and manufacture strategic technologies in Europe, as well as mitigate risks affecting its security and resilience emanating from critical external dependencies.

CONTENT: the proposed regulation establishes the **European Competitiveness Fund** (ECF) as part of the multiannual Framework Programme for 2028-2034, including a specific programme on defence research and innovation and lays down the objectives of the ECF.

A new European Competitiveness Fund will invest in strategic technologies, to benefit the entire Single Market. The Fund, operating under one rulebook, and offering a single gateway to funding applicants, will simplify and accelerate EU funding and catalyse private and public investment.

Its general objectives are to:

- establish an investment capacity to support European competitiveness in strategic technologies and sectors, including innovation, decarbonisation, and resilience, through a more seamless investment journey from fundamental research, applied research to deployment and manufacturing;

- 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.

The proposed financial envelope for the implementation of the ECF for the period from 1 January 2028 to 31 December 2034 will be **EUR 234.3 billion**. The Fund will focus its support on four policy windows reflecting strategic priorities crucial to Union competitiveness and resilience:

1) A **Clean Transition and Industrial Decarbonisation** window with a budget of **EUR 26.2 billion**;

2) A **Health, Biotech, Agriculture and Bioeconomy** window with a budget of **EUR 20.4 billion**;

3) A **Digital Leadership** window with a budget of **EUR 51.5 billion**;

4) A **Resilience and Security, Defence Industry, and Space** window with a budget of **EUR 125.2 billion** .

Its open architecture would help the Fund **respond quickly to new challenges** and priorities by providing overall direction and strategy. This new architecture would allow for the setting of policy priorities at the level of each window, to effectively target support from applied research to manufacturing and deployment, including infrastructure and specific skills, relying on funding tools adapted to the projects' needs and derisking investment by offering an appropriate leverage/impact ratio of the Union budget. In addition, the Horizon Europe framework programme for Research and Innovation will be tightly connected to the components of the ECF to ensure a seamless investment journey from idea to market.

The proposal also sets up a legal framework aiming at ensuring security of supply, removing investment obstacles and production bottlenecks and supporting the competitiveness of the Union's industrial base.

ECF toolbox

The proposal introduces the 'ECF toolbox'. The ECF will flexibly mobilise the entire financial toolbox provided by the Union budget (including loans, grants, equity, quasi-equity, blending, procurement and guarantees). 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**.

Simplification

The proposal introduces Project Advisory services, supports SME collaboration, and streamlines access to funding. It establishes a centralised Project Advisory for investment support across all policy windows, business support services and a Union business network to bolster SMEs and startups to promote their growth, access to Union funding and investments through advisory and partnering services.