

Brussels, 16.7.2025
SWD(2025) 556 final

COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE 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) 555 final}

Executive Summary Sheet
Impact assessment on the EU's next long-term budget (MFF) – EU funding for competitiveness
A. Need for action
Why? What is the problem being addressed?
For the last thirty years, the productivity gap between the EU and other advanced economies has widened, making the EU less competitive than other major economies. The EU is falling behind other major economies in multiple areas, including technological development, research and innovation performance, market dynamism and industrial capacity. Therefore, enhancing European competitiveness has emerged as a critical priority, as flagged in the Draghi Report As framed in the European Commission's Competitiveness Compass¹, European competitiveness 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. The Competitiveness Compass 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. Addressing these problems is expected to have a positive, albeit indirect, impact on other problems identified in the Competitiveness compass such as the innovation gap as well as reducing Europe's reliance on external sources for critical technologies and resources, and thus enhancing security and resilience.
What is this initiative expected to achieve?
The overarching objective of this initiative is to establish an investment capacity to support European competitiveness in strategic technologies and sectors, as well as leverage the funding tools of the EU budget. More specifically, the initiative promotes public and private investments through the whole investment journey, notably in research and innovation, and better leverages the de-risking potential of the EU budget to maximise its EU added value. Moreover, it steers and focuses investments on EU strategic technologies and sectors in support of decarbonisation, security, and resilience. Finally, it facilitates access to EU funding through user-centric, faster, simplified and harmonised procedures and improves the coherence of EU and Member State investments.
What is the added value of action at the EU level?
First, by enhancing collaboration and integration across stakeholders and borders, EU funding breaks down national barriers and creates a critical mass to address shared challenges. Second, by addressing market failures and suboptimal investment conditions, and generating economic impact, the EU enhances economic resilience, leverages private funds, attracts capital, boosts productivity across the EU, and supports economically beneficial projects that might not succeed otherwise. It supports EU-wide competition, allowing to select the best scientific and innovative ideas from across the EU. Third, by strengthening investment directionality and pooling of resources, the EU can better address EU-wide challenges and promote shared priorities such as the digital and green transitions.

¹ COM(2025) 30 final. A Competitiveness Compass for the EU.

B. Solutions

What legislative and non-legislative policy options have been considered? Is there a preferred choice or not? Why?

Three different policy options have been considered:

The first option is “Business-as-usual-plus”, in which the 14 programmes² would retain their own rules, but the Commission would try to ensure more horizontal consistency across the funds, expanding on the approach taken with Strategic Technologies for Europe Platform (STEP) to help individual projects benefit from cumulative funding under several programmes.

The second option is an “Enhanced coordination between programmes and a common rulebook”, which would go further by harmonising rules across programmes, in particular by aligning objectives, strands, and pillars, as well as the implementing tools and horizontal legal provisions.

The third option is a “Consolidation of programmes in a new European Competitiveness Fund”, which would bring relevant EU programmes into one fund with a strategic steer that would prioritise policy rather than programmes. This option would create a single investment capacity to support strategic sectors and technologies, disruptive innovation and decarbonisation through a seamless investment journey from fundamental research to applied research, to deployment, manufacturing, services and solutions. It will be structured along a small number of policy windows that are crucial for EU competitiveness and resilience. Its governance would help the Fund to respond quickly to new challenges and priorities. The third option would strike a balance between the predictability needed for long-term investments such as for research and innovation, and flexibility needed to respond to emerging political priorities.

The preferred option is the third option, as it offers a comprehensive set of policy measures to overcome the current deficiencies in the EU funding landscape related to competitiveness outlined above. To ensure the success of the preferred option, the EU will implement measures to minimize potential negative impacts, including by balancing flexibility with the need of predictability.

C. Impacts of the preferred option

What are the benefits of the preferred option (if any, otherwise main ones)?

The preferred option would provide a higher return on investment over 15 years, with the total benefit per Euro spent being 15.74% higher than in the first option (“business as usual plus”). The European Union would also experience an increase in exports which is 58% higher compared to the first option, mainly because of the larger volume of investments. The overall impact of the preferred option on EU productivity is likely to be positive, driven by its ability to allocate resources more efficiently and effectively.

This option is also expected to reduce administrative costs for beneficiaries by integrating access points and introducing a single rulebook, simplifying the funding process and creating a more efficient, business-friendly environment, particularly benefiting high-growth industries, SMEs, innovative start-ups, and projects requiring long-term investment support. A simplified and upgraded application process would increase clarity for project promoters and overall facilitate access to funding.

The preferred option also consolidates funding processes and broadens access to financial tools, allowing the EU to better harness its potential to mobilise private capital and increase budgetary flexibility. The option also strengthens connections between fundamental research and advanced stages of research, innovation and manufacturing, ensuring a dynamic economic structure within the EU and better bringing ideas to the market.

Marketwise, a unified funding framework aims to enhance the competitiveness of European companies by making funding more accessible and strategically aligned. It also supports European strategic autonomy and reduces critical dependencies.

Finally, the social impacts include promoting job creation, skills enhancement, and regional economic growth, particularly in strategic sectors. The environmental impacts of this option are closely tied to its prioritisation of decarbonisation and clean tech as key sectors and technologies. This focus should lead to a positive impact on climate and in the EU path towards decarbonisation.

² The 14 EU programmes within the scope of this Impact Assessment include Horizon Europe, Innovation Fund, Digital Europe Programme, Connecting Europe Facility - Digital, European Defence Fund, the Act in Support of Ammunition Production, the European Defence Industry Reinforcement through Common Procurement Act, the European Defence Industry Programme, EU4Health, the European Space Programme, IRIS2, InvestEU, Single Market Programme (SME Strand) and LIFE.

What are the costs of the preferred option (if any, otherwise main ones)?
Some adjustment costs for applicants and beneficiaries already benefitting from EU funds could 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. The overall easier accessibility and reduced hurdles would significantly reduce application costs in general, including for a wider pool of applicants. The development of a single gateway, building on initial experience from the Funding & Tenders portal and the STEP Portal can help mitigate disruptions, while an agile and responsive robust governance and stakeholder network structures can help manage the transition. Ultimately, a simpler and more readable structure could broaden access to funding programmes to new beneficiaries, stimulating innovation across sectors.
How will businesses, SMEs and micro-enterprises be affected?
SMEs already familiar with EU funding will initially incur adjustment costs due to transitional efforts, such as adjusting to new rules and learning about the consolidated application system. These costs are expected to be temporary and limited. Over time, SMEs will benefit from reduced administrative costs for identifying relevant funding opportunities and applying. Key advantages include a single-entry application portal, simplified and harmonised rules, and streamlined advisory services and one-stop-shop, making funding more accessible while reducing cost and complexity. SME support needs to be incorporated into the Competitiveness Fund's architecture to ensure these benefits are realised.
Will there be significant impacts on national budgets and administrations?
No as it concerns a programme managed directly by the Commission at EU level, or indirectly via its implementing partners, with funding awarded to beneficiaries.
Will there be other significant impacts?
The preferred option will improve productivity and enhance the EU's global value chain position, including through disruptive innovation creating new markets. By supporting innovation and manufacturing, it will reduce dependencies and improve EU firms' market position. Strategic steering and dedicated funding ensure predictability of funding, from fundamental research to market application. SMEs will benefit from simplified access to funding, reduced administrative costs, and faster time-to-grant processes, improving their ability to access capital. The initiative could bolster the competitive position of strategic sectors and the EU's position in critical and advanced technologies. Through spillovers, adjacent sectors will benefit, increasing productivity.
D. Follow up
When will the policy be reviewed?
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 programme.