

COMPETITIVENESS AND INNOVATION: STRENGTHENING THE “HORIZON EUROPE & EUROPEAN COMPETITIVENESS FUND” COMBINATION IN THE MFF

INTRODUCTION

Innovation and competitiveness are inherently interconnected; one cannot thrive without the other. **BusinessEurope welcomes the proposed structure under the next Multiannual Financial Framework (MFF) for 2028-2034**, which closely links Horizon Europe with the European Competitiveness Fund (ECF). This integration represents a significant step forward, providing a **promising foundation to link innovation with other means of improving competitiveness**.

Equally significant is the **stand-alone Horizon Europe** (10th Framework Programme for Research and Innovation), with a proposed ring-fenced budget of €154.9 billion in 2025 prices (= 175.3 bn in current prices) — a substantial 73.1% increase¹ compared to its predecessor (article 6 HE). This ambitious proposal reflects a strong political commitment to advancing Europe’s global leadership in innovation. In the context of the ongoing negotiations, **there should be no cuts to the budgets for the next Framework Programme for Research and Innovation, and the European Competitiveness Fund**. Instead, **the total budget of €177 bn in 2025 prices (= 200 bn in current prices) for research and innovation proposed in the Draghi report should be targeted for FP10**.

BusinessEurope welcomes that **Pillar II of Horizon Europe** remains the largest recipient of funds within the programme, with an increase of €22.4 billion (article 6 HE). However, its overall budget share has declined to 43.3% from 56% in the previous framework programme. This underemphasises the importance of transferring knowledge into industrial applications thereby undermining competitiveness and sending the wrong signal. Only by joining forces with industry and research can Europe’s innovation gap be effectively closed. **BusinessEurope therefore calls for a reinforced budget for Horizon Europe in order to achieve a corresponding increase of €22.1 bn in 2025 prices (= €25 bn in current prices) in Pillar II and to complement it with money from the ECF**. In the R&I context, notwithstanding the fact that the ECF will serve other projects beyond R&I, the four policy windows of the ECF should be complementary,

¹ The calculation was conducted in three steps: (1) A [table](#) with Horizon Europe commitments was used as a basis because the allocations in current prices were first based on the allocations in 2018 prices; (2) This amount was then adjusted to 2025 price levels, applying the actual inflation rate for 2018–2025 and an assumed rate of 2% for 2026–2027; and (3) the resulting figure of €89.5 billion (in 2025 prices) was compared with the FP10 proposal (€154.882 billion in 2025 prices), corresponding to a 73.1% increase.

seamless funding instruments of Horizon Europe that reinforce the innovation–deployment continuum, providing targeted support to accelerate the uptake of research results across sectors. It is therefore essential to ensure **strong and coherent interconnections between the ECF and Pillar II of Horizon Europe**, particularly in terms of governance, and implementation.

While these proposals are a good foundation for a stronger and more coherent R&I policy, attention must be paid to other key aspects to see whether they can truly deliver a breakthrough for Europe’s research and innovation landscape.



THE ECF & HORIZON EUROPE GOVERNANCE (ARTICLE 14 ECF & ARTICLE 11 (2) D) HE)

Governance will define the structures, rules, and processes through which decisions will be made, responsibilities allocated, and activities coordinated between and within Horizon Europe and the ECF. The governance schemes accompanying these new proposals must ensure that stakeholders, including industry, are involved adequately in priority setting, program design, and monitoring outcomes, while helping maintain the right balance between predictability and flexibility, crucial for the ultimate success of research and innovation programs.

BUSINESSEUROPE’S VIEWS

- Industry must have a clear role in shaping priorities, designing calls, and overseeing implementation. This requires **involvement of industry experts at all levels of governance relevant to the ECF and Horizon Europe**: top-down strategic direction-setting, and bottom-up project-level oversight.
- For a successful top-down direction-setting, industry must have a central role on **the Competitiveness Coordination Tool and the ECF’s Strategic Stakeholders Board**. There must also be transparent and well-defined linkages between the Board and the **Observatory on Emerging Technologies**, particularly when informing the strategic programming for Pillar II of Horizon Europe.
- For an efficient project-level governance, industry must have a recognised and active role in the **thematic platforms established under each ECF policy window, the EIC and ERC**. Here, it will be important to build on European Partnerships’ existing industry steering groups and develop R&I roadmaps that incorporate sector-specific knowledge.
- Governance structures should reflect the **long-term nature of industrial R&I** by ensuring **continuity across programming cycles and alignment between Horizon Europe and ECF**. This includes establishing mechanisms to coordinate TRL progression from early-stage research to deployment.

OUTSTANDING QUESTIONS

- How will the proposals ensure that Horizon Europe and ECF funding instruments are linked seamlessly and coherently to allow smooth project transitions and avoid gaps or duplication?
- What will the participation conditions be for the EEA/EFTA countries and associated countries on the governance of the programmes?



EUROPEAN PARTNERSHIPS (ARTICLE 11 HE & ARTICLE 12 (11) ECF)

European Partnerships are crucial for achieving Europe's strategic objectives, while also enhancing the resilience and competitiveness of its industry. They are uniquely positioned to tackle complex challenges that require an integrated R&I approach, bringing together diverse actors across value chains and borders to work under a shared vision and jointly committed roadmap.

BUSINESSEUROPE'S VIEWS

- We welcome the **strong emphasis on collaborative research of both proposals and the recognition of European Partnerships** as key vehicles to deliver it. Public and private R&I budgets and innovation capacities must be mobilised jointly to meet the challenges of our time, to share risks and to generate spill-over effects efficiently and effectively².
- **Industry should play a leading role in shaping and steering partnerships**, while having a better-balanced representation in Joint Undertakings. This requires less detailed specifications from the European Commission and greater involvement of companies in governance structures to enable practical, competition-oriented results. Only industry-led processes can ensure that research results are translated more quickly into marketable applications.
- The proposed concept of **EU Tech Frontrunners or industry-driven consortia** (article 17 ECF) represents a promising approach. This model is more flexible and agile than traditional partnerships and is genuinely market oriented. It offers a platform for smaller and start-up companies to test and scale their innovations in Europe, with established frontrunner companies acting as catalysts for wider innovation ecosystems. Funding instruments for these consortia can be found both in Horizon Europe and the ECF, with projects covering everything from basic research, deployment, piloting, and concrete investments.

OUTSTANDING QUESTIONS

- While we support the rationalisation of European Partnerships, the list and specific details regarding this exercise remain unclear. How will the Commission ensure full transparency on the criteria and process that will be used for streamlining and simplifying European Partnerships?
- What are the potential implications of the new ECF for the funding structures, governance, and overall role of European Partnerships within the future R&I framework?
- Which specific instruments will support EU Tech Frontrunners to ensure that they effectively serve as a tangible link between Horizon Europe and the European Competitiveness Fund?



CASH CONTRIBUTIONS AND FUNDING RATES (ARTICLES 11 (6) & 27 HE)

In Horizon Europe, **cash contributions** refer to the financial commitments made by partners other than the EU to co-fund European Partnerships. At present, companies already provide cash contributions to cover administrative and office costs, as well as in-kind contributions to support

² Fraunhofer & AIT. European R&I Funding on the Move: A Stronger Pillar II for a Stronger Europe.

European Partnerships' objectives.³ Under new Horizon Europe, however, companies may be asked to provide additional direct cash contributions.

On the other hand, **funding rates** determine the proportion of a project's eligible costs that the EU will cover, varying according to factors such as project type and the type of participant. Current Horizon Europe offers 70% funding rates for Innovation Actions and 100% funding rates for Research and Innovation Actions. Under new Horizon Europe, funding for large companies is capped at 70% of eligible costs. In practice, however, non-eligible costs and limited EU contributions mean that the effective funding rate often falls closer to 50%. Further reductions in EU funding would discourage companies from engaging in upstream research.

BUSINESSEUROPE'S VIEWS

- Policymakers must **refrain from imposing new cost requirements on large companies**. The Commission's intention to introduce mandatory, direct cash contributions from industry on European Partnerships (reportedly 10-20%), while also reducing funding rates for large companies risks creating barriers rather than incentives for industry participation in European R&I projects. Given the capital intensity and long investment cycles of many industrial projects - particularly in strategic sectors - it is important that Horizon Europe and ECF maintain funding conditions that remain attractive and accessible to industry-led initiatives.
- Keeping **in-kind industry contribution in projects is essential** as no cash contributions can replace the intangible knowledge, expertise, and networks that industry contributes to R&I projects. From a practical perspective, shifting industry contributions from in-kind to in-cash will drive industry out of the programme due to incompatibility with most companies' business and accounting models.
- While facilitating access to programs for SMEs is essential, it is equally important to ensure that large companies remain actively engaged. A successful innovation ecosystem depends on the participation of both small and large enterprises. **Horizon Europe and the ECF must help build and mobilize the whole ecosystem**. The opposite consequence will be a significant reduction of company's R&I investments in Horizon Europe projects, with repercussions for the entire R&I ecosystems and jeopardising the knowledge and technology transfer. This would run counter to the need to close the innovation gap in Europe.



LINKS BETWEEN PILLARS OF HORIZON EUROPE AND BETWEEN THESE PILLARS AND THE RELEVANT PARTS OF ECF (ARTICLES 4(3) & 15 HE)

The announced four pillars of Horizon Europe are important for Europe's industrial competitiveness and strategic autonomy. They help strengthen the EU's scientific base, foster industry-led research and innovation, accelerate the market uptake of breakthrough technologies, and ensure coordinated, efficient research and innovation ecosystems across the continent.

³ As an example, the Final Annual Accounts for 2024 of the Clean Hydrogen JU include IKAA (in-kind additional activities) figures amounting to EUR 1.0bn for the entire H2020 program 2014-2019 & EUR 1.4bn for the years 2022-2024. Source: <https://www.europarl.europa.eu/cmsdata/297257/Annual%20Accounts.pdf>

BUSINESSEUROPE'S VIEWS

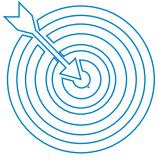
Strong connections between all pillars of Horizon Europe and between these pillars and the relevant parts of the ECF are critical to maintain a coherent continuum from fundamental research to market deployment. The pillars should not operate as “silos” but as complementary and interlinked components of a unified R&I framework, with single work programmes and industry playing a central role in enabling interconnections across Europe. **Concrete proposals to achieve this include:**

- Creating effective instruments to **valorise fundamental research in Europe by involving more basic research actors in European Partnerships under Pillar II**, significantly enhancing collaboration in “frontier” or “blue sky research” with closer networking between science and industry, and a continuous pipeline from low to high TRLs⁴. Training and mobility programs for researchers and innovators across academia and industry can also help foster mutual understanding and collaboration.
- Ensuring there is **collaboration between start-ups and larger mature companies via greater industry participation in Pillar III**, enabling industry access and corporate venture to EIC-ecosystems **and bringing EIC-startups into collaborative research**. These measures can ensure continuity from research to market across Pathfinder, Transition, and Accelerator stages, while supporting the scaling up of ideas in Europe.
- Simplifying and accelerating **SME participation in collaborative projects under Pillar II**, including via targets to involve SMEs that have not previously participated in Framework Programmes, thereby broadening engagement of the entire ecosystem. Since SMEs often lack the time or networks needed to establish partnerships, a platform could be created where interested companies present their capabilities and potential contributions, facilitating easier matchmaking and collaboration.
- Creating **cross-pillar “innovation-bridges”**, through specific funding calls that require consortia including partners from at least two pillars, or that explicitly support TRL progression.
- **Harmonisation of the governance mechanisms across pillars**. Joint monitoring frameworks and shared KPIs would also help maintain coherence and continuity across the innovation cycle.

OUTSTANDING QUESTIONS

- How will the proposals ensure integrated value chains, for example, by structuring cross-pillar portfolios across the whole innovation journey (Pillar I ↔ Pillar II ↔ Pillar III ↔ ECF)?
- What will the ARPA-like institution driven out of existing bodies look like and what will the role of European ARPA-Portfolio Managers be in ensuring these linkages?
- How will Moonshots be established along the innovation and investment chain/cycle?

⁴ Austria provides a successful example of this approach through the Christian Doppler Research Association (CDG).



SIMPLIFICATION (SECTION 2 ECF & ARTICLES 10 & 26 HE)

Efficient and streamlined processes are key to fostering speed, agility, and impact in R&I activities. Transparent and timely decision-making, simplified application procedures, and reduced red tape are essential to encourage industry engagement and to incentivise the development of innovative solutions within EU R&I programmes. We therefore welcome the proposals' efforts to simplify rules of participation and accelerate decision-making processes. Implementing a single rulebook is a key step in this direction.

BUSINESSEUROPE'S VIEWS

- Lump sums offer advantages in terms of simplification and reduced administrative burden, particularly for smaller projects or less experienced participants. At the same time, their use as the default funding model may raise challenges for large or complex collaborative projects, where costs are less predictable and financial risk is higher. Imposing a one-size-fits-all approach, such as lump sums by default, can inadvertently diminish flexibility and introduce financial risks. To truly empower beneficiaries, **a balanced approach that combines lump sums with the continued availability of cost-based reimbursement** would better accommodate the diversity of projects and participants under FP10, while ensuring simplification.
- Faster procedures, supported by concrete targets for **reducing “time-to-grant” are welcomed. At the same time, a clear strategy and commitment to achieving them in practice is needed**, so that these translate into tangible results (article 26 HE). Alignment between call topic expectations and evaluators' guidelines could improve agility by reducing the scope of evaluators' recommendations and, consequently, the extent of grant negotiations. Calls should also specify compatibility with national schemes to avoid legal uncertainty and delays.
- **Less prescriptive calls for projects with “open” topics**, following the LIFE model, can further streamline participation and encourage creative and innovative proposals from industry.
- **Basic accounting rules with proportionate controls** can improve accessibility and speed without compromising accountability.

OUTSTANDING QUESTIONS

- How will the implementation of the single rulebook and the specific rules governing its application be clearly defined to ensure impact (Section 2 of ECF)?
- What guidance will be provided on the use of different funding instruments—when and why they should be applied—to ensure transparency and predictability for industry participants (Article 10 HE)?
- What will the process be for developing the different work programmes in collaboration with the various partners (European Commission, Member States, etc.), and how will it be ensured that this process does not create additional administrative burden - particularly for industry?

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BusinessEurope is the leading advocate for growth and competitiveness at the European level, standing up for companies across the continent and campaigning on the issues that most influence their performance. A recognised social partner, we speak for enterprises of all sizes in 36 European countries whose national business federations are our direct members.

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Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic
 DA CONFEDERATION OF DANISH EMPLOYERS	 Danish Industry	 EMPLOYERS ESTONIAN EMPLOYERS' CONFEDERATION	 EK Confederation of Finnish Industries	 Mouvement des Entreprises de France	 BDA DIE ARBEITGEBER
Denmark	Denmark	Estonia	Finland	France	Germany
 BDI	 SEV Hellenic Federation of Enterprises	 MUNKOVSZ BUSINESS HUNGARY	 samtök atvinnulífsins	 SI	 Ibec For Irish Business
Germany	Greece	Hungary	Iceland	Iceland	Ireland
 CONFINDUSTRIA	 LDDK EMPLOYERS' CONFEDERATION OF LATVIA	 Lpik Lithuanian Confederation of Industrialists	 FEDIL The Voice of Luxembourg Industry	 THE MALTA CHAMBER	 UNIJA POSLODAVACA CRNE GORE MONTENEGGIN EMPLOYERS FEDERATION
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