

RESEARCH AND INNOVATION FUNDING IN THE NEXT MFF (2028-2034)

BusinessEurope welcomes the European Commission's efforts to boost Europe's competitiveness. A key aspect to achieving this involves addressing Europe's innovation gap, as highlighted by Mario Draghi¹ and Manuel Heitor² in their respective reports and outlined in the EU's Competitiveness Compass.³ This growing gap has shifted from a challenge to a crisis with long-term consequences for Europe, and the current geopolitical landscape has only made it more pressing. The EU has no other choice than to become radically more attractive as a place to invest in research and innovation (R&I). With no change in the course of action, the long-term competitiveness of the EU is under serious threat.

In this environment, BusinessEurope welcomes the publication of the European Commission's Communication on the road to the next multiannual financial framework ("MFF")⁴ as it launches a necessary discussion on how to best shape European R&I funding to overcome weaknesses along Europe's innovation cycle with a focus on strengthening its competitiveness and technological sovereignty.

The next MFF will play a crucial role in steering research and innovation investments in Europe, by structuring and setting the foundation for future EU public funding programs. Its success will depend on its adaptability to the evolving context and on its effectiveness in attracting more private investments. To achieve its objectives, the MFF should also be accompanied and integrate other necessary reforms aimed at establishing an effective EU Capital market union (CMU) with the objective of fostering investment flows of liquid and innovation relevant risk capital.

¹ The future of European competitiveness: Report by Mario Draghi.

² Align, act, accelerate: Research, technology and innovation to boost European competitiveness.

³ European Commission, A Competitiveness Compass for the EU, COM(2025) 30 final.

⁴ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions: The road to the next multiannual financial framework.

6 PRINCIPLES FOR NURTURING EUROPE'S LONG-TERM COMPETITIVENESS THROUGH RESEARCH AND INNOVATION FUNDING

This paper aims to provide the perspective of European industry on ensuring the success of the next MFF in enhancing the EU's competitiveness through R&I funding. For this, it is essential to shift the focus of discussions away from the size of funding as the only solution to the EU's innovation gap. While there is a clear need to allocate more resources to research and innovation, it is equally important that the new financing framework is strategically aligned with industry needs, focusing on transforming knowledge into a competitive advantage. The way this framework is structured and financed will be key to either supporting or hindering these goals.

To contribute to the debate, BusinessEurope has identified a set of key principles that are critical to ensuring the long-term success of making EU competitive through innovation. **These principles, to be considered alongside [BusinessEurope's R&I priorities for 2024-2029](#), should be implemented regardless of the continuation of a stand-alone EU Framework Programme for research and innovation ("FP") or under the umbrella of the proposed "European Competitiveness Fund".**



1 INCREASED EU BUDGET FOR RESEARCH AND INNOVATION

Europe must take decisive action to secure its future. As R&I largely lays the foundation for productivity, growth, long-term competitiveness and the green and digital transition, a higher budget for research and innovation, as compared to the current MFF, must be achieved. This will enable the EU to meet its broader economic, environmental, and social goals. A stronger industrial R&I ecosystem will bolster Europe's resilience, reducing its reliance on external technologies and reinforcing its strategic autonomy in an increasingly unstable international environment.

In doing so, it should be made sure that increased funding encompasses the entire innovation spectrum, from fundamental research to applied, incremental, and disruptive innovations. Additionally, the funding should support a "seamless transition" from research and development to industrialization, (pre-) deployment, production and scale-up. It should be open to all types of companies, i.e., startups, deep-tech, innovative SMEs, mid-caps and large research-intensive companies.



RING-FENCED EU BUDGET FOR RESEARCH AND INNOVATION

Leaving the door open to redirect R&I funding to other policy areas when needs arise risks missing the critical opportunity Europe has to position itself effectively in the global innovation race. Therefore, the next MFF must secure a ring-fenced funding for research and innovation, safeguarding it from being redirected to other political priorities and needs.

Additionally, the next MFF should be more focused on addressing companies' needs, ensuring that industry experts are in the driving seat of the governance of the schemes.



STRENGTHENED COLLABORATIVE PROJECTS

Due to the central role of industry in accelerating the transfer of knowledge to the market and in developing solutions to current and future global challenges, R&I funding in the next MFF must not only be of a transnational, collaborative nature, but also largely involve all-size industrial actors, scientific institutions, and research and technology organizations (RTOs) from all sectors.

A key instrument for collaboration and industry's participation with clear EU added value are the Public-Private Partnerships, currently under Pillar II of Horizon Europe. These partnerships, based on the principle of collaboration, are key for advancing strategic research and innovation objectives across Member states, sectors, and value chains, with the goal of creating knowledge and strengthening technological competence in Europe. Companies contribute financially or in-kind to them, providing unique assets and expertise that are not present in the public sector and which public partners and SMEs can benefit from.

While a strong ERC and EIC, mainly implemented through mono-beneficiary schemes in Pillar I and Pillar III of the current FP, play a key role in strengthening the research and innovation ecosystem in Europe, collaborative research and innovation (Pillar II) provides the ideal environment for fruitful collaboration and knowledge transfer between different R&I actors. This directly addresses one of the key barriers to Europe's innovation potential: currently, only about one-third of the patented inventions registered by European universities or research institutions are commercially exploited.⁵ Additionally, Pillars I & III would also benefit from more tools that support collaboration, ensuring publicly funded ideas and innovative companies contribute to strengthening European value chains.

A recent Opinion of the Partnership Knowledge Hub shows that R&I partnerships remain highly attractive to the broader research community, having experienced a significant increase in commitments from all partners between Horizon 2020 and Horizon Europe. They are also one of the most visible "lighthouses" of the European Research Area (ERA) together with research infrastructures, making R&I programmes a crucial policy tool for strengthening and accelerating the development of the ERA across EU Member States, EEA Countries and Associated Countries.⁶

⁵ The future of European competitiveness: Report by Mario Draghi.

⁶ European Commission: Directorate-General for Research and Innovation, *Opinion of the partnership knowledge hub on European partnerships under the future EU Framework Programme ('FP10')*, Publications Office of the European Union, 2025, <https://data.europa.eu/doi/10.2777/7976452>



Therefore, regardless of its architecture, the next EU R&I long-term funding must cultivate and enhance the connections between industry, science, RTOs and start-ups. This will help overcome current weaknesses and gaps in Europe's innovation cycles.



PRESERVED OPENNESS AND EXCELLENCE AS DRIVER OF SUCCESS

Innovation must be given the necessary space to emerge from market needs. Thus, while broad strategic priorities must be set, R&I funding in the next MFF must offer a good degree of flexibility in terms of technology choices, project size, TRLs, and scope. Striking the right balance between strategic direction and bottom-up openness will be crucial for safeguarding Europe's interests in both the short and long term.

Moreover, SMEs often bring niche expertise and novel ideas. An excellence-based approach ensures that smaller players have equal opportunities to contribute to Europe's innovation ecosystem. Moreover, excellence criteria must be clear, and established ex ante, and they must be adaptable and accessible to companies of all sizes.

Finally, by funding projects based on excellence, Europe can ensure that public money is spent efficiently, investing in the most promising and impactful ideas. This can lead to better returns on investment, as successful research and innovation projects bring tangible benefits to the economy.



SIMPLIFIED FRAMEWORK TO IMPROVE EFFECTIVENESS AND SPEED

“Horizontal simplification” must be achieved via the rationalisation and better articulation of the different R&I funding programmes at EU level. European funding support schemes for research and innovation are scattered across several programmes (e.g. Horizon Europe programme, Digital Europe programme, Innovation Fund). This fragmentation creates hurdles for participants, adding unnecessary costs and delays compared to its competitors in bringing new products and services to the market.

The next MFF must carefully address this issue by potentially merging some of these funding schemes or reviewing and designing well-articulated funds that maximize synergies across the different funding sources. These new options of financing mechanisms must be conceived to be simpler to access and easier to manage, especially for SMEs. Effective policy coordination with the involvement of industry expertise will be key for a successful design and implementation process.

“Vertical simplification” must also be achieved so that the granting process becomes much faster, and transparency is improved. Given the dynamics of innovation cycles and increasing competitive pressures facing the EU, future research and innovation schemes must prioritize greater agility

and speed through simplification. According to a study by the European Commission, in H2020, the average evaluation process took 250 days, with a 23-days average increase in Horizon Europe.⁷ The timing of investments is crucial for industry participation and to rapidly drive innovation to the market, especially in the case of emerging technologies. To remain competitive, future schemes must streamline evaluation processes in close coordination with member states, with the goal of reducing granting times by 50%.

Digital technologies, such as AI, are already having a profound impact on the preparation and evaluation of R&I proposals. While this shift highlights the need for clear guidelines, it also offers a great opportunity to speed up the evaluation and monitoring process, maintaining high-quality standards.

All these elements can accelerate the time it takes for new technologies and solutions to reach the market, benefiting European competitiveness on a global scale.



IMPROVED INTERNATIONAL COLLABORATION AND STRENGTHENED RESILIENCE

International collaboration is central to excellence, the exchange of know-how and as such to strengthening our research and innovation performance. Ensuring that EEA countries are integrated on the same terms and conditions as EU Member States, as is the case with Horizon Europe and the preceding FPs, is an important part of this. Their contribution should be directly related to the specific programs they are participating in and not be a general contribution to the EU budget subject to re-distribution according to the Commission's priorities. Ultimately, deepening collaboration with trusted international partners in research and innovation projects is key, while safeguarding the strategic interests of the EU. This means taking steps to ensure reciprocal access to third countries' research and innovation programmes, while protecting sensitive knowledge and technologies from being transferred to third parties that represent risks from an economic security perspective. These two steps will help to ensure Europe strikes the right balance between openness and security not only for the long-term competitiveness of the European continent but also to enhance its economic resilience in the face of changing global dynamics.

⁷ European Commission: Directorate-General for Research and Innovation, Denham, S., Stančiauskas, V., Délkutė-Morgan, R., Kazlauskaitė, D. et al., *Evaluation support study on Horizon Europe's contribution to a resilient Europe – Final report phase 2*, Denham, S.(editor), Publications Office of the European Union, 2024, <https://data.europa.eu/doi/10.2777/797281>



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