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**NOTE**

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From: General Secretariat of the Council

On: 15 January 2026

To: Delegations

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Subject: 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, and amending Regulations (EU) 2021/696, (EU) 2023/588, (EU) [EDIP] (SEC(2025) 555 final; SWD(2025) 555 final; SWD(2025) 556 final)

- Opinion of the European Court of Auditors

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Delegations will find attached a copy of the above-mentioned opinion. This opinion will be available in all language versions on the following website:

[Opinion 01/2026 | European Court of Auditors](#)

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**OPINION 01/2026**  
(pursuant to Article 322(1) TFEU)

**for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund ("the 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, (EU), and amending Regulation (EU) [EDIP]**

(SEC(2025) 555 final; SWD(2025) 555 final; SWD(2025) 556 final)



EUROPEAN  
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OF AUDITORS

EN



EU budget  
2028-2034

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# Introduction

## Why we provide this opinion

### Legal basis

- 01** This opinion is issued pursuant to Article 322(1) of the Treaty on the Functioning of the European Union (TFEU), which provides the legal basis for the adoption of the EU's financial rules, including those governing the establishment and implementation of the EU budget.
- 02** The proposal for a regulation establishing the European Competitiveness Fund (ECF) – COM(2025) 555 final – was initially adopted by the European Commission on 16 July 2025. A corrigendum was issued on 1 August 2025. The European Court of Auditors (ECA) was formally approached to comment on the proposal by the Council on 23 September 2025, and by the European Parliament on 6 November 2025.
- 03** In accordance with our institutional mandate, we are providing this opinion to support the legislative process through observations concerning the design, financial implementation, control environment, and potential risks of the proposed Fund. Annex I lists the ECA publications that are referenced in this opinion.

### Context

- 04** Competitiveness, innovation and research are the backbone of Europe's future prosperity. This requires investments in science, technology and industry to drive sustainable growth, create high-quality jobs, and strengthen EU's global position. The proposed ECF regulation

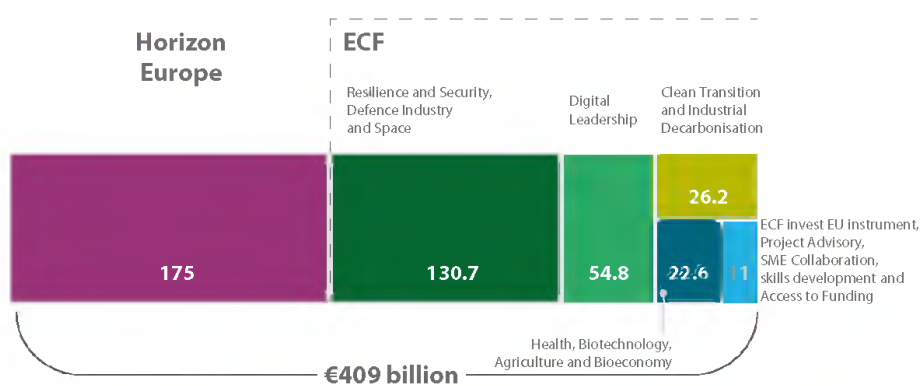
forms part of the Commission's broader approach to increasing Europe's long-term competitiveness, its technological sovereignty, and its resilience in response to ongoing geopolitical, defence, economic, and climate-related challenges. According to the Commission, it is intended to bring about a more strategic approach, consolidating several existing EU instruments and introducing a flexible, crisis-responsive framework to support investments in strategic sectors such as clean technologies, 'deep technology', biotechnologies and health, space and defence, critical raw materials, and net-zero industry.

- 05** The ECF is also relevant to evolving global state-aid initiatives, which have prompted calls for greater EU financial autonomy and accelerated investment support. With this proposal, the Commission also aims to at least partly address the recommendations made in the 2024 Draghi report on the future of European competitiveness and the 2024 Letta report on the future of the single market (Point 1 of the explanatory memorandum to COM(2025) 555 final).
- 06** This proposal is closely connected with the proposal for the 10<sup>th</sup> framework programme for research and technological development (FP10), or Horizon Europe. Together they would “guarantee a seamless flow from fundamental research to applied research, to start-ups and scale-ups” (explanatory memorandum to COM(2025) 543 final). Both programmes, HE and the ECF, may explicitly support dual-use actions, and a specific programme for defence research and innovation activities is also proposed to be included in the ECF proposal (see also opinion 02/2026 on the Horizon Europe programme , paragraph 10).
- 07** Taken together, ECF and Horizon Europe are planned to have a budget of €409 billion (€362 billion in 2025 prices). This represents around 21 % of the total proposed 2028-2034 multiannual financial framework (MFF) budget of €1 984 billion (€1 763 billion in 2025 prices).
- 08** As outlined in the explanatory memorandum, with the ECF, the Commission proposes to create a budgetary instrument to bolster European competitiveness and resilience in technologies and strategic sectors critical to EU competitiveness from collaborative research to scaling up, innovation, industrial and infrastructure deployment and manufacturing, including skills, and in support of projects and companies including SMEs, start-ups, larger companies, universities and research entities. The ECF should also be used as a leverage tool to attract private, institutional and national investments (see explanatory memorandum, section 1. Context of the proposal). *Annex II* contains additional information on the proposed ECF programme and its legal base.

- 09** The Horizon Europe, for which the ECA provides a separate opinion (see also opinion 02/2026), will be maintained as a self-standing programme within the ECF framework, with its own regulation and a significantly increased budget of around €175 billion (€155 billion in 2025 prices) (*Annex IV* and *Figure 1*).
- 10** 14 other programmes from the current MFF will be grouped into four specific “policy windows”, which together account for another €231.4 billion (€207.5 billion in 2025 prices) (Articles 1, 3(2) and 4):
- Clean Transition and Industrial Decarbonisation, with a budget of around €26.2 billion (€23.3 billion in 2025 prices), or 11 % of the total budget excluding HE;
  - Health, Biotechnology, Agriculture and Bioeconomy, with a budget of around €22.6 billion (€20 billion in 2025 prices), or 9 % of the total budget;
  - Support for Digital Leadership, with a budget of around €54.8 billion (€48.5 billion in 2025 prices), or 22 % of the total budget; and
  - Resilience and Security, Defence Industry, and Space, with a budget of around €130.7 billion (€115.7 billion in 2025 prices), or 53 % of the total budget.

Moreover, cross-cutting activities implemented in particular through the ECF InvestEU instrument are planned to have a budget of €11.0 billion (€9.7 billion in 2025 prices), or 5 % of the total budget.

**Figure 1 | ECF 2028-2034 priority allocations (in billion euros in current prices)**



Source: European Commission, amounts in current prices.

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- 11** In addition, the current Innovation Fund remains a self-standing programme under the ECF and will add around €41 billion (€35 billion in 2025 prices) of funding for competitiveness objectives.
- 12** A single act establishing joint undertakings would complement these two legislative proposals, as both the ECF and Horizon Europe may be implemented through joint undertakings, where necessary to achieve their objectives, while “the number of joint undertakings should be as limited as possible” (recital 13).

## Main Messages

- 13** In our opinion, we have identified a number of key observations in relation to the proposed Regulation. These are summarised below and further developed in the following sub-sections of the main messages.

### Box 1

#### Main messages at the glance

- **EU added value:** Investment in EU-level priorities such as green and digital transition, resilience, and competitiveness, has strategic importance which member states cannot address alone. EU added value cannot be maximised and used to support budgeting without an assessment, definition and consistent application.
- **Alignment of spending objectives with EU-wide policy priorities:** The draft ECF regulation does not specify the means to achieving goals of the European Semester or how an overview of EU and national funding streams will be obtained. The Commission should state how the proposal will tackle the EU's strategic dependencies and that EU funding for competitiveness will be based on principles listed in paragraph 15 of this Opinion.
- **Budget flexibility:** The proposal aims at increasing budget flexibility by various means and sets out an implementation model for the Invest EU instrument, involving various stakeholders. The Commission should clarify NRPP resources for the ECF and related state-aid implications, set management fees at reasonably low levels, and specify minimum requirements on revolving capacity.

- **Simplification of the programme and procedures:** We welcome the single rulebook, harmonised payments, unified data exchange, and wider simplification measures, but request clarifications on key elements such as the “Competitiveness Seal” and procurement-risk guidance. We also welcome IPCEI top-ups but seek assurances on equal treatment and limited market distortion and urge a review of whether financing not linked to costs suits most research and innovation spending.
- **Performance framework:** The ECF proposal is missing obligations on implementation report and ex-post evaluation of the ECF programme, set out by the performance framework for the post-2027 budget, covered by an upcoming ECA Opinion.
- **Compliance, transparency, accountability, and traceability of the funds spent:** The ECF is expected to use the broader delivery and funding systems and rely more on innovative approaches such as pre-commercial procurement or FNLTC, which introduces new compliance risks. The Commission needs to ensure compliance, transparency, accountability and traceability of the funds spent.
- **ECA audit rights:** As the ECF budget will be managed by the Commission either directly (including through the executive agencies) or indirectly (through joint undertakings), the ECA will have full audit rights over all forms of research and innovation funding.

**14** According to the Commission, the ECF will be closely linked to the Horizon Europe. Both mechanisms together will provide seamless funding possibilities for research and innovation at various stages, from the initial idea to market entry (see explanatory memorandum, section 1: “Context of the proposal”, and recital 53). The ECF can also fund research measures under a dedicated programme for defence research included in the policy window “Resilience and Security, Defence Industry, and Space”.

**15** According to the Commission, having two separate funds (the ECF and Horizon Europe) will allow clearer mandates: each instrument will address distinct goals, enabling tailored funding and flexibility. However, this division also brings with it the risks of fragmentation, overlapping initiatives, and needless administrative complexity. This could potentially weaken the coordination and synergies between research, innovation, and industrial policies within the EU framework. The Commission should further clarify its reasons for presenting two separate proposals.

**16** *Annex III* provides an overview of the key features proposed by the Commission for the ECF to make programme implementation simpler and more flexible. At this stage, assessing whether all proposed measures can realistically be implemented is difficult

because of the absence of more detailed information on the proposed new rules and implementation guidelines. Overall, and as already mentioned in our [2018 briefing paper](#) prepared ahead of the 2021-2027 MFF, we consider that public debate and decision-making on the next MFF would have benefited from an agreed and consistently applied definition of EU added value. The lack of a definition of added value remains a challenge and we therefore reiterate this point for the current proposal.

## EU added value

- 17** The concept of EU added value is mentioned as a guiding principle in the explanatory memorandum to the proposal, in the legislative financial and digital statement. It is defined primarily as the EU's capacity to achieve results that member states cannot achieve alone, through increased scale, cross-border cooperation and strategic focus.
- 18** According to the Commission, the proposed ECF would maximise EU added value by pooling resources, leveraging private investment, and supporting projects from research through deployment (Framework of the proposal 1.6, Explanatory Memorandum point 2, Recital 58 and Article 49).
- 19** Under the proposal, the ECF will be structured around four policy windows (Article 3), three of which align with cross-border challenges: green and digital transition, resilience and competitiveness. In addition, targets investments in EU-level priorities and in areas of strategic importance for the EU (recital 2), which member states cannot successfully address alone (recital 6). The proposal also envisages the ECF targeting EU-scale public goods (recital 58, Articles 3 and 19): investments and capabilities that generate benefits at EU level, beyond what any single member state could achieve acting alone. The proposal also refers to principles such as proportionality and subsidiarity, stipulating that EU-level actions are designed to exploit economies of scale, ensure cross-border cooperation, and prevent fragmented national approaches.
- 20** Based on the above, the Commission's proposal assumes that the ECF programme will, by design, contribute to achieving EU added value. Accordingly, EU added value is not included as a formal selection or award criterion for ECF-funded measures.
- 21** As already stated in our [review 03/2025](#), we consider that the concept of EU added value should be understood in the same way by all EU institutions, and articulated in an appropriate political declaration or EU legislation to be fully effective. In other words, EU added value can only be measured effectively if it is clearly defined and applied consistently. In February 2025, in its communication on the road to the next MFF, the Commission had stated that the future EU budget should focus on common challenges

where spending at European level generates the highest EU added value. However, we note that neither the EU's current legal framework nor the Commission's proposals for the next MFF provide a definition of the concept of EU added value.

- 22** We also recall that in our [review 03/2025](#) we noted that the Commission had not yet carried out an assessment of the [EU added value](#) of the current 2021-2027 programmes (including those which are planned to be incorporated into the proposed ECF). Moreover, although harnessing private and national funds is a core aim of the ECF, the proposal provides no details of the level of funding that will be raised in this way, or how.
- 23** Overall, and as already mentioned in our [2018 briefing paper](#) prepared ahead of the 2021-2027 MFF, we consider that public debate and decision-making on the next MFF would have benefited from an agreed and consistently applied definition of EU added value. We reiterate this concern in view of the negotiation and adoption of the post-2027 MFF proposals.

## Aligning spending objectives with EU-wide policy priorities

- 24** The proposal envisages that ECF spending will be aligned with EU-wide goals while taking account of national and regional particularities, subject to the requirements of transparency and equal treatment. In particular, the ECF will be used to finance measures that address recurring structural challenges, such as the innovation gap, decarbonisation, and digitalisation, to which frequent reference is made in the European Semester (recital 3, 8, 22, 34 and 47, Article 7 and Explanatory Memorandum point 1 and 2).
- 25** However, we note that the proposal makes no explicit reference to the European Semester process, the EU's main framework for the coordination and surveillance of economic and social policies. Although structural reforms are addressed indirectly through the policy windows, particularly in the Clean Transition and Resilience strands, the proposal does not explain how to ensure alignment with the European Semester as an important coordination mechanism at EU level.
- 26** Furthermore, in our [special report 07/2021](#) we drew attention to the fact that the objectives and the impact of several key actions supporting the uptake of the EU space services were not clear and that the Commission has only partly taken advantage of the potential to promote these services in EU legislation or standards. We see this legal proposal as the opportunity to address these weaknesses.

- 27** Moreover, several of our audits have highlighted the dependencies and vulnerabilities the EU faces in key sectors (see, for example, [special report 03/2022](#), [special report 15/2023](#), [special report 11/2024](#) and [special report 12/2025](#)). We therefore consider that the Commission should clarify how the proposal will help to overcome the EU's strategic dependencies (in accordance with recitals 28 and 30 of the proposal).
- 28** We also note that the Commission's proposal envisages a single policy window for "Resilience and Security, Defence Industry, and Space" (Article 1(2) (d)). In budgetary terms, this is the largest policy window of the ECF accounting for more than half (53 %) of the proposed funding (see paragraph [10](#)). It brings together four EU programmes contributing to the EU's competitiveness in the field of defence, namely the European Defence Fund, the Act in Support of Ammunition Production, the Instrument for the reinforcement of the European Defence Industry through Common Procurement, and the European Defence Industry Programme (EDIP). This structure is mirrored under Pillar II of the Horizon Europe proposal (see also [opinion 02/2026](#) on the Horizon Europe, paragraph 44).
- 29** In our [opinion 02/2024](#), we noted that EU funding to support military mobility and defence capabilities was not commensurate with the established objectives; we invited the Commission to consider complementing the European defence industrial strategy with a long-term funding strategy for the EDIP, as part of the next MFF. The ECF proposal is a step towards addressing these concerns. However, while we acknowledge that space technologies are critical for defence and dual-use technologies, we consider that the Commission should at least provide an indicative breakdown by subpolicy and subcomponent within this policy window.
- 30** Overall, and similar to what we already noted in [special report 18/2025](#), we consider that the Commission's proposal does not provide an appropriate basis for analysing the needs and risks that the EU budget (which accounts for less than 1 % of the EU's GDP and therefore can only cover a small fraction of the overall investment needs in member states) should address. Moreover, several of our audits found shortcomings in the coordination between EU and national funding streams, as also referred to in recital 87 to the proposal (see, for example, [special report 15/2022](#), [special report 12/2025](#), [special report 11/2024](#), [special report 15/2023](#), [special report 23/2022](#) and [review 05/2025](#)). It remains unclear how the Commission will obtain a complete and consolidated overview of the various EU and national funding streams, particularly those supporting the sectors financed by the ECF. This makes it more difficult to properly target the ECF as well as other EU instruments and to ensure complementarity and avoid overlaps with national funding instruments. In this regard, we note that some investments, such as military mobility, are also eligible for

funding under other EU instruments, including the newly proposed Connecting Europe Facility or the National and Regional Partnership Plans (NRPP) Regulation.

- 31** In the field of industrial policy and competitiveness, our audits have found that existing practices often lead to arbitrarily set EU targets that are frequently unmet, and that the EU funding allocated to achieving them represents only a small fraction of overall needs (see, for example, [special report 03/2022](#) and [special report 12/2025](#)). In this context, we note that the Commission intends to use the Competitiveness Coordination Tool to ensure synergies with nationally and regionally pre-allocated envelopes, mainly under the NRPPs (see [Box 2](#)). Nevertheless, we consider that the Commission should further clarify the coordination arrangements, such as regular structured dialogue with member states, the establishment of common priorities, and information-sharing requirements (see also [paragraph 25](#)).

## Box 2

### Competitiveness Coordination Tool

On 29 January 2025, the Commission published a Communication entitled “[A Competitiveness Compass for the EU](#)”, intended to serve as a strategic framework to guide its policy and legislative agenda over the forthcoming five-year period. It also announced the intention to propose a new Competitiveness Coordination Tool, designed to facilitate joint action with member states on shared competitiveness priorities in strategically important areas and projects of common European interest.

- 32** Finally, we consider it essential that the proposed ECF regulation should state more explicitly that EU funding for competitiveness will be based on the following principles: the excellence or quality of the proposed measures, their expected impact (for example, the potential for societal benefits and the scale and sustainability of the proposed actions) and considerations related to their implementation. In the case of the ECF, the latter should cover both feasibility and scalability aspects (such as the project work plan, the actors involved, the effectiveness of the proposed approach, or the industrial production potential).

## Budget flexibility

- 33** Under the Commission’s proposal, the ECF will be aimed at increasing budget flexibility through the pooling of resources within the Fund’s four policy windows, expediting procedures, simplifying access and governance structures, and relying on a single rulebook (recital 82 and section 2).

- 34** The proposed ECF will allow the combination of long-term stability with the ability to reallocate funds quickly across policy areas (recitals 4 and 41, Explanatory Memorandum points 1 and 3). In this regard, we note the possibility for member states, EU institutions, bodies and agencies, non-EU countries, international organisations, international financial institutions and or other third parties to “make additional financial or non-financial contributions available to the ECF.” In this context, particular reference is made to resources from NRPPs, which could be used to support excellent but otherwise unfunded projects, enhance the participation of underrepresented member states or regions, and reduce administrative burden through centralised selection (Article 5). However, it remains unclear how this will operate, creating risks of overlaps, double funding and double reporting, which should be mitigated by means of clear monitoring and reporting rules.
- 35** Also, unlike in the current period (Article 26 of the [Common Provisioning Regulation](#)), no ceiling for transfers is proposed. Normally, funds directly managed by the Commission, as is proposed for the ECF, are exempted from the EU’s state-aid rules. However, if the funds transferred by member states remain earmarked to measures in the same country, the question arises as to what extent state-aid rules must be applied to the transferred amounts and, if so, whether simplified procedures could be used. We consider that the Commission should clarify these matters.
- 36** Finally, the proposal requires that the InvestEU Instrument should provide the budgetary guarantee and financial instruments to mobilise additional investment across the Union, supporting European competitiveness in strategic technologies, services, and sectors (Recital 67). The proposal also sets out a broad and flexible implementation model for the InvestEU Instrument, involving a community of implementing partners, including the EIB Group, international financial institutions, national promotional banks and institutions, and — in exceptional cases — bodies governed by the private law of a member state by or EU law (Article 25). In this regard, we recall that the Commission should ensure that management fees are set at a reasonably low level (see also paragraph [52](#)).
- 37** Under Article 5 of the Proposal, reflows from ECF and from previous financial instruments and budgetary guarantees will be used as external assigned revenue for the achievement of the ECF’s objectives. However, in several of our audits (for example, our [special report 03/2019](#), [special report 06/2021](#), [special report 05/2023](#) and [special report 24/2025](#)), we have highlighted that financial instruments are not used to their full revolving capacity (in other words the number of times the available funding is used for loans, guarantees and equity stakes during programme implementation is lower than it could be). We consider that this aspect needs to be further clarified by the Commission.

**38** Under Article 21 of the proposal, the ECF InvestEU Instrument will be implemented using a minimum amount, which can be increased by the contributions from work programmes in the ECF policy windows and from other EU programmes. Contributions to the provisioning of budgetary guarantees and the financing of financial instruments are therefore not pre-defined. We also consider that the proposal lacks clarity regarding how the amount of the budgetary guarantee or financial instrument will be allocated, particularly when the support is combined with non-repayable support in a blending operation, or when entrusted to bodies governed by private law. In particular, unlike its predecessor budgetary guarantee programmes, the proposed programme does not establish any multiplier target effect to measure the volume of mobilised investments. This may make it harder to effectively monitor and assess the impact of the instrument. In our [special report 07/2025](#), we recommended that the Commission should report on investment mobilised based on EU-supported financing signed and disbursed to final recipients.

## Simplification of the programme and procedures

### Single rulebook and other procedural simplifications

- 39** The proposed ECF regulation would establish a single rulebook for both HE and the ECF, as well as standardised payment conditions for grants and financial instruments (guarantees, loans, or equity) and a single gateway for participants, thereby facilitating access to EU funding (Article 6). This responds to calls for simplification and synergies and helps address shortcomings we identified in previous reports, such as [special report 07/2024](#) - and we welcome it. However, we would emphasise that effective simplification requires more than just common rules; it also means aligning or standardising and stable procedures and using common IT systems. Moreover, in practice it may be challenging to apply a single rulebook to a spending area as broad and diverse as the one covered by the ECF.
- 40** We also welcome the Commission's proposal for an ECF toolbox that replaces fragmented financial engineering tools, some previously off budget or operating under separate rules, and integrates instruments that were previously dispersed (grants, guarantees, equity, blending) into a single budgetary framework (Chapter II). This integration should reduce reliance on ad-hoc off-budget initiatives and represents a potential step towards simplification. However, it remains to be seen whether these measures deliver the intended efficiencies.

- 41** A “competitiveness seal” is intended proposed for creation. The seal will identify projects that could benefit from combined funding (explanatory memorandum, recital 47 and Article 8) and a simplified application process, increasing clarity for project promoters accessing funding. However, the Commission should provide further clarifications on how these mechanisms would operate in practice and on how lessons learnt from similar initiatives (such as the “Sovereignty Seal (STEP Seal)” or the “seal of excellence”) have been taken into account in this proposal. In this context, we draw particular attention to the need for an alignment of state aid rules (see, for example, our [special report 23/2022](#) and [opinion 02/2025](#)).
- 42** Moreover, the Commission should specify whether the “Competitiveness Seal” aims to help projects already financed by the ECF to obtain additional funding (either from other EU or national sources) or if it aims at providing alternative funding for projects awarded the seal but not financed due to ECF budget constraints. In this regard, we also note that the Commission proposes only the latter for the Horizon Europe programme (see Article 8.3 of the proposed Horizon Europe Regulation). A similar clarification is missing in the proposed ECF Regulation.
- 43** As also noted in several of our reports, we consider that there is a need to simplify and facilitate access to EU funding. Article 6 of the proposed regulation states that all policy objectives, including clean technology and industrial policy, could benefit from combined and cumulative funding and simpler access through fewer, more integrated instruments under the ECF. This is a positive step toward reducing fragmentation of funding, and we also welcome the proposal to set up a single gateway to ease access, particularly for small and medium-sized enterprises (SMEs) and start-ups.
- 44** Finally, with a view to simplifying award procedures, the Commission proposes to apply the minimum requirements set out in the Financial Regulation whenever justified (Article 12(4)). This differs from the traditional approach in this area of the EU budget. Under the traditional approach open, competitive calls are held using clearly defined criteria, with extensive guidance being given on how to carry out the assessment of proposals; proposals are evaluated by independent external experts, applications are ranked in accordance with the expert’s assessment, and the highest-ranked proposals receive funding. Article 12(5) of the proposed regulation would allow funding to be granted without a call for proposals; Article 12(9) makes provision for evaluation committees not to be composed only of independent external experts. This increases discretion enjoyed by the Commission and its implementing bodies in selecting projects. The Commission should clarify the specific circumstances under which these approaches would be applied, and which safeguards it would put in place in such cases to ensure that the principles of transparency and equality of treatment are upheld.

## Procurement including pre-commercial procurement

- 45** The Commission proposes to simplify procurement procedures for innovative solutions, with the aim of streamlining and expediting implementation in competitiveness (Articles 15 and 20). However, the public procurement rules applicable to beneficiaries are set at national level on the basis of EU directives; for procurement by EU bodies, they are set out in the Financial Regulation. They are therefore not specific to individual funds such as the ECF. In this regard, the Commission should clarify the scope of the guidance it intends to issue for the beneficiaries of EU funds.
- 46** In research and innovation, a particular role is played by pre-commercial procurement (defined in Article 2). This often encompasses the acquisition of ‘first-of-a-kind’ solutions. Specific conditions may also apply regarding the place of performance of the procured services, goods or works (Article 10), and the ownership of the results and access thereto. Both the Horizon Europe proposal and the ECF proposal specifically refer to procurement, and in particular pre-commercial procurement, as an instrument to be used by beneficiaries, the Commission, and other implementing bodies. The proposal provides that the work programmes and call documents will set out more technical implementation details for the budget across the set of policies supported by the ECF, including specific eligibility and award criteria depending on the instrument, both for grants and procurement (recital 50). As regards security industry policy, Article 81 of the proposal attributes ownership of the final product to the EU, while Articles 54 and 70 establish the rules for defence and space assets. This is however not the case for other areas covered by the ECF.
- 47** Finally, although pre-commercial procurement offers advantages in terms of early access to innovative solutions and technologies, it also entails specific risks. These stem mainly from the uncertainty and multi-phase nature of such procurement, which makes it more difficult to ensure value for money, and accountability. This should therefore require specific Commission guidance to ensure that purchased goods and services align with EU policy priorities and identified needs, that the procurement process is transparent, competitive, and free from conflicts of interest, that intellectual property rights are properly managed, that sufficient evidence exists to support later market uptake, and that the developed solutions are properly deployed.

## Direct and indirect management (including partnerships)

- 48** The ECF programme would be implemented under direct or indirect management (see section 2 of the legislative financial and digital statement “Management measures” and Article 12.2 of the proposal). This is also the case for Horizon Europe.

- 49** The ECF will be implemented through work programmes, which will include collaborative research and innovation actions and their dedicated budget, in a specific dedicated part of the programs (Article 15(2)). There will be joint work programmes for collaborative research and innovation actions, combining funding from the ECF and Horizon Europe. The proposal does not however, indicate whether award criteria for the allocation of ECF funding will be set out in the work programmes or in specific calls. We call for the Commission to clarify this.
- 50** Part of the ECF under direct management will be implemented through executive agencies, established in accordance with [Council Regulation 58/2003](#) (Article 6 and point 1.7 of the Framework of the proposal). Since the set-up of the proposed programmes significantly differs from the current situation, we note that the number and current structure of executive agencies may need to be reconsidered to properly support the new funding priorities established by the ECF and the Horizon Europe ([Annex V](#)). In this context, it could also be assessed whether the legal form of an office within the Commission could provide a more appropriate and efficient administrative structure to support the implementation of the ECF/Horizon Europe budget, in particular when several Commission departments are involved.
- 51** As regards indirect management, the draft regulation proposes that parts of the ECF may be implemented by European Partnerships (recitals 13 and 53 and Article 12(11)). These are joint initiatives where the EU and public or private partners, or both, support a programme of activities, with shared costs and joint implementation. Joint undertakings are a form of partnerships set up under Article 187 TFEU; they bring together public and private partners in the aim of fostering research and innovation ([Annex V](#)). In this connection, we welcome the proposed change, compared with the current Horizon Europe Regulation, to make it a legal requirement for the other partners to provide a financial contribution at least matching that of the EU and to discontinue the possibility of providing in kind contributions (see also Article 11 of the Proposal for Horizon Europe). In this regard, we refer to our comments related to joint undertakings, and in particular their administrative cost and organisational structure, in our opinion 02/2026 on the Horizon Europe proposal.
- 52** The Commission also proposes that the ECF should make use of entrusted entities, such as the European Investment Bank (EIB), national promotional banks, and international financial institutions, coordinated under a centralised governance framework, similar to the InvestEU programme (recital 68, Articles 6 and 12). These entrusted entities will operate under the Commission's direct supervision, with standard audit and reporting obligations (Article 2(12), Article 25, and point 2 of the legislative and financial statement).

- 53** We consider it essential for the Commission to review whether the proposed setup of the ECF addresses previous shortcomings of the [2015 Juncker Investment Plan for Europe](#) and whether the ECF's structure is sufficiently robust to manage identified risks and maximise the added value of the EU's financial support (see our [special report 07/2025](#) as well as paragraph [36](#)).

## Important Projects of Common European Interest

- 54** In recent years, several IPCEIs have been set up in the areas covered by the four policy windows of the Horizon Europe and the ECF (recital 58, Articles 2 and 19). In our [special report 15/2023](#) and [special report 21/2024](#), we pointed to specific difficulties of IPCEIs in accessing public funding. In this regard, we welcome the Commission's proposal to provide top-up funding for IPCEIs as well as follow-up projects based on results from IPCEIs through the ECF (Article 19). At the same time, we consider it necessary for the Commission to further clarify how it will ensure that its funding remains non-discriminatory, respects equal treatment conditions and minimises market distortions.
- 55** Concerning IPCEIs in the defence sector, our [special report 10/2023](#) showed that participation was uneven across member states, leading us to recommend that the Commission take steps to rectify this issue. In this regard, we note that the Commission's proposal seeks to achieve broader geographical participation. We welcome this ambition, which also addresses a concern raised in our [special report 15/2023](#), but nevertheless stress the need to comply with the overall criteria of excellence, impact and implementation, which should underlie all research and innovation funding (paragraph [32](#)).

## Funding mechanisms

- 56** The Commission proposal suggests that the ECF use all funding options available under the Financial Regulation (Article 12). The proposal puts particular emphasis on the use of simplified cost options (SCOs), such as lump sums, as well as payments based on the FNLTC approach. However, we consider that SCOs or FNLTC may not be the most appropriate funding mechanism in certain cases, especially since the proposal provides no details of how these payment methods will be selected or applied, leaving implementation to be set out in future work programmes.

- 57** In this context, we also recall our assessment of the risks and opportunities associated with the use of FNLTC for the sound financial management of the budget (see, for example, our [2022 annual report](#) and our [2024 annual report](#)). Unlike SCOs, however, the FNLTC funding system has so far been used in a very limited way only in three of the fourteen current programmes covered by the ECF, mostly for specific types of measures. In view of our previous audit findings on the Recovery and Resilience Facility (RRF) (see, for example, [review 03/2025](#) and [review 02/2025](#)), we suggest that the Commission should carefully assess whether this funding option is suitable for the bulk of the proposed research and innovation spending.
- 58** Article 20 of the ECF proposed regulation provides for accelerated procedures for disbursements, relying on pre-evaluation and deferring limited checks to post-award stages. Such an approach carries both opportunities and risks. In this regard, we consider it essential for the Commission to conduct a thorough risk assessment and to put in place safeguards to mitigate and manage identified risks. In this context, the Commission proposal refers to ex-post audits and evaluations to ensure accountability. It also proposes restricting eligibility to pre-screened projects (such as those which have been awarded “seals of excellence” or “seals of competitiveness”). In our [special report 07/2024](#), we cautioned that ex-post measures alone may not be sufficient to address these risks.

## Programme committees

- 59** The fact that there are two separate proposals (Horizon Europe and the ECF) allows for clearer mandates and heightened flexibility, with each instrument addressing distinct goals through tailored funding. However, this also entails the risks of fragmentation, overlapping initiatives, and increased administrative complexity. This could potentially detract from the coordination and synergies between research, innovation, and industrial policies within the EU framework (see also [opinion 02/2026](#) on the Horizon Europe, paragraph 44).
- 60** Article 83 sets out the ECF’s committee structure, composed of a general committee and seven sector-specific sub-committees. It remains to be seen whether this structure will ensure policy coherence, coordination, and a regular information exchange in an effective and efficient manner (see also [opinion 02/2026](#) on Horizon Europe, paragraph 44).
- 61** In addition, the Commission proposes to establish various advisory bodies, such as a ECF Strategic Stakeholders Board (Article 14), a Space and Defence Advisory Board (Article 41), and a Defence Industrial Advisory Board (Article 56). We call for the Commission to further clarify the roles and responsibilities of these bodies and determine how they will interact in the advisory and examination procedures, to avoid unnecessary governance complexity and improve accountability (see also specific comment in paragraph [71](#)).

## Performance framework

- 62** Reporting, monitoring and evaluation of the proposed ECF programme will be carried out in accordance with the performance framework for the post-2027 budget, based on a common set of indicators. This is covered in the Commission's [proposal for a regulation establishing a budget expenditure tracking and performance framework and other horizontal rules for the Union programmes and activities](#), on which the ECA is providing a separate opinion. In this regard, we are already able to comment that most of the indicators set out in [Annex I](#) to the proposed performance framework relate to outputs (e.g. the number of supported companies) rather than results or impacts.
- 63** According to the ECF proposal, the Commission must report annually on how ECF spending has contributed to its policy objectives (legislative and financial statement, point 2.1 and point 5 of the explanatory memorandum). In this regard, we already wish to point out that the quality and reliability of monitoring data for the ECF will largely depend on entrusted entities (the EIB, NPBs, IFIs) and member states, with no binding independent verification mechanism present in the proposed text required by legislation. However, irrespective of whether the data has been reported by third parties, we consider that the Commission holds the final responsibility for providing performance information to the budgetary authorities.
- 64** Finally, we note that it is the Commission plans to draw up an implementation report during the programme period and an ex-post evaluation, in accordance with Article 34 of the Financial Regulation (see explanatory memorandum, section 5, legislative, financial and digital statement, section 2, "Management measures", and Article 10 of the Performance Regulation). These obligations of the Commission are, however, not explicitly spelled out in the text of the proposed ECF regulation.

## Compliance, sound financial management, transparency, accountability and traceability of spending

- 65** Article 10 of the proposed ECF regulation provides that the programme is implemented in accordance with the [EU Financial Regulation](#). This requires funds to be traceable through commitments, payments, and accounting records, as well as being subject to the Commission's internal control framework and oversight by audit and anti-fraud bodies such as the European Anti-Fraud Office (OLAF) and the European Public Prosecutor's Office (EPPO).

- 66** Compared to the Horizon Europe programme, the ECF can be expected to use the different delivery and funding systems provided for under the draft Regulation more broadly and make more frequent use of innovative approaches, such as pre-competitive procurement or FNLTIC. This entails new and additional compliance risks, see paragraph [57](#). When deciding on the ECF delivery and funding systems, the audit findings as reported in our annual reports and the outcome of the discharge process for the general budget, agencies and joint undertakings in recent years should be taken into account (see also opinion 02/2026 on Horizon Europe, paragraphs 48 to 51).
- 67** Nevertheless, and regardless of which delivery and funding options are ultimately used, we wish to emphasise the importance of ensuring a satisfactory level of compliance, transparency, accountability, and traceability as well as a sound financial management in the way the funds are spent. As we have already stated in our [review 03/2025](#), the Commission's intention to simplify the EU's financial management should not come at the expense of accountability.
- 68** Article 12(12) of the proposed Regulation allows for the termination of an action if its objectives are unlikely to be achieved at all or within the set timelines, or if the action has lost its policy relevance. We consider that the Commission should provide further details on the procedure to be followed in such cases.
- 69** ECF payments are also subject to the [Rule of Law Conditionality Regulation](#), allowing payments to be suspended or reduced if rule-of-law breaches affect financial management of the EU budget. However, as we highlighted in our [special report 03/2024](#) and in our [review 02/2024](#), the scope of the conditionality mechanism is narrow, and its application faces political challenges. In this regard, we consider that the Commission should further clarify how this conditionality will be applied under the ECF.
- 70** The [EU Financial Regulation](#) allows for payments to be suspended, reduced or recovered where instance of irregularities, fraud or non-compliance with EU and national law are found. Article 33(4) explicitly allows the Commission to reduce or suspend payments if expected results are not achieved. This is aligned with proportionality principles in financial corrections. Both the Commission and entrusted entities can enforce these measures. However, specific proportionality or recovery thresholds are not defined in the proposal, which relies instead on implementing rules and ex-post audits, which may delay detection and recovery.

## Our audit mandate

- 71** The proposed regulation is governed by the [TFEU](#) and the [EU Financial Regulation](#), which grant the ECA a comprehensive mandate to audit the regularity of all EU revenue and expenditure as well as the sound financial management of all EU policies and programmes. Article 287 of the [TFEU](#) and Articles 63(2)(d), 129, 211(6), 223(4)(c), 261(2) and 263(3)(5)(7) of the [EU Financial Regulation](#) empower the ECA to examine funds managed directly by the EU and those implemented indirectly through entities such as the EIB and national promotional banks. This right also extends to final recipients of ECF funds ensuring comprehensive oversight.
- 72** As already mentioned in our [opinion 02/2024](#), any delegation agreements signed by the Commission should also uphold our audit rights. Accordingly, audit clauses should be included in the agreements with the entrusted entities and the creation of off-budget mechanisms, which have previously complicated audit mandates, should be avoided (see also specific comment in paragraph [79](#)).

## Specific comments

- 73 Explanatory memorandum point 5:** Concerning the budgetary guarantee and financial instruments, the proposal states that the evaluation is to be conducted in accordance with the Commission’s Better Regulation Guidelines and will be based on indicators relevant to the objectives of the programme (explanatory memorandum, point 5, “Other elements” – “Implementation plans and monitoring, evaluation and reporting arrangements”). However, the proposal does not propose a methodology for assessing ex post whether investments mobilised under the instrument have been truly additional — in other words, whether public funds have driven investments that would not otherwise have been made. We have previously recommended that the Commission should develop and apply a methodology to assess the additionality of investment mobilised, specially to address the investment gap (see [special report 07/2025](#)).
- 74 Recital 43:** Recital 43 of the ECF proposal refers generically to compliance with the Financial Regulation applicable to the general budget of the EU, including anti-fraud, audit, and control provisions, and sets out for the roles of OLAF, EPPO, and the ECA. However, no reference is made to the use of Article 4 of the Regulation, which sets out conditions for measures to protect the EU budget through ECF-specific triggers. It also contains no references to reinforced reporting or oversight.
- 75 Article 5 – Additional resources, and Article 6 – Alternative, combined and cumulative funding:** The Regulation sets out four broad policy windows (Article 3(2), specific objectives), which cover overlapping fields with Horizon Europe and the Innovation Fund. The aim of this is to maximise impact by aligning financial instruments with strategic EU objectives and reducing duplication. However, although the proposal refers to “synergies and complementarity, from planning to implementation” (executive summary, “Consistency with existing policy provisions in the policy area”), no operational safeguards are proposed to avoid double funding or mandate coordination at implementation level.

**76 Article 6 – Alternative, combined, and cumulative funding:** Article 6 of the Regulation stipulates that award procedures under the ECF may be jointly conducted under direct or indirect management with member states, EU institutions, non-EU countries and international organisations. While this is an opportunity for public funding to be combined from different sources and overcoming, thus fragmentation, it may also increase complexity and audit risks.

**77 Article 11 – Participation of non-EU countries in activities under the ECF – Article 11(2)(d)** stipulates that association Agreements with non-EU countries for programme participation in the ECF must “guarantee the rights of the Union to ensure sound financial management and to protect its financial interests”. To make it unequivocally clear that this includes providing full access rights in particular to the ECA, we suggest the addition of the words “to the Commission, EPPO, OLAF and the European Court of Auditors” in paragraph 3 of that provision, after “For the purposes of point (d), the third country shall grant the necessary rights and access required under Regulations (EU, Euratom) 2024/2509 and (EU, Euratom) No 883/2013”. Such an addition would also clarify and confirm the ECA’s right of access to classified information. In fact, Article 13 – Application of rules on classified information and sensitive information, paragraph 4 stipulates that “Union institutions [...] involved in the implementation of the Union budget shall have access to information, including classified information, necessary for the purpose of carrying out [...] checks, reviews, audits, and investigations.” This provision ensures, in principle, that the ECA can access sensitive data, subject to safeguards for classified information. Nevertheless, in sensitive sectors such as defence and space (Articles 44-55, 57-78), where a non-EU country participates in the programme pursuant to an international agreement, it is important to ensure that the non-EU country grants equivalent audit rights and access to the ECA, and also EPPO and OLAF. We therefore recommend that Article 11(3) be expanded to ensure that agreements with non-EU countries provide for such audit rights and access, enabling the ECA to fully exercise its competences.

**78 Articles 14, 41, and 56, introducing governance and advisory boards:** Regarding support to defence industry policy, the proposal establishes three governance bodies:

- Strategic Stakeholders Board (Article 14);
- Space and Defence Advisory Board (Article 41);
- Defence Industrial Advisory Board (Article 56).

However, the proposal does not further clarify their responsibilities nor the coordination among these bodies. Therefore, we consider that the Commission should clarify the applicable governance and accountability arrangements.

- 79 Article 18** – Article 18 allows derogations from Article 196(2) of the Financial Regulation, permitting retroactive funding “where necessary” for the implementation of manufacturing projects which are essential to the general resilience objective. The condition “where necessary” is broad and may result in uneven application. Unlike Article 20, which specifies conditions for derogations for accelerated and targeted actions for competitiveness, Article 18 stipulates that additional criteria will be set out in the work programmes or the documents related to the award procedure to ensure that the support is necessary and proportionate. The Commission should consider whether some of these aspects should be specified in the legal base itself. Moreover, we recall that such a possibility also entails a risk of deadweight and limited additionality, as it allows support for activities which were already underway without any EU financial support.
- 80 Article 20 – Accelerated and targeted actions for competitiveness:** Flexibility is mentioned in general terms (e.g. in recital 4), and Article 20 also touches on flexibility mainly through provisions on simplified award procedures. It also allows for accelerated disbursements, with the reallocation of unspent funds governed by broader MFF rules, and not the specific innovation-related provisions contained in the proposed regulation. The proposal also includes qualitative triggers (urgent/imperative public interest), while quantitative or automatic triggers (e.g. budget ceilings, usage thresholds, standard reallocation criteria) are absent. In terms of reporting, regular monitoring and evaluation reports will include overall program performance. But standardised reporting on use of flexibility (e.g. when Article 20 is triggered, amounts reallocated between policy windows, comparison across MFF headings/years) is not explicitly required. We consider that this lack of structure may also hinder transparency and predictability in financial planning.
- 81 Article 39 – Specific activities to support digital leadership policy:** While Article 39 of the proposal contains details of specific technologies and types of projects that should be a funding priority, the basis on which these priority areas have been established remains unclear.
- 82 Article 25 – Community of implementing partners, paragraph 3:** While the text provides that within the “community of implementing partners”, bodies governed by private law may receive financial guarantees “limited to the maximum amount of the Union support” (Article 25(3)), it does not explain how these limits will be determined, applied, or monitored in practice. Nor does it set out a clear methodology or criteria for allocating the guarantee across implementing partners.

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This opinion was adopted by the Court of Auditors in Luxembourg at its meeting of 11 December 2025.

*For the Court of Auditors*



Tony Murphy  
*President*

# Annexes

## Annex I – List of ECA publications referenced in this opinion

**Annual reports on the implementation of the EU budget** – for the 2020-2024 financial years

**Annual reports on EU agencies** – for the 2020-2024 financial years

**Annual reports on EU joint undertakings** – for the 2020-2024 financial years

**Special report 03/2019:** European Fund for Strategic Investments – Action needed to make EFSI a full success

**Special report 06/2021:** Financial instruments in cohesion policy at closure of the 2007-2013 period – verification work yielded good results overall, but some errors remained

**Special report 07/2021:** EU space programmes Galileo and Copernicus – services launched, but the uptake needs a further boost

**Special report 03/2022:** 5G roll-out in the EU – delays in deployment of networks with security issues remaining unresolved

**Special report 15/2022:** Measures to widen participation in Horizon 2020 were well designed but sustainable change will mostly depend on efforts by national authorities

**Special report 23/2022:** Synergies between Horizon 2020 and European Structural and Investment Funds – Not yet used to full potential

**Special report 05/2023:** The EU's financial landscape – A patchwork construction requiring further simplification and accountability

**Special report 10/2023:** The Preparatory action on defence research – Some lessons learned, but value as a testbed for increasing EU defence spending reduced due to time constraints and limited results

**Special report 15/2023:** The EU's industrial policy on batteries – New strategic impetus needed

**Special report 03/2024:** The rule of law in the EU – An improved framework to protect the EU's financial interests, but risks remain

**Special report 07/2024:** The Commission's systems for recovering irregular EU expenditure – Potential to recover more and faster

**Special report 8/2024:** EU Artificial intelligence ambition – Stronger governance and increased, more focused investment essential going forward

**Special report 11/2024:** The EU's industrial policy on renewable hydrogen – Legal framework has been mostly adopted – time for a reality check

**Special report 21/2024:** State aid in times of crisis – Swift reaction, but shortcomings in the Commission's monitoring and inconsistencies in the framework to support the EU's industrial policy objectives

**Special report 22/2024:** Double funding from the EU budget – Control systems lack essential elements to mitigate the increased risk resulting from the RRF model of financing not linked to costs

**Special report 07/2025:** The European Fund for Strategic Investments – Contributed substantially to addressing the investment gap, but had not fully reached the €500 billion target in the real economy by the end of 2022

**Special report 12/2025:** The EU's strategy for microchips – Reasonable progress in its implementation but the Chips Act is very unlikely to be sufficient to reach the overly ambitious Digital Decade target

**Special report 13/2025:** Support from the Recovery and Resilience Facility for the digital transition in EU member states – A missed opportunity for strategic focus in addressing digital needs

**Special report 18/2025:** EU budget flexibility – Allowed unforeseen challenges to be addressed, but the framework is too complex

**Special report 24/2025:** Financial instruments in Cohesion policy – A revolving use of funds materialised partially

**Opinion 02/2024** concerning the proposal for a Regulation of the European Parliament and of the Council establishing the European Defence Industry Programme and a framework of measures to ensure the timely availability and supply of defence products (EDIP)

**Opinion 02/2025** concerning the mid-term review of Cohesion policy regulations

**Review 02/2024**: The Commission's rule of law reporting

**Review 03/2025**: Opportunities for the post-2027 Multiannual Financial Framework

**Review 05/2025**: Smart specialisation strategies in the EU

**Briefing paper (February 2018)**: Future of EU finances: reforming how the EU budget operates

## Annex II – Background information

- 01** The ECF is part of the European Commission’s strategy to bolster Europe’s long-term competitiveness, technological sovereignty, and resilience in a time of geopolitical, economic and environmental challenges.
- 02** The proposal would consolidate 14 existing spending programmes into a single framework to streamline operations and enhance the impact of EU funds. The ECF is designed to support investments in strategic sectors, including clean technologies, “deep technology”, critical raw materials and net-zero industry, thereby fostering EU competitiveness and innovation.
- 03** The ECF has a broad legal base: in addition to Article 173 of the Treaty on the Functioning of the European Union (TFEU) promoting industrial competitiveness, it is also based on Articles 43(2), 168(5), Article 172, first subparagraph, Article 175, first subparagraph, Article 182(4), Article 183 in conjunction with Article 188, second paragraph, Article 189(2), Article 192(1), Article 194(2), Article 212(2) and Article 322(1) to cover and integrate a spectrum of previously separated programmes such as, for example, the EU’s space programme, defence research, and health.

## Annex III – Key features of the proposed ECF

Action	Current MFF 2021-2027 Flexibility	Proposed ECF Mechanisms	Expected effects (according to the Commission)
<b>Number of programmes</b>	14 individual programmes for competitiveness, research, space, defence, health, environment and climate, digital	<b>Single European Competitiveness Fund (ECF)</b> consolidating all into one framework	Removes fragmentation; one legal base instead of many
<b>Rulebooks and eligibility</b>	Each programme has its own legal basis, rules for participation, eligibility, reporting obligations	<b>Single rulebook</b> for all policy windows and instruments	Reduces legislative overlaps and conflicts by maintaining flexibility granted by the Financial Regulation as primary rule book complemented by targeted ECF rules. Simplifies compliance, increases legal certainty and allows for more dynamic and targeted EU support.
<b>Flexibility</b>	Flexibility relies on horizontal instruments: Flexibility Instrument, Solidarity and Emergency Aid Reserve, Single Margin Instrument, etc.  Use of special MFF reserves, ad-hoc top-ups (e.g. REPowerEU, Ukraine Facility). Often politically slow	Flexibility embedded <b>inside the ECF</b> by means of <b>policy windows</b> and <b>toolbox instruments</b> (grants, loans, equity, guarantees, blending)  <b>Article 20 accelerated procedure</b> : fast-track approval and disbursement under strict conditions (urgent/imperative public interest).	Less reliance on horizontal MFF tools; more predictable sectoral flexibility.  Creates a flexible-response mechanism within the ECF.

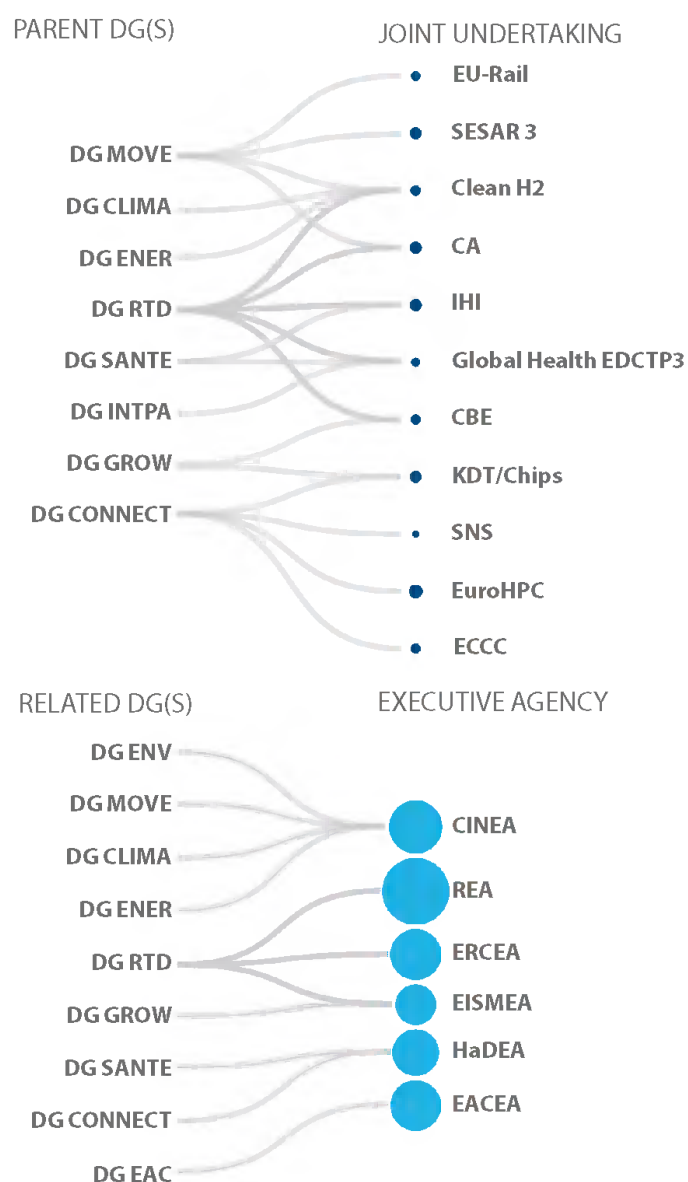
Action	Current MFF 2021-2027 Flexibility	Proposed ECF Mechanisms	Expected effects (according to the Commission)
<b>Reallocations</b>	Inter-programme transfers require Council/Parliament approval; mid-term revision.	<b>Policy windows</b> allow reallocation across sectors	Faster reallocation within the ECF, without need for MFF revision
<b>Financial instruments</b>	Spread across different programmes (InvestEU, European Defence Fund, Horizon Europe financial support etc.), each with own rules.	Unified <b>ECF Toolbox</b> : grants, procurement, loans, guarantees, equity, blending — all under single governance.	Avoids duplication, maximises leverage, one-stop shop.
<b>Governance</b>	Specific governance arrangements required for all integrated programmes.	Single rulebook and committee procedure, unified ECF toolbox.	Removes fragmentation and contributes to more transparency and sound financial management.

## Annex IV – Existing programmes proposed for integration into the ECF

Programme	Legal act	Relationship with ECF
Horizon Europe	Regulation (EU) 2021/695	Remains separate but partial coordination by the ECF (through joint work programmes for the ‘collaborative research’ under Horizon Europe within the four policy windows); single rule-book
Innovation Fund	COM Delegated Reg. (EU) 2019/856	Remains separate but “the ECF shall ensure coherence with the [...] Innovation Fund” (recital 10–11, ECF)
InvestEU	Regulation (EU) 2021/523	Integrated into the ECF
European Space Programme	Regulation (EU) 2021/696	Integrated into the ECF
European Defence Fund	Regulation (EU) 2021/697	Integrated into the ECF
Digital Europe Programme	Regulation (EU) 2021/694	Integrated into the ECF
EU4Health	Regulation (EU) 2021/522	Integrated into the ECF
Union Secure Connectivity (IRIS <sup>2</sup> )	Regulation (EU) 2023/588	Integrated into the ECF
Connecting Europe Facility	Regulation (EU) 2021/1153	Digital component moved to the ECF; the rest remains separate
Single Market Programme	Regulation (EU) 2021/690	SME strand moved to the ECF; the rest remains separate

Programme	Legal act	Relationship with ECF
LIFE programme	Reg. (EU) 2021/783	Partially integrated into the ECF, the rest under the European Fund for economic, social and territorial cohesion, agriculture and rural, fisheries and maritime, prosperity and security
European Defence Industry Programme	Proposal for Regulation, COM(2024) 150 final	Integrated into the ECF
Act in Support of Ammunition Production	Regulation (EU) 2023/1525	Integrated into the ECF (via EDIP)
European Defence Industry Reinforcement through Common Procurement Act	Regulation (EU) 2023/2418	Integrated into the ECF (via EDIP)

## Annex V – Joint undertakings including assimilated bodies and executive agencies in the 2021-2027 EU budget period



*Note:* the size of circle corresponds to the entities' staff numbers during the financial year 2024.

*Source:* Regulation (EU) 2021/2085; Regulation (EU) 2021/887; Regulation (EU) 2023/1782 and ECA.

## Abbreviations

Abbreviation	Definition/Explanation
CFSP	Common Foreign and Security Policy
CSDP	Common Security and Defence Policy
CEF	Connecting Europe Facility
DG DEFIS	Directorate-General for Defence Industry and Space
DG RTD	Directorate-General for Research and Innovation
ECA	European Court of Auditors
ECF	European Competitiveness Fund
ECJ	European Court of Justice
EDA	European Defence Agency
EDF	European Defence Fund
EDIP	European Defence Industrial Programme
EDIRPA	European Defence Industry Reinforcement through Common Procurement Act
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EPPO	European Public Prosecutor's Office
EU	European Union
FNLTC	Financing not linked to costs
FR	Financial Regulation
HE	Horizon Europe
IPCEI	Important Project of Common European Interest
MFF	Multiannual financial framework
NRP	National and Regional Partnership Plans
OLAF	European Anti-Fraud Office
R&D	Research and Development
RRF	Recovery and Resilience Facility
SAFE	Security Action for Europe
SCO	Simplified Cost Options
SME	Small and Medium-sized Enterprises

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Abbreviation	Definition/Explanation
SR	Special report (of the European Court of Auditors)
TFEU	Treaty on the Functioning of the European Union

## Glossary

Term	Definition/Explanation
<b>Budget flexibility</b>	Mechanism allowing the Commission to reallocate appropriations between programmes, policy windows, or years within the MFF ceilings to respond to changing priorities.
<b>Common Foreign and Security Policy (CFSP)</b>	The framework governing the EU's external action on security and defence matters, defined in Title V of the TEU.
<b>Common Security and Defence Policy (CSDP)</b>	Operational dimension of the CFSP, covering joint defence initiatives, missions, and capability development.
<b>European Competitiveness Fund (ECF)</b>	Proposed regulation [COM(2025) 642 final] consolidating several EU competitiveness, industrial, and defence instruments for the 2028–2034 MFF.
<b>European Defence Fund</b>	Existing EU programme supporting collaborative defence research and capability development, integrated into the ECF under the 2028–2034 MFF.
<b>European Defence Industrial Programme (EDIP)</b>	Predecessor initiative supporting the EU defence industrial base and preparedness, parts of which will be replaced by the ECF.
<b>European Fund for Strategic Investments</b>	Flagship instrument of the 2015 Investment Plan for Europe ("Juncker Plan") that used EU budget guarantees to mobilise private investment.
<b>European Public Prosecutor's Office (EPPO)</b>	Independent EU body responsible for investigating and prosecuting crimes affecting the Union's financial interests (PIF offences).
<b>European Anti-Fraud Office (OLAF)</b>	Commission service that conducts administrative investigations into fraud, corruption, and irregularities affecting the EU budget.
<b>Financial Regulation</b>	General regulation laying down the principles and procedures governing the implementation of the EU budget.
<b>Important Projects of Common European Interest (IPCEIs)</b>	Cross-border industrial projects exempted from state-aid restrictions under Article 107(3)(b) TFEU on account of their strategic EU-level relevance.
<b>Multiannual Financial Framework (MFF)</b>	Seven-year financial plan defining maximum annual amounts for each area of EU expenditure and ensuring budgetary discipline.
<b>Recovery and Resilience Facility (RRF)</b>	EU instrument under NextGenerationEU providing performance-based financial support to member states for reforms and investments.
<b>Rule-of-law conditionality</b>	Mechanism linking EU budget disbursements to respect for the rule of law under Regulation (EU, Euratom) 2020/2092.
<b>Small and medium-sized enterprise (SME)</b>	Enterprise employing fewer than 250 persons with an annual turnover below €50 million or a balance sheet total below €43 million.

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Term	Definition/Explanation
<b>Sound financial management</b>	Principle defined in Article 33 of the Financial Regulation requiring the use of EU funds according to the principles of economy, efficiency, and effectiveness.
<b>Treaty on the Functioning of the European Union (TFEU)</b>	Core EU treaty defining institutional competences, including those of the ECA (Article 287) and budgetary provisions (Articles 310–325).

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## HOW TO CITE

European Court of Auditors, [opinion 01/2026](#) “concerning the proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund (“the 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, (EU), and amending Regulation (EU) [EDIP] (SEC(2025) 555 final; SWD(2025) 555 final; SWD(2025) 556 final)”, Publications Office of the European Union, 2026.

This opinion issued pursuant to Article 322(1) TFEU, which provides for the European Court of Auditors to be consulted on proposals relating to the EU's financial rules and instruments, concerns the proposed new regulation for the European Competitiveness Fund which was initially presented by the European Commission on 16 July 2025.

The purpose of this opinion is to provide observations on the proposal's design, governance, performance framework and financial control arrangements. It is intended to help ensure that the future programme promotes sound financial management, accountability, and European added value in EU research and innovation policy.

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