



REPLIES OF THE EUROPEAN COMMISSION

TO THE EUROPEAN COURT OF AUDITORS' SPECIAL REPORT

on EU funding for innovation and competitiveness

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This document presents the replies of the European Commission to observations of a Special Report of the European Court of Auditors, in line with Article 265 of the [Financial Regulation](#). These replies are to be published by the European Court of Auditors together with the Special Report.

I. THE COMMISSION REPLIES IN BRIEF

The Commission welcomes the European Court of Auditors' (ECA) special report on the EU funding for innovation and competitiveness under Horizon 2020 "Industrial leadership" priority. Horizon 2020 (H2020) was the EU's largest-ever research and innovation (R&I) funding programme, running from 2014 to 2020 with a budget of EUR 77 billion. It succeeded the 7th Framework Programme (FP7) and was followed by Horizon Europe (2021–2027). H2020 aimed to boost Europe's global competitiveness by fostering scientific excellence, industrial leadership, and societal challenges. H2020 was a game-changer for EU research, bridging science, industry, and society. It strengthened Europe's innovation capacity, created jobs, and addressed global challenges. Its success paved the way for Horizon Europe, ensuring the EU remains a global leader in R&I.

Horizon Europe was designed as the direct successor to H2020, building on its strengths while addressing key criticisms through structural, financial and strategic reforms. Being even more market oriented, it already translated to a greater extent projects financed into marketable innovations.

The Commission notes that its proposals for Horizon Europe 2028-2034, which is the 10th Framework Programme, and the European Competitiveness Fund (ECF) are still subject to inter-institutional negotiations, and their outcome cannot be prejudged. Accordingly, the Commission stresses that it is unable to make any specific commitments regarding and building upon the result of the negotiations with the co-legislators.

The Commission has set a comprehensive strategy for the Horizon Europe 2028–2034 proposal, prioritising a balanced distribution of research funding across all Technology Readiness Levels (TRL) to ensure full value-chain coverage while maintaining excellence-based evaluation criteria. To strengthen Europe's competitiveness, the Commission has proposed establishing a Strategic Stakeholder Board, thematic platforms of policy windows, and an Observatory on Emerging Technologies, leveraging external expertise to align the European Competitiveness Fund with Horizon Europe's strategic priorities.

A seamless innovation pipeline will deepen collaboration between research and market deployment. This includes expanding European Innovation Council (EIC) support to national programmes and SMEs, enforcing rigorous financial criteria through partnerships like the European Investment Bank (EIB), and centralising advisory services via the newly launched EU Innovation Platform. The platform provides tailored recommendations to beneficiaries, with plans for further expansion.

To accelerate high-potential deep-tech innovations, the Commission empowered the EIC with greater authority over funding adjustments and introducing a Scaleup Europe Fund (with a targeted total size of approximately EUR 5 billion, of which €1 billion from the EU budget). This fund combines grants, loans, and equity to reduce private investment risks and expedite commercialisation. Under Horizon Europe 2028–2034, EIC support will triple, enhancing fast-track commercialisation tools to ensure a smooth transition from research to large-scale industrial deployment.

The Commission has redesigned economic impact monitoring for the current Horizon Europe programme by clarifying performance indicators, improving data collection, and integrating external company data to address shortcomings identified in H2020 and recent audits. While the indicators proposed for the next Multiannual Financial Framework (MFF) align with Horizon Europe's refined approach, long-term impact monitoring remains outside its legal scope, requiring separate evaluations.

Regarding H2020's monitoring framework, the Commission acknowledges past limitations in measuring innovation capacity. However, the final evaluation employed advanced methods, including

counterfactual analysis of firms' economic performance at both firm and programme levels, using high-quality external data rather than self-reported figures.

Overall, the Commission recalls that the proposals for Horizon Europe 2028-2034 and the ECF are currently under interinstitutional negotiations, whose outcome cannot be prejudged at this stage. In this sense, the Commission also points out that it is not able to make specific commitments in relation to the outcome of the legislative negotiations with the co-legislators. Considering the level of detail imposed, a full acceptance of the recommendations would infringe on the role of the Commission in implementing the budget and specific programmes in line with the applicable basic act to be adopted by the co-legislators. **Hence, the recommendations targeting the new programmes for the next MFF can, by default, only be partially accepted or not accepted by the Commission.**

Beyond that, **the Commission cannot accept recommendations 1 and 2 as regards the ECF.** The recommendations are based on an assessment of H2020 and the Commission therefore considers that they are only relevant to its successor programme Horizon Europe 2028-2034. Horizon Europe will not be integrated into the ECF.. Following the Commission's proposal, under the next MFF, Horizon Europe 2028-2034 and the ECF will be two self-standing programmes, yet tightly connected through Pillar II Competitiveness and its collaborative research and innovation activities (Article 15 (3) of the Commission's proposal of the Horizon Europe Regulation). Those activities will be included in a specific dedicated part in the work programmes of the ECF policy windows to ensure a seamless investment journey from research to manufacturing and deployment. These work programmes will be adopted under the governance of the ECF, but the substantive rules of Horizon Europe will apply to the specific dedicated part on collaborative research and innovation.

Besides, the recommendations related to earmarking and systematic targeted measures would be prescriptive and therefore contradicting the spirit of the ECF proposal, which intends to allow for budgetary flexibility to be able to react to changing realities. The ECF proposal has been adopted by the College of Commissioners and is currently undergoing the legislative procedure. While the Commission does not object to the identification of projects requiring appropriate support, it does not wish to prescribe systemic targeted support in the legal basis. Instead, the Commission intends to design targeted support, where justified, through the work programmes, allowing the instruments and implementation modalities to be tailored to the specific needs of projects and sectors while preserving the necessary flexibility for programme management

Finally, the Commission notes that the ECA has also published its opinions on the Commission proposals for Horizon Europe 2028-2034 and the ECF pursuant to Article 322(1)(a) TFEU on 12 January 2026. These opinions analyse specific aspects of the design of instruments, their financial implementation, governance, control framework, and associated risks.

II. REPLIES TO THE RECOMMENDATIONS

Recommendation 1 - Promote technological transfer, strengthen the market uptake of innovative solutions, and support dissemination activities

For the 2028-2034 Horizon Europe programme and the European Competitiveness Fund where joint calls for close-to-market measures will be used, the Commission should:

- (a) **shift the focus of the support towards proposals with higher TRLs when preparing work programmes and calls;**
- (b) **better reflect the funding needs in the work programmes based on available evidence;**
- (c) **consistently apply the impact criterion for project selection**
- (d) **specify targets for the participation of for-profit entities and SMEs, including provisions for monitoring them in the delegation agreements with implementing partners such as the EIB Group;**
- (e) **improve and expand targeted measures supporting market uptake of innovative solutions; and**
- (f) **strengthen support for dissemination and exploitation activities to improve the visibility, accessibility, and commercial use of project results, with a particular focus on SMEs.**

Target implementation date: Q1 2028.

The Commission **partially accepts sub-recommendation 1(a) for Horizon Europe.**

The Commission recalls that article 15.2 of the proposal for a Regulation establishing Horizon Europe 2028-2034 explicitly states that collaborative research activities under its part II (competitiveness and society) overall “shall be carried out **in a balanced manner between lower and higher Technology Readiness Levels**, thereby covering the whole value chain.” This article follows from the legal acts and the implementation of the current and past framework programmes. It reflects the necessity to fund activities of the widest possible scope in the interest of advancing the research and innovation endeavours of the European Union. **‘Close-to-market measures’** under Horizon Europe will be treated with the appropriate TRL indication for them, to the extent that they are allowed to be funded under Horizon Europe and in the context of the flexible implementation of the programme to cover research needs as necessary.

The Commission **partially accepts sub-recommendation 1(b) for Horizon Europe.**

The Commission agrees that an **evidence-based approach** to identify funding needs is current and standard practice in the Commission’s approach to work programming, which is informed by external expertise through different modalities (consultations, evaluations, reports, studies, foresight, comitology etc.).

The Commission **partially accepts sub-recommendation 1(c) for Horizon Europe.**

The Commission recalls that article 25.1 of the proposal for a Regulation establishing Horizon Europe defines the award criteria against which proposals will be evaluated and selected: “A proposal shall be evaluated based on the following award criteria: (a) excellence; (b) **impact**; (c) quality and efficiency of the implementation. The work programme shall lay down details concerning the application of the award criteria referred to in paragraph 1”. In addition, the Commission notes that it has already taken substantial and demonstrable steps to improve guidance for applicants and evaluators on how to present and evaluate the expected impact. This has helped ensure a consistent approach to ‘pathways to impact’ across all stages of the grant process. Together with the

requirement for a business case and exploitation strategy, where relevant, and supported by comprehensive guidance for applicants and evaluators, these measures have substantially improved the relevance and reliability of impact evaluation, as confirmed by participants and evaluators feedback.

The Commission **partially accepts sub-recommendation 1(d) for Horizon Europe.**

The Commission recalls that the objective to **target** the participation of for-profit entities and SMEs is already being actively pursued through a range of dedicated, needs-based mechanisms within the broader research and innovation framework. Under Horizon Europe, for instance, Research and Innovation Actions and Coordination and Support Actions apply a uniform funding rate of 100% to all participants irrespective of their legal status, thereby placing for-profit entities and SMEs on an equal footing with other beneficiaries. In addition, the EIC, notably through the EIC Accelerator, provides dedicated blended finance combining a grant component of up to EUR 2.5 million with an equity investment of up to EUR 10 million (up to EUR 30 million under the STEP Scale Up scheme), specifically designed to support start-ups, SMEs and small mid-caps in scaling up their innovations.

The Commission **partially accepts sub-recommendation 1(e) for Horizon Europe.**

The EIC will continue supporting the **market uptake** of innovative solutions through blended finance (grants and equity), Business Acceleration Services, access to investors and corporate partners, support for public procurement of innovation, and activities that help innovators validate, scale and commercialise their technologies. The European Innovation Ecosystems part of Horizon Europe will through the establishment and support of connected hubs across the European Union, provide researchers, innovators, start-ups and scale-ups access to resources, services and partners, including investment opportunities, first buyers of R&I and innovative solutions, corporates, experimentation facilities, research and technology infrastructures, entrepreneurial talent, coaching and mentoring. Besides, it will support innovative SMEs, start-ups and scale-ups to expand and access international markets. Furthermore, the European Research Council (ERC) will continue providing proof-of-concept grants, which aim at facilitating exploration of the commercial and social innovation potential of frontier research funded by the ERC.

Moreover, in the Horizon Europe 2028-2034 it is proposed to reinforce the **connection between the research results and commercialisation** and extend the eligibility of the EIC to Member States' research programmes.

The Commission **partially accepts sub-recommendations 1(f) for Horizon Europe.**

To strengthen the support for **dissemination and exploitation activities**, building on the Horizon Results Platform, the new EU Innovation Platform will connect innovation services under the current MFF, referring users to existing Horizon Results Platform services, Enterprise Europe Network and Business Acceleration Services. The first version of the platform was launched at the EIC Summit on 4 June 2026 (EU Innovation Platform). The platform already offers personalised recommendations to the EU beneficiaries for their innovations, already addressing to some extent the needs of EU-funded SMEs. The work is ongoing to expand the number and type of services offered through the platform.

Recommendation 2: Target funding to support market entry and scaling-up

For the 2028-2034 Horizon Europe programme and the European Competitiveness Fund, for close-to-market measures under each common policy window, the Commission should:

- (a) identify projects with strong commercial and scale-up potential after the completion of EU-funded activities, based on a systematic assessment of research outputs; and**
- (b) design and implement targeted funding schemes to support market entry and scale-up of companies which have played a key role in earlier EU-funded research projects whose results were assessed as having a high commercial potential.**

Target implementation date: 2027

The Commission **partially accepts sub-recommendation 2(a) for Horizon Europe.**

The Horizon Europe proposal further strengthens the discretion for programme managers to assess and re-orient or terminate projects to implement this focus, thereby ensuring systematic assessment of research outputs with strong commercial and scale-up potential.

The Commission fully supports the objective of maximising the uptake and commercial exploitation of research and innovation results, but establishing a systematic process to identify projects with strong commercial and scale-up potential after the completion of EU-funded activities would not be justified.

The Commission **partially accepts sub-recommendation 2(b) for Horizon Europe.**

As regards the EIC, the Commission has proposed that the transition instrument continues providing follow up on funding to research results achieved in Horizon projects through a fast-track procedure to bring these projects to commercialisation under Horizon Europe. Building upon the EIC Pilot under H2020 and the successful operation of the EIC under Horizon Europe, the Commission proposal for Horizon Europe 2028-2034 foresees tripling the EIC support to identify, nurture and scale up disruptive and deep tech innovation in line with the Draghi Report. This strongly enhances support for bringing research projects to market entry and scale-up. The H2020 Evaluation and the Horizon Europe mid-term evaluation confirm that the EIC Pilot has provided significant support to bridge the two “valleys of death” for deep tech innovation: first, by helping transform research results into market-ready innovations and second, by financing the high-risk phase of market entry by attracting private venture capital to co-invest alongside the EIC Fund. The Scaleup Europe Fund as devised to be the third compartment of the EIC Fund will complement these efforts, with a target size of EUR 5 billion for growth-stage direct equity investments and will be supported by a Commission anchor investment of EUR 1 billion drawn from the EIC part of the Horizon Europe budget in 2026 and 2027.

Recommendation 3: Restructure and streamline the monitoring system for the Horizon framework programmes

For the 2028-2034 Horizon Europe programme, the Commission should restructure and streamline its monitoring system so that data suitable for a meaningful assessment of the impact of EU research funding over several programming periods is collected and recorded.

More importance should also be given to monitor the long-term effects for participants. This should include the innovation capacity of supported entities and the economic performance of for-profit entities.

Target implementation date: 2027

The Commission **does not accept** this recommendation.

The Commission has adopted its proposals for the next Multiannual Financial Framework in July 2025. It is therefore not possible at this stage of the interinstitutional process for the Commission to restructure the monitoring system for any programme of the next MFF, including the Horizon Europe framework programme. Nonetheless, the Commission is committed to evaluating the impacts of the Research and Innovation Framework Programme in the current and future financial periods.

The Commission has redesigned the monitoring system to assess economic impact in the current Horizon Europe programme, addressing many of the shortcomings identified by the ECA and in the H2020 final evaluation. In the Key Impact Pathways of Horizon Europe (Annex V of the Horizon Europe Regulation 2021/695), the Commission introduced clear indicator definitions, improved data collection practices, and integrating new data on company performance from external data sources^[1].

For the next MFF, all monitoring arrangements, including all output and results indicators will exclusively be set out in the Performance Regulation. For Horizon Europe 2028-2034, as for the other MFF programmes, there will no longer be any programme-specific monitoring arrangements. For the Research and Innovation policy area, the indicators are a streamlined version of the monitoring framework for the current Horizon Europe programme thus limiting to the extent possible the administrative burden on beneficiaries.

Recommendation 4: Evaluate the impacts of EU research funding on participants' economic performance and innovation capacity

For the current Horizon Europe programme, the Commission should further develop its methods to assess the impact of EU research and innovation funding, with a particular focus on participants' economic performance and innovation capacity.

Target implementation date: 2031

The Commission **partially accepts** this recommendation.

The Commission accepts that **innovation capacity** was not well captured by the monitoring framework of H2020. The Commission will assess methodologies to better capture this dimension for the final evaluation of the current Horizon Europe programme, in line with Annex V of the Horizon

^[1] PROGRAMME STATEMENT FICHES, https://commission.europa.eu/document/download/21655291-b306-44c7-8c6b-e4cd90a33f71_en?filename=2021%20-%202027%20Programme%20Performance%20Tables_0.pdf

Europe Regulation, which requires to measure, in the longer-term, "Growth & market shares of companies *having developed innovations* in the Programme".

However, the Commission notes that the **participants' economic performance** has already been assessed in the final evaluation of H2020. The evaluation applied state-of-the-art methods for assessing impacts of EU research and innovation funding on participants, including counterfactual analysis of the firms' economic performance (conducted at firm level and programme-wide). These methods rely on external data sources, meaning that the data used is collected also after project completion and it is of higher quality than figures self-reported by beneficiaries. Requesting from beneficiaries more data and information risks to increase their administrative burden and would be counter to the simplification agenda of the European institutions. The ex-post evaluation of H2020 estimates the total administrative cost of all participants in the programme between EUR 135 million and EUR 215 million. This represents 4.5-7 person-days per month of project duration spent on administrative tasks (SWD(2024) 29 final, p. 64).

The Commission is committed to evaluating the impacts of the Research and Innovation Framework Programme in the current and future financial periods.

III. REPLIES TO OBSERVATIONS

1. Targeting projects with the highest innovation and scale-up potential

Non-profit organisations

With reference to [§27](#), the Commission would like to emphasize that for the "Innovation in SMEs" programme, the presence of many "non-for-profit" organisations is due to business intermediaries (Innovation Agencies, clusters etc) having immediate impact on SMEs Ecosystems. The non-profit organisations, mainly academia and research and technology organisations, perform an indispensable role in the earlier stages of innovation, in allowing industry, and SMEs in particular, to develop and test technologies before investing in them. This role is acknowledged by industry.

In addition, in the flagship action "New cluster facilitated value chains (Innosup01)", most of the project's budget was implemented by Financial Support to Third Parties, to SMEs. Convincing figures are available in this [OPOCE publication](#), including on the incentive effect to leverage private investment in R&I.

Impact criteria

Regarding the observations [§35 to §38](#), the Commission acknowledges the importance of ensuring that the evaluation record clearly demonstrates how the prescribed impact requirements have been considered. Clear documentation of the assessment rationale enhances transparency, traceability and assurance that funding decisions are aligned with the objectives of the relevant work programme.

In topics focusing on industrial development, in both H2020 and Horizon Europe, the evaluation of the impact criterion included a robust evaluation of the business case and exploitation strategy required under those topics.

However, evaluators should not disregard the impact requirements set out in the work programme or call, nor substitute them with alternative assessment criteria.

2. Market-uptake instruments introduced in H2020

Knowledge transfer

With reference to §57, the Commission is of the opinion that 50% of H2020 beneficiaries being aware of the Innovation Radar is a success considering that 30% of all H2020 Research and Innovation Actions and Innovation Actions were analysed by the Innovation Radar. Moreover, beneficiaries are not the primary target audience of the Innovation Radar initiative. Investors and corporates are the key target audience (with a view to stimulating investment in these innovators and uptake of their solutions by corporates). For example, the Innovation Radar has – through support actions – brought many market-ready EU-funded innovators / startups to the attention of investors through 11 editions of the Innovation Radar prize and via Horizon support actions such as the Innovation Radar Data-based Identification and Commercialisation (INNODEC) and the INVEST projects that worked exclusively with Innovation Radar intelligence.

New tools

With reference to §59, the Horizon Results Platform, the Horizon Booster and more recently the EU Innovation platform will contribute to supporting market uptake and dissemination of research results from Horizon 2020 and Horizon Europe beneficiaries, notably by increasing their visibility, towards potential research partners and investors community, and by offering tailor-made services aimed at every step of their innovation journey. It is too early in the implementation of Horizon Europe to assess the impact of these additional efforts.

3. H2020 monitoring framework

The related observation in §76 points to the company financial data. Since 2023, company financial data are obtained from the external database Orbis. Orbis is a global company database that enriches EU grant participants with firmographic, financial, ownership, and classification data to support reporting on direct management funding.

Orbis is the world's largest commercial database of company information, produced by Bureau van Dijk (BvD), a subsidiary of Moody's Analytics. It serves as a global reference registry for legal entities. It aggregates information from more than 160 national information providers, including official company registries, tax authorities, central banks, stock exchanges, and specialised data vendors.

The Commission matches each Horizon (H2020 and Horizon Europe) Participant Identification Code (PIC) to a BvD ID. Once matched, the full Orbis enrichment/datasets becomes available for that entity. The first matching exercise for H2020 participants was done in 2023 in the context of the H2020 programme ex post evaluation.

The observations in §77 and §78 relate to the evolution of the monitoring system of the current Horizon Europe programme. Significant improvements were brought to the monitoring system of Horizon Europe compared to H2020. The Key Impact Pathways introduced for Horizon Europe include long-term economic impact indicators. These indicators are participant-specific as they are calculated based on firm-level data, mainly collected from external sources (company accounts and financial

statements). The indicators will continue to be calculated years after the funded projects end thanks to the use of external data.

The related observations in **§90 to §92** point to incompleteness and inconsistency of self-reported data by beneficiaries, which have been addressed by shifting towards using external data sources and toward periodic reporting. The latter ensures that the information is validated by implementing bodies reviewing project reports.