European Competitiveness Fund

What changes in EU industrial and defence funding

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The EU is preparing one of the most significant shifts in industrial funding policy in decades. At the centre of this shift is the proposed European Competitiveness Fund (*ECF*), a new funding instrument under the 2028-2034 Multiannual Financial Framework intended to direct EU funding towards strategically important industries, critical technologies and defence capabilities.

Political momentum behind the project has accelerated markedly in recent months. At its March 2026 meeting, the European Council placed competitiveness, industrial capacity and elements of a "European preference" at the centre of the EU's agenda. The ECF has emerged as one of the key legislative instruments for translating these priorities into practice. Negotiations on the legislative proposal have entered a decisive phase, with both the Council and the European Parliament shaping their respective positions.

The implications of the ECF go far beyond funding. If adopted in its current form, the ECF will reshape how (defence) procurement is organised in Europe, how supply chains are structured and how export-controlled technologies are managed.

A major shift in EU spending priorities

Under the European Commission's proposal, the ECF would consolidate fourteen existing programmes into a single strategic platform covering four main policy windows:

- clean transition and industrial decarbonisation;
- digital technologies;
- health, biotech, agriculture and bioeconomy;
- resilience and security, defence and space.

The most striking increase concerns the 'resilience and security, defence and space' pillar. The European Commission proposes approximately EUR 131 billion for this sector, roughly five times more EU-level funding than under the current budget framework. By comparison, the current EDF 2021-2027 has a budget of approximately EUR 7.3 billion.

From innovation policy to industrial policy

The ECF marks a shift from research-oriented EU funding towards support for industrial capacity across the full lifecycle. This development did not emerge in isolation. Since Russia's invasion of Ukraine in 2022, the EU has progressively linked funding to industrial output and defence readiness. EU programmes such as ASAP (ammunition production) and EDIRPA (joint procurement) introduced EU support for industrial output and coordinated purchasing. As discussed, this approach is now being further systematised through the closer integration of industrial capacity support with joint procurement structures and supply-chain considerations. The ECF now takes the next step: it integrates these approaches into a single strategic framework.

- **"European preference" becomes operational:** One of the most important developments is the increasing role of funding conditionality. Rather than introducing explicit "Buy European" requirements, the ECF embeds elements of a "European preference" into funding eligibility. Access will increasingly depend on whether critical parts of a project's value chain are located within the EU or associated states, whether key technologies remain under European control and whether dependencies on third-country suppliers can be reduced. The ECF proposal also introduces stronger safeguards for security-sensitive projects. Participation restrictions or exclusions of high-risk suppliers may apply.

- **Joint procurement and industrial integration:** The ECF proposal strongly favours multinational cooperation, integrated European supply chains and cross-border industrial ecosystems. At the same time, procurement policy is increasingly being linked to industrial and economic security objectives. Resilience, interoperability and security of supply are becoming central considerations alongside competition and cost-efficiency.

Strategic implications for the industry

The legislative process is still ongoing and important details remain politically contested. Nevertheless, the strategic direction is already visible. For companies operating in strategic sectors, the implications are significant. Funding opportunities may expand considerably. At the same time, access to those opportunities is likely to become more conditional and more closely linked to questions of resilience and economic security. Companies headquartered outside the EU may face increasing restrictions in accessing ECF-funded projects, particularly in security-sensitive areas. Moreover, as also seen under existing EU funding programmes, access to ECF opportunities is unlikely to be evenly distributed across the EU. EU Member States that proactively support and strategically position their national industries at European level are expected to have considerable advantages in securing well-funded multinational contracts.

BLOMSTEIN will closely monitor further developments and keep you informed. If you have any questions about the European Competitiveness Fund, Dr. Christopher Wolters, Elisa Steinhöfel and the entire team is ready to assist you.