

# The Future of InvestEU: Invest Europe Position Paper on the Multi-Annual Financial Framework (MFF) 2028-2034

## *Comprehensive Recommendations to Promote EU Competitiveness ahead of trilogues*

### Executive Summary

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Europe's innovation ecosystem remains structurally underdeveloped compared to global peers. Venture capital managers in particular are unable to fundraise as much as they should in light of EU's lack of long-term private capital. Without a strong public cornerstone investor - a role played by the European Investment Fund at EU level, the EU will - perhaps definitely - lose its ability to scale start-ups, retain talent, and compete in critical technologies such as AI, clean tech, life sciences, and defence.

To secure the EU's competitiveness and strategic autonomy, Invest Europe puts forward three core recommendations for the next MFF:

#### **1. Prioritise competitiveness with a significantly larger InvestEU guarantee**

The currently envisaged budget is insufficient to maintain investment levels or support all stages and regions of development. A minimum guarantee of **€40 billion** from 2028 is required to sustain momentum and reinforce Europe's economic foundation.

#### **2. Ensure predictability and avoid a “stop-and-go” investment environment**

Private capital markets rely on stable, long-term planning. The full InvestEU budget should be available from the start of the MFF to prevent delays, maintain market confidence, and enable fund managers to plan multi-year strategies.

#### **3. Simplify processes and maintain coherence across policy windows**

Administrative complexity risks undermining the programme's impact. InvestEU should remain streamlined, agile, and focused on leveraging private capital across sectors, avoiding fragmentation and overly rigid policy silos.

#### **4. Rewarding national measures taken to support equity investments through rebates**

The EU budget and fiscal framework should be designed to provide rebates to Member States who take specific actions that fulfill the EU competitiveness objectives and incentivise private investments in the EU economies. These could substantially amplify the leverage of its budget, turning it from a financing instrument into a catalyst for much larger public and private investment flows across Europe.

## Background

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As the European Union approaches the critical juncture of defining its Multi-Annual Financial Framework (MFF) for the period 2028 to 2034, we want to underscore the necessity of a steadfast focus on competitiveness within the forthcoming framework. In a rapidly evolving global landscape, it is imperative that the MFF is designed to foster an environment in which European businesses, investors, and entrepreneurs can thrive, innovate, and compete on equal footing with their global counterparts. Competitiveness is not simply a desirable attribute for the Union: it is the cornerstone upon which economic resilience, innovation, and strategic autonomy are constructed.

The InvestEU programme has been instrumental in catalyzing transformative change throughout the European economy. Its budgetary guarantee has succeeded in mobilizing public and private investment exceeding EUR 400 billion between 2021 and 2027, supporting vital sectors including digitalisation, clean energy, life sciences, defence, and sustainable infrastructure. Each of these sectors represents a strategic priority for the Union, and their continued growth is essential for safeguarding Europe's prosperity and its future role as a leader in global innovation and technological progress.

Among the most notable achievements of InvestEU is its support for the development of Europe's private capital fund ecosystem, encompassing venture capital, private equity and infrastructure.

Between 2021 and 2027, the European Investment Fund (EIF) will have invested over EUR 9.6 billion, of which EUR 5.6 billion was channeled under the InvestEU Guarantee, across nearly 300 funds in Europe. This approach has not only elevated the quality of fund management teams but also attracted significant private capital, facilitating the growth and maturation of EU companies throughout their lifecycle. The positive impact of these investments, as highlighted in our [Annual "Investing in Europe" Report](#), is evidenced by the creation of over 8.5 million jobs and the contribution of nearly EUR 400 billion to European GDP in 2025 alone.

It is incumbent upon the MFF to provide a robust and predictable foundation for the continuation and expansion of these initiatives. The proposal for the next programming period, extending from 2028 to 2034, must be resolute in its commitment to competitiveness, not merely through a continuation of the InvestEU Instrument but through an enhanced deployment of financial instruments that catalyze private sector engagement and foster a self-sustaining investment environment.

This overall strategic focus of the next MFF is welcomed by Invest Europe, as it reflects a recognition of the impact achieved in the current programming period. Nevertheless, several critical uncertainties remain regarding the future configuration and implementation of InvestEU, necessitating careful consideration and decisive action by policymakers.

## Why support to innovation ecosystems should be the EU budget's top priority

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Various research from a wide range of public actors, from the OECD, IMF and the European

Commission show that **venture capital is one of the most powerful mechanisms to translate research, entrepreneurship and technological breakthroughs into scalable companies, jobs and productivity growth**. VC-backed firms disproportionately drive innovation outcomes, including R&D intensity, firm growth and market dynamism. Venture-backed companies account for a very large share of technological leadership and value creation, meaning that a strong VC ecosystem is a prerequisite for global competitiveness. And they create jobs: as demonstrated by our [Private Equity at Work report](#), the growth rate of VC-backed businesses far outweighs any other type of company.

The link between VC and competitiveness is also clear. IMF analysis highlights that Europe's productivity and innovation gap relative to global peers is closely tied to the underdevelopment of its VC ecosystem, as this underdevelopment constrains the ability of start-ups to scale and retain growth locally. Expanding the role of public financial institutions and instruments is not simply desirable but necessary to **accelerate market development and unlock private investment**.

However, **VC markets do not emerge or function efficiently on their own**, particularly in their early stages or in less mature ecosystems. Innovation finance is structurally characterised by high uncertainty, long time horizons and information asymmetries, which lead to persistent **equity gaps for young and high-risk firms**. Private investors - which we represent - cannot invest in all the companies that are most critical for future growth. As has been proven in numerous studies, public intervention in VC is not an exception, but a standard feature across advanced economies.

Public funding not only plays a decisive role in addressing these gaps but also in **crowding in private capital**. By using indirect models - such as fund-of-funds and co-investments - government agencies are specifically designed to mobilise private investors and strengthen the overall market. **Co-investment structures (of public funds with private funds) not only deliver investments**, both in terms of innovation and exits: contrary to grants, they also bring returns to the public, returns that can then be reinvested in new projects.

Public funding in the form of equity is also by far the most efficient form of support public entities can give to EU businesses. Financial instruments, as evidenced by the [VC Factor studies](#), generate **considerable leverage**, with €3.5 of private capital mobilized for every euro of EU budget guarantee in 2025.

The importance of public funding is even **more pronounced in the Union**, because structural features of the financial system limit the depth of private VC markets. Compared to the United States, **Europe remains more reliant on bank financing** - which, as highlighted by Mario Draghi, is notoriously unable to finance innovation. It also lacks large pools of institutional capital - such as pension funds and endowments - actively allocated to venture and growth capital.

If this is something the Savings and Investment Union (SIU) programme seeks to address, it will take a long time to change the current situation. Until then, in the absence of public actors, the hard European truth is that there simply cannot be an EU VC and growth ecosystem - and beyond an innovation ecosystem - without public capital. Would the European Investment Fund (EIF) stop acting as a cornerstone investor for the EU, helping to build fund manager expertise and supporting the growth of regional VC markets, support to start-up and scale-ups would dwindle and with it our chance to catch up with the US.

Academic evidence also shows that government-backed VC funds contribute positively to **regional economic growth** and ecosystem development, particularly in less mature markets where private capital is scarce. This is key beyond a single competitiveness angle: public support to VC is particularly relevant for the success of innovation investment not to uniquely flow in certain markets. As such, public financing of VC ecosystems also has a **true cohesion component**.

**Supporting venture capital through public funding should not only be seen as a core component of industrial policy and competitiveness frameworks:** it is at the very core of any industrial strategy, especially in a day-and-age where most of the US advance compared to the EU comes from the tech and AI revolutions. In an increasingly competitive global environment, where other jurisdictions are actively strengthening their innovation financing frameworks, **the use of public funding to support VC is not only justified - it is essential to EU's future and strategic autonomy**, enhancing its capacity to act independently in fields such as technology, AI, climate change and defense.

Sector	Percentage of Fund
Digitalisation	27%
Clean Energy	21%
Life Sciences	15%
Defence	9%
Sustainable Infrastructure	18%
Other Strategic Sectors	10%

This distribution, drawn from the EU Commission's 2025 annual report, underscores the commitment to strategic sectors that underpin European competitiveness and innovation.

For these reasons, Invest Europe advocates for a **Multi-Annual Financial Framework that is ambitious, well-resourced, and unambiguously centered on competitiveness**. The continuation and expansion of InvestEU, with increased guarantees, predictable support, and simplified administration, is necessary to lay the foundation for enduring prosperity, strategic autonomy, and global leadership.

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### Our three asks

#### 1. Prioritizing competitiveness as the top EU priority

The scale of the proposed budgetary guarantee for the future InvestEU Instrument is **simply insufficient** for the needs of the EU innovation ecosystem. The minimum budget currently envisaged represents a **substantial reduction compared to the preceding period**, which risks undermining the progress made to date.

A credible and sufficiently scaled EU budgetary guarantee is indispensable. Should resources be limited, not only will the number of funds supported decrease, but the resources allocated per fund will be materially reduced, potentially stalling the momentum of innovation and growth.

**Our recommendation:** It is recommended that the InvestEU guarantee capacity be **increased to at least €40 billion from the outset of the 2028-2034 MFF**, as this figure represents the minimum required to maintain current investment levels and support all stages and regions of development. By **doubling the guarantee**, the EU can continue to reinforce its economic foundation and promote excellence across the continent.

## 2. Considering investment realities: avoiding at all costs a “stop and go” approach

The efficacy of private capital fund markets is heavily reliant on **predictable fundraising** and investment cycles. Disruptions or delays precipitated by a lack of continuity or clarity in support undermine market confidence and hinder sustainable growth. Continuity of support is essential for the proper functioning of the private capital fund markets, which rely on predictable fundraising and investment cycles.

To avoid risks of important delays or disruptions the future set up of the InvestEU Instrument shall build on the successful model of InvestEU in this programming period, build on existing products and seek to avoid changes to terms and conditions that would create market uncertainty and delays.

**Our recommendation:** To facilitate the necessary predictability, Invest Europe recommends that the **entire budget be known and available from the onset in 2028**, thereby enabling careful planning and assuring the provision of stable resources throughout the duration of the MFF. This approach will empower fund managers and investors with the visibility required to chart long-term strategies and foster enduring partnerships.

## 3. Simplifying processes and ensuring coherence for more efficiency

Simplification of processes and requirements is vital for maximizing the impact and accessibility of InvestEU. Excessive administrative burdens not only impede the efficient allocation of resources but also discourage participation by fund managers and enterprises. Streamlining and enhancing transparency within the InvestEU framework will facilitate greater agility and responsiveness to emerging needs, ensuring that Europe’s investment ecosystem remains robust and dynamic.

The ECF-InvestEU Instrument will be embedded in a large Competitiveness Fund, that will channel significant resources to a number of policy windows<sup>1</sup>, targeting digitalisation, life sciences, defence and clean technologies. Many funds however invest across multiple sectors, and a strict delineation by policy objective does not necessarily reflect the market reality.

Furthermore, budget lines should be drawn in a coherent way for funds to either solve market externalities - by leveraging private capital where it can be leveraged to be invested across a range of sectors - or to provide support to specific needs through targeted grants. We argue that the ECF-Invest EU should exclusively focus on the former, leaving other priorities, for which

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<sup>1</sup> The four ECF policy windows proposed by the EC are: (1) Resilience, Security, Defence, and Space, (2) Digital Leadership, (3) Clean Transition and Industrial Decarbonisation, (4) Health, Biotech, Agriculture, and Bioeconomy

grants are more relevant funding tools, to be dealt with as part of specific (sectorial) budget lines.

**Our recommendation:** We call for InvestEU to continue to support broader strategies. More generally, the implementation of such resources should be streamlined and become more agile - and focus on equity support rather than grants.

#### 4. Rewarding national measures taken to support equity investments through rebates

The EU budget alone - and, more broadly, public financing at both EU and national level - will not be sufficient to close Europe's innovation investment gap. As highlighted above, completing the Savings and Investments Union (SIU) remains essential if Europe is to unlock the vast pools of private capital that are currently channelled towards short-term investments, often outside the EU, such as US technology stocks.

However, regulatory reforms under the SIU will not, on their own, mobilise all the sources of capital needed to finance Europe's innovation economy. This is particularly true for second- and third-pillar pension savings, which remain largely governed by national frameworks. Likewise, Member States are not making full use of policy levers that are exclusively within their competence, notably tax incentives that could encourage greater allocations to productive and long-term assets. More fundamentally, many Member States still devote only a limited share of their national budgets to supporting innovation and future-oriented investment.

Against this backdrop, a stronger alignment between the EU budget and national investment efforts should be considered. One option could be to link increased access to EU funding to targeted incentives for Member States that undertake strategic investments in key sectors. This could take the form of budgetary rebates, enhanced EU co-financing, or tailored flexibility under the European Semester and fiscal framework. Similar approaches have already been envisaged in specific policy areas, including energy.

Investments in innovation, digital transformation, defence capabilities, and climate mitigation and adaptation should not be viewed as a fiscal cost, but as an investment in Europe's long-term prosperity, resilience, and competitiveness. While such expenditures may temporarily increase public deficits, they generate economic and societal returns that extend far beyond annual budgetary cycles. The EU budget and fiscal framework should simply better recognise this reality.

**Our recommendation:** By creating stronger incentives for productive public investment at national level through rebates or through relaxation of EU fiscal rules, the Union could significantly increase the impact of its budgetary resources without necessarily increasing the overall size of the EU budget.

## ANNEX: What is InvestEU

InvestEU is the EU's flagship investment programme in support of competitiveness. It supports the EU's policy priorities thanks to an EU budgetary guarantee that is expected to mobilise more than EUR 400bn of public and private investment in the period 2021 - 2027 in strategic areas, including digitalisation, clean energy, life sciences, defence, and sustainable infrastructure, to name a few.

Among its objectives, **InvestEU supports the development of Europe's private capital fund ecosystem** (including venture capital, private equity, infrastructure, and private credit), recognizing the fundamental role it plays in long-term growth and the strategic autonomy of the EU. The European Investment Fund (EIF) is entrusted with deploying and investing those resources into funds, with the objective to support the development of high-quality fund management teams, attract private capital, and accompany the growth of EU companies across their full lifecycle.

Since the launch of InvestEU, the EIF has invested over EUR 9.6bn (of which EUR 5.6bn under the InvestEU Guarantee) across nearly 300 funds in Europe.<sup>2</sup>

The ability of the EU to continue to support fund managers and the broader market in the years ahead therefore depends on the future InvestEU Instrument, that will be part of the Commission proposal for the next Multi-Annual Financial Framework, covering the period 2028 - 2034. **For the next programming period, extending from 2028 to 2034, the Commission has proposed significant support to the competitiveness of the EU. It proposes a continuation of the InvestEU Instrument, as well as more generally the use of financial instruments (as opposed to only grants) in order to create a positive dynamic that crowds in private capital, focuses on excellency and seeks to create a self-fulfilling dynamic.** This is very welcome. And it is testament to the impact achieved by InvestEU in this programming period.

Yet, there are a number of uncertainties as to how the future InvestEU will shape up and be implemented. Therefore, **it will be important to ensure that the future InvestEU builds on the successes achieved in this period. This means concretely that it should continue at scale with sufficient resources. It should also provide the predictability the market needs. And it should be simplified.**

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<sup>2</sup>Based on the funds' investment strategies, the allocation of committed resources is split as follows: 1) Infrastructure Funds: 40%, 2) Venture Capital: 32%, 3) Private Equity: 16%, 4) Private Credit: 12%.