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Initial Views on the Regulation Establishing a European Competitiveness Fund

General Considerations

Europe is facing a world undergoing dramatic changes, where global trade is challenged by protectionist trends, geopolitical risks dominate, and technological change is accelerating. It is a world where established business models are being challenged and where certain key economic dependencies are turning into security risks.

It is against this backdrop that the European Commission's proposal for a European Competitiveness Fund (hereinafter referred to as the ECF) should be viewed. The fund aims, primarily through the EU budget, to pool and direct financing of projects in strategic technology areas, thereby increasing the EU's competitiveness while at the same time reducing harmful dependencies.

In the European Commission's diagnosis, which forms the basis for the proposal, insufficient capacity in new technologies within the EU (i.e., R&D, commercialisation, production, application), lagging innovation, and productivity are linked. According to the report delivered by Mario Draghi to the Commission, we import over 80% of our digital technology, and only four of the world's 50 largest technology companies are European.

This again raises the question of the balance between, on the one hand, increasing Europe's self-sufficiency through various types of market interventions, and on the other hand, minimising market distortions that such interventions may cause. This balance is important, as the price for a higher degree of self-sufficiency may be less innovation and economic dynamism, which could hamper the EU's productivity.

Open and competitive markets should continue to be the main path to achieving the growth that the EU needs. Trade and competition contribute to increased productivity through, among other things, greater supply and access to inputs, technology diffusion and knowledge transfer, as well as through efficient resource allocation in the economy. The extent to which current dependencies on strategic technologies (covered by the ECF) can be considered harmful must therefore be assessed before public funding is mobilised.

If harmful dependencies are identified, the focus should primarily be on exhausting the possibilities for diversification through international trade. In cases where the needs for the technologies in scope cannot be met through diversification, investments should mainly be driven by private capital. The role of policy must be to improve the business climate in the EU and thereby attract private investment, rather than public investments that risk supporting production that is fundamentally not competitive.

The strategic choices available to legislators to enable diversification away from harmful dependencies through trade—while at the same time using public funding to promote the development of domestic capacity in selected technology areas—must be thoroughly examined before being made. This should be done with particular regard to the need to increase competitiveness and minimise market distortions.

In a situation where there are good and evidence-based reasons to conclude that it would not be sufficient to improve the EU's business climate and diversify trade, and that a more interventionist approach is called for, it becomes important to identify the least harmful alternatives. The fund must therefore be designed with regard to how a certain degree of state intervention can be structured to maximise security, promote innovation, and at the same time minimise efficiency losses.

There is a strong focus in the Commission's initiative on industry, especially those operating in new technologies. This is not wrong in itself, but initiatives are also needed to strengthen other parts of the business sector, which are often closely linked to industry. This applies not least to small and medium-sized enterprises and service companies. The Draghi report pointed out the need for a better functioning single market regarding intellectual property rights. The obstacles that exist today, due to, among other things, poorly harmonised copyright, make it more difficult for companies in the EU to attract financing and commercialise innovations. Today's innovations almost always have digital elements, which means that copyright protection for computer programmes must be considered.

Last but not least—without questioning the need for development and manufacturing—the Confederation of Swedish Enterprise warns that the issue of the dissemination of advanced technology in the European economy, regardless of whether it is developed in the EU or procured from international trading partners, risks being overlooked. A narrow focus on the development and manufacturing of strategic technology can miss the point that dissemination is just as important an ingredient for boosting Europe's productivity growth, and that we must also consider the trade opportunities that will continue to exist in the future.

Opportunities	**Risks**
• *The main focus on competitiveness and bridging well-documented innovation gaps* • *Simplification and streamlining of the various programmes to reduce the administrative burden for companies in need of support within the designated areas* • *Consolidation of the number of programmes and orientation towards broad research areas* • *The ambition to involve the business sector through a 'Strategic Stakeholders Board' – provided this is done in a strategic, transparent, and value chain-focused manner*	• *Distortions of the Single Market and inefficient resource allocation through capacity expansion initiatives where the EU does not have comparative advantages* • *Use of public funds as venture capital, as this can result in unpredictable losses* • *European preference in public procurement and other contexts* • *Insufficient evaluation of the effects of support with regard to opportunity costs and results*

Objective

The purpose of the ECF is to pool and direct financing via the EU budget in order to enhance the EU's competitiveness and promote key objectives such as the green and digital transitions, innovation, increased productivity, and strategic investments. There is also an ambition to mobilise private capital. The fund forms part of the proposal for the EU's new long-term budget (2028–2034) and is intended to replace several existing financing instruments, thereby creating a more streamlined and effective strategy for the EU's economic future.

- The Confederation of Swedish Enterprise welcomes the strong focus on competitiveness, innovation, and building a resilient EU in the proposal for the next long-term EU budget. Investments in research and innovation, new technology, and security are crucial for building a strong and resilient Europe. We also appreciate the ambition to simplify and streamline the various programmes to reduce the administrative burden for companies in need of support within the designated areas. Evaluating the effects of support with regard to alternative costs and outcomes would reduce the risk of funds being wasted and at the same time increase the legitimacy of the fund's and the EU's ambitions. This becomes even more important given the proposed size of the fund.

- At the same time, there are significant risks that increased state intervention will lead to distortions of competition in the Single Market and inefficient resource allocation, especially when measures are aimed at supporting capacity building in areas where Europe currently has no comparative advantages. The governance of the ECF must be designed so that initiatives are relevant for companies, regardless of size and sector, and focus on bridging well-documented innovation gaps compared to other countries, primarily through investments in research and development.

ECF Budget

The European Commission's proposal for the EU's long-term budget for the period 2028–2034 amounts to nearly 2,000 billion euros. Although an exact figure for the ECF is not specified directly, funding amounting to just over 20 per cent, including the research budget, is expected to constitute a significant share of the overall budget.

- The Confederation of Swedish Enterprise believes that investments aimed at increasing innovation, productivity, and resilience should primarily be driven by private capital. For public initiatives, there must be a basis for assessing where the greatest leverage can be achieved, whether through decisions and funding at the national level or at the EU level. Any new initiatives within the framework of the EU's long-term budget should, regardless, be financed through reallocations.

Orientation

The fund is proposed to cover four areas, so-called **policy windows**:

1. Clean Transition and Industrial Decarbonisation
2. Digital leadership
3. Health, Biotech, Agriculture and Bioeconomy
4. Resilience and Security, Defence Industry and Space

A consolidated fund for support at different investment stages: A lifecycle strategy for financing new technology within the four identified areas is intended to ensure that financing is adapted to the various phases of a technology's development, from early research and development (R&D) and prototyping through to growth and maturity phases. The forms of support include grants, procurement, loans, guarantees, and other financial instruments. According to the proposal, the InvestEU instrument will serve as a source of financing for the ECF and other EU programmes, with guarantees totalling EUR 70 billion, with a certain earmarking for the ECF. Furthermore, the ECF should have a close connection to the Framework Programme for Research and Innovation (Horizon Europe), and coherence with measures within the Innovation Fund should be ensured.

Resources from the fund should be allocated to meet specific needs at each stage, such as venture capital for the innovation phase, growth financing for scaling, and potentially also financing for adaptation or revitalisation during the maturity phase. This strategic, stepwise approach is intended to ensure that resources are available for critical milestones, promote ecosystem development, and manage risks associated with emerging technologies.

- The Confederation of Swedish Enterprise agrees that EU funding opportunities are fragmented and spread across too many programmes and therefore welcomes all attempts to consolidate the number of programmes and to orient them towards broad research areas with the long-term ambition of promoting competitiveness. The Confederation of Swedish Enterprise would like to see a focus on broad and open EU programmes where competition and objective criteria such as excellence should continue to be the starting point.

- We support the principle of targeting the proposed fund at bridging the well-documented innovation gaps. The proposed toolbox should be designed with a focus on the technology development chain, including upscaling, but production must ultimately take place on market terms. However, we are critical of financing during downturns or revitalisation in the maturity phase. Such financing should only be provided for specific reasons.

- We do not exclude that, in certain cases, risk-sharing of large private projects with public funds may be justified, but then in the form of guarantees and loans. However, we oppose the use of public funds as venture capital. For example, if the EIB or other EU institutions act as venture capitalists, this can lead to increased risk-taking and waste of EU taxpayers' money. We do not see the benefits of public institutions investing as venture capitalists when loans and guarantees can be used instead. We believe that the European Commission, the EIB, and other institutions and bodies (such as the European Innovation Council) have not yet demonstrated how public venture capital can promote the Union's competitiveness in a way that loans and guarantees cannot. The European Commission claims that public funds have had a multiplier effect on private funds, but it does not report how well the projects have performed and whether the public funds have led to increased productivity, innovation, and/or competitiveness. A more thorough analysis is needed of how public funds contribute to the Commission's objectives and the Union's welfare, not just whether the funds have reached the right recipients.

- From a general economic perspective, the Confederation of Swedish Enterprise is sceptical about the introduction of "European preference" in public procurement and other contexts. Although other alternatives should be used as a starting point, there may nevertheless be cases where this is necessary, especially if there are specific concerns regarding security of supply or reciprocity. In such cases, it should be used very selectively.

- Regarding the link between FP10 and the ECF, we believe that these should not be seen as alternatives, but as complementary in a forward-looking EU strategy for innovation and growth. Together, they can provide the scale, flexibility, and market connection that Europe needs.

Governance

The governance of the ECF will, among other things, involve the development of work programmes within various policy areas, including measures, financing conditions, and more. Committees consisting of representatives from the Member States will be established with advisory or scrutinising functions. A 'Strategic Stakeholder Board' with representatives from relevant stakeholders is proposed. Compared to the governance of programmes in the current EU budget, the proposal for the new fund, according to a report from Sieps[1], would significantly reduce the Member States' control over the adoption of the fund's work programmes, but would give stakeholders a more systematic advisory role. At the same time, the use of independent experts to evaluate project proposals would be limited. Taken together, these changes would, according to the report, significantly increase the European Commission's powers during the implementation phase.

- The Confederation of Swedish Enterprise believes that, for these initiatives to have real impact, result in new products reaching the market, and attract investment and industrial establishment in Europe, the governance of the ECF must be designed so that the initiatives are relevant for business. This requires that the business sector is involved in a much more strategic, transparent, and value chain-focused manner than is currently the case. It remains to be seen whether the 'Strategic Stakeholder Board' will fulfil this purpose.

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[1] One Fund to Rule Them All: An analysis of the proposed European Competitiveness Fund, Johannes Jarnebring, Sieps, september 2025