

# European Competitiveness Fund

Position Paper

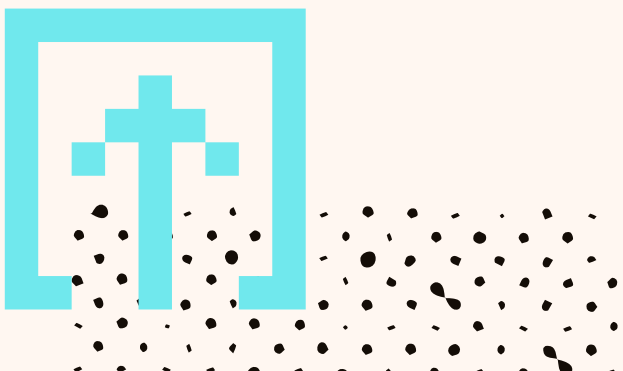


# Introduction

The Association for Competitive Technology (ACT) supports the establishment of the **European Competitiveness Fund (ECF)** as a key instrument to strengthen Europe's technological leadership and innovation ecosystem. The proposal represents an important step toward simplifying the EU funding landscape and improving access to finance for startups and small and medium-sized enterprises (SMEs). The consolidation of 14 EU funding programmes into a single framework has the potential to simplify access to funding and improve strategic alignment of EU investment priorities.

We support the proposal's overarching goal to strengthen Europe's competitiveness across strategically important technologies and industries, while addressing fragmentation in the EU funding landscape. For startups and SMEs in particular, access to capital and support throughout the innovation lifecycle remains one of the most critical challenges in Europe. If designed effectively, the ECF can help close this gap by facilitating faster, simpler, and more accessible funding mechanisms that support entrepreneurial growth and technological leadership.

This position paper highlights key strengths of the proposal, while also identifying **areas where targeted improvements are necessary** to ensure the Fund truly supports innovative companies across Europe.



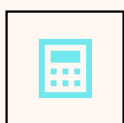
## A Positive Step Forward



### The Creation of a Centralised European Competitiveness Fund

The creation of the European Competitiveness Fund is a welcome initiative to bring together multiple existing EU programmes under a single framework, which can **reduce fragmentation** and develop a strategy to support innovation and competitiveness.

A unified rulebook and centralised access point can improve transparency and accessibility for startups and SMEs seeking to navigate EU funding instruments. Simplifying the funding landscape is essential to ensure that innovative companies can effectively access available support.



### Introduction of a Scale-up Facility (Article 22)

ACT welcomes the establishment of a dedicated **Scale-up Facility**, under Article 22. European startups frequently struggle to access the large-scale growth capital needed to expand within the Single Market. Because of these difficulties, many promising companies seek investment outside Europe or relocate to jurisdictions with more favourable funding conditions.

By providing access to a broad range of financing instruments, including equity, venture debt, guarantees, and blended finance, the facility aims to address the long-standing financing gap faced by European startups and scaleups. If implemented effectively, this mechanism can help mobilise additional private investment, enabling innovative companies to scale within the Single Market rather than seeking capital outside the EU.



### Advisory and Support Mechanisms for Startups and SMEs

ACT also welcomes the creation of advisory services and support mechanisms aimed at helping companies navigate EU funding programmes.

The creation of advisory services and support structures within the ECF framework is a positive development. Many startups and SMEs face significant challenges when navigating EU funding programmes due to their complexity and administrative requirements. Strengthening advisory support through both local and EU-level agencies can help companies develop investment-ready projects and improve access to EU funding opportunities.

## Areas of improvement



### EU Preference Provisions (Article 10)

While the objective of strengthening European technological sovereignty is reasonable, the EU preference mechanisms introduced under Article 10 raise some concerns around unintended consequences.

In digital and emerging technology sectors where competition drives innovation, viable European alternatives may not yet be sufficiently available or mature enough. Overly-strict preference requirements would therefore suppress competition-driven benefits and risk limiting access to essential technologies that are necessary to support priorities across the Union.

In addition, these provisions may introduce even more difficulties in sectors already structured around, or that would rely on, global value chains. Enforcement could also prove challenging, as European companies may choose to establish entities or relocate parts of their operations outside the EU to access more capital markets and funding opportunities.

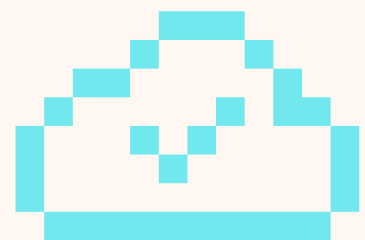
To ensure that preference provisions do not inadvertently reduce choice, raise prices, and otherwise undermine EU competition and security priorities, a more pragmatic approach would help ensure that efforts to strengthen European technological capacity do not unintentionally limit innovation. Article 10 should provide sufficient flexibility for purchasers to meet their needs while supporting EU sovereignty priorities. We also request that Article 10 continue the EU's alignment with global standards that support secure supply chains, such as the Common Criteria for Information Technology Security Evaluation (ISO/IEC 15408).



### Design of EU Grants and Impact on Startup Runway

While EU grants represent an important incentive for innovation, their current structure does not always match the financial realities of startups. Companies often face long evaluation timelines and delayed payments of funds, meaning they must maintain operations and teams without receiving immediate financial support. In practice, this can force startups to rely on loans or external financing simply to maintain their runway while waiting for EU funding.

Furthermore, greater clarity is needed regarding how EU grants interact with private investment rounds, particularly whether such funding is treated as pre-money or post-money in startup valuations.





# Interaction Between the ECF and Horizon Europe

The relationship between the European Competitiveness Fund and Horizon Europe will be a critical factor in determining the overall effectiveness of the EU's innovation framework.

While the objective of creating a more integrated funding landscape is welcome, the current proposal leaves important questions regarding governance, coordination, and the division of roles between the two instruments.

In particular, it is essential to preserve the distinct objectives of both programmes:

- Horizon Europe should continue to focus on excellence-driven research and early-stage innovation
- The ECF should prioritise scale-up, industrial deployment, and commercialisation

A lack of clarity in this division risks creating overlaps, inefficiencies, or gaps in the innovation pipeline.

At the same time, stronger coordination between the two instruments is necessary to address one of Europe's structural challenges: the limited translation of research excellence into market success.

## Recommendation

- ☑ Ensure a **clear and complementary division of roles** between Horizon Europe and the ECF
- ☑ Avoid excessive centralisation that could reduce flexibility or responsiveness
- ☑ Establish **effective coordination mechanisms** to support companies across the full innovation lifecycle

A well-balanced relationship between both programmes will be essential to ensure that Europe not only produces world-class research but also successfully scales innovative companies.



# Policy Recommendations



## Improve Accessibility and Support for Startups

To ensure the effectiveness of the European Competitiveness Fund, funding instruments must better reflect the operational realities of startups and SMEs. Policymakers should ensure sufficient pre-financing mechanisms and clearer rules regarding the interaction between EU grants and private investment. In addition, stronger support structures, through local or EU-level advisory services, should assist startups in navigating EU funding programmes and preparing competitive applications.

Access to finance in Europe remains highly uneven across different founder profiles. Despite improvements in the EU's innovation performance, significant gender disparities persist in investment allocation. According to European Commission data, less than €3 out of every €100 of venture capital invested in Europe goes to all-female founding teams, with the vast majority directed toward all-male teams.<sup>1</sup>

This imbalance not only limits opportunities for women entrepreneurs but also represents a missed opportunity for Europe's innovation potential. Similar disparities are observed in the allocation of capital to women-led investment funds, further reinforcing structural barriers within the ecosystem.

EU funding instruments under the ECF should incorporate measures to improve inclusiveness, including better monitoring of funding distribution, targeted support for underrepresented founders, and incentives to promote diversity in investment decision-making.



## Reduce Bureaucracy and Accelerate Procedures

Access to EU funding should be significantly simplified in order to match the pace of innovation in digital sectors. We therefore advocate for reduced administrative burdens, faster evaluation timelines, and a fully digital application process through a single online platform. Streamlining procedures and improving the speed of decision-making will be essential to ensure that European startups and scaleups can effectively benefit from the opportunities created by the European Competitiveness Fund.

<sup>1</sup> <https://www.euractiv.com/news/europe-is-underfunding-female-innovators-and-paying-an-economic-price/>

## Conclusion

The European Competitiveness Fund represents an important opportunity to strengthen Europe's innovation ecosystem and support the development of globally competitive companies.

The proposal includes several positive elements, particularly the creation of a centralised funding framework, the introduction of the Scale-up Facility, and the establishment of support mechanisms aimed at improving startups' and SMEs' access to EU funding.

At the same time, several aspects of the proposal require further refinement to ensure that the Fund effectively supports innovative companies across Europe. In particular, policymakers should address concerns related to the implementation of EU preference provisions and the design of EU grant mechanisms, while ensuring that funding instruments remain accessible to startups and scaleups.

As the legislative process moves forward, ACT encourages the European Parliament and the Council to build on the strengths of the proposal while addressing these issues. Simplification, speed, and accessibility must remain central objectives if the European Competitiveness Fund is to deliver on its promise of strengthening Europe's leadership and supporting the growth of innovative companies across the Single Market.

