France Digitale

# Towards a Common European Industrial Policy for *Innovation and Tech*

**Beyond the Competitiveness Fund:
France Digitale's action plan to make
the next EU budget a driver of competitiveness**

September 2025

# Foreword

In the wake of the EU-US trade deal, and a year after his landmark report urging Europe to invest 800 billion euros in tech and innovation to match the US and China, Mario Draghi has sounded a new alarm. The EU, he argues, must adapt to a world no longer driven by free trade but by "sweeping industrial policies." Since no European country alone can develop strategic technologies, Europe must regain "unity of action" and build a shared industrial capacity to meet today's economic and geopolitical challenges[1].

As EU institutions open talks on their 2028–2034 budget, Draghi's call could not be more timely. Unveiled in July 2025 by Commission President Von der Leyen, the draft budget includes a "European Competitiveness Fund." For European companies, this is a positive signal: the EU is ready to back homegrown technologies and provide targeted support for startups and scaleups through more funding and a wider range of financial tools. Yet Draghi's warning is clear—money alone won't restore Europe's competitiveness.

**This European budget will confront the Member States and the EU with some complex but crucial issues, not least the question of a common industrial policy for of innovation and technology.** Will the European Union succeed in developing a common industrial policy in these fields? In other words, are Member States prepared to develop common competitive levers - such as certain technologies or innovations - at European rather than national level? Are they ready to accept that the EU prioritizes the development of certain technologies in certain Member States to build truly European champions? Answering these questions seems to us to be an essential prerequisite for the next European budget, if it is to have an effective impact on the European economy.

Today, the EU has only limited shared competence with the Member States in the field of research and innovation, and industrial policy remains essentially national. This institutional architecture prevents the EU from approaching the development of innovation as a structured and coordinated economic policy on a continental scale, and therefore severely limits the ability to transform the results of European research into growth levers for businesses. This institutional barrier also has a direct impact on the funding resources available at European level. For example, 90% of public R&D funding is managed in an autonomous and uncoordinated way by Member States.

The Startup and Scaleup strategy recently proposed by the Commission calls for ad hoc, rather than systematic, coordination with Member States: this is a first step, but it may not be enough. For its competitiveness, the EU needs a coordinated and strengthened industrial policy in the field of innovation and technology.

**Then there are the questions surrounding the European budget as such**: are Member States prepared to increase their net contribution to the EU budget? Can the EU decide to increase its own resources, even if it means creating new EU-wide taxes? Could a common loan offset the need to finance innovation and technology? How can we create a leverage effect with traditional private players?

1 Mario Draghi (2025). "Turn skepticism into action." Mario Draghi's speech at the Meeting. Rimini Meeting

In the light of future debates on the European budget, and especially on the European Competitiveness Fund, **France Digitale proposes a two-stage action plan:**

## 01

### Committing the European Union to a common European industrial policy on innovation and technology

- Make tech and innovation an economic sector in its own right, in which the EU has genuine competence shared with the Member States
- Reverse the logic of redistribution, and allocate funding to the most promising projects
- Enable business consolidation to create European champions
- Involve traditional pricate industrial and financial players, to create leverage effects
- Introduce a generalized EU preference in public procurement

## 02

### Radically reform the EU budget to better finance innovation

- Increase the share of the EU budget dedicated to tech and innovation
- Change the principle of fund allocation: from geographic redistribution to European champions
- Delegate fund management to independent, expert entities
- Reforming calls for projects: from laboratory to market
- Adapt financing tools to all stages of growth
- Target beneficiaries more effectively: support real innovators
- Reduce bureaucracy and give time back to innovators
- Don't fall for the hype when it comes to prioritizing sectors

Taking these steps towards greater European integration could mark the end of 25 years of falling behind the United States, and halt our loss of competitiveness on a global scale. But this requires far-reaching, complex reforms with structural implications. Reforms that deserve serious study and public debate. The most important thing is that this debate takes place - and that it is not dismissed on grounds that it would be too ambitious or politically unacceptable. Europe has already shown unity and creativity in times of crisis, adopting unprecedented measures. It's time to adopt the same boldness to build our technological future.

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# Committing the European Union to a common European industrial policy on innovation

If we want to create truly European (rather than national) champions, we need a common industrial policy for innovation at European level. European champions are companies of critical size, capable of creating skilled and attractive jobs for Europeans, increasing our weight on global markets, reducing our strategic dependence, and improving our negotiating power in the face of the great powers (USA, China, India, etc.). Only Europe can offer this kind of competitiveness: no single Member State can hope to become a world-class technological player, especially in sectors where network effects dominate, such as digital technology.

**FDecoder**

### The (time and again missed) opportunity for a European industrial policy on innovation

Since the 1970s, European economic policy has oscillated between interventionism by Member States at national level and attempts of cooperation at European level.

Here are a few examples of European industrial cooperation:

- The case of Airbus in the 1970s[2] , whose success is notably due to the strong commitment of a small group of Member States;
- In 2000, the Lisbon Strategy called for the creation of a «European research and innovation area» and an «environment conducive to the creation and development of innovative businesses, particularly SMEs». Four years later, however, the evaluation of this strategy revealed its failure, due to a lack of political will from the Member States and the weakness of the instruments of the Union to achieve the established objectives[3];
- In 2020, the European Commission attempted to relaunch the idea of a European industrial and technological policy[4]. Concrete examples are the

2 Les Echos, Ces 5 dates qui ont fait d'Airbus un géant des airs, 26 septembre 2023
3 Kok, W. (2004). Facing the challenge: the Lisbon Strategy for growth and employment
4 Commission Européenne, Une nouvelle stratégie industrielle pour l'Europe, mars 2021

EuroHPC supercomputer network[5] (one of the few infrastructures genuinely shared between Member States) and attempts at coordination of national AI plans[6]. To date, however, there has been no real coherence of industrial policies in tech and innovation at European level;

- In 2025, the European Commission's Startup and Scaleup strategy[7], proposes ad hoc, rather than systematic, coordination with Member States, despite its otherwise clear vision on the challenges and levers to be activated to strengthen innovation in Europe.

**Why isn't European cooperation more systematic?**

- Firstly, **for institutional reasons**: the development and deployment of industrial policy is, in principle, the responsibility of the Member States. The EU only plays a support role, with no binding legislative powers: it can assist or complement the action of the States, without being able to compel them to adopt any specific measure. In practice, the EU's action is limited to creating a level playing field for business development, for example through competition or state aid rules[8]. This approach is not without controversy: the level of state aid compatible with national industrial ambitions and the limits set by Single Market rules is a subject of constant debate in Brussels.[9]

  Furthermore, the EU cannot really treat research and technological development as an industrial sector, and lacks the powers to coordinate Member States' action in this field[10]. As a result, the EU tends to fund research and innovation in a way that's disconnected from market dynamics and national strategies—mainly because it lacks the ability to implement a real industrial policy to structure the development of this strategic sector.

- **For financial and budgetary reasons:** even if the EU had the ambition to adopt a more interventionist approach, it would be faced with the scarcity of its financial resources: 90% of public support for R&D in the Union still comes from Member States directly[11]. As a result, the economies of scale that the Single Market could offer remain largely under-exploited. Action on innovation financing on a European scale is essential.

- Lastly, **for ecosystemic reasons**: Europe suffers from a lack of dynamism in the private sector, still dominated by large, mid-technology industrial companies. Indeed, European companies invest significantly less in R&D than their American counterparts: 1.2% of GDP on average, compared with 2.3% in the USA[12].

5 The European High Performance Computing Joint Undertaking (EuroHPC JU)
6 European Commission, Coordinated Plan on AI Review (2021).
7 European Commission, EU startup and Scaleup Strategy (2025)
8 Lucazeau, C. (2022). Les politiques économiques en Europe. Thèmes & Débats
9 Financial Times, Brussels split over state aid for clean tech production (2025)
10 Article 4.3 TFUE
11 Financial Times, Brussels split over state aid for clean tech production (2025)
12 Financial Times, Brussels split over state aid for clean tech production (2025)

Implementing such a common industrial policy for innovation would require a quadruple paradigm shift: institutional, economic, competitive and organizational.

## 1. Make tech and innovation an economic sector in its own right, for which the EU has genuine shared competence with the Member States.

**First and foremost, tech and innovation must be recognized as an economic sector in its own right, and competence for this new industrial sector must be genuinely shared**, rather than merely supportive or symbolic, as is the case today. The challenge is to implement a proactive industrial policy to help this sector grow. This would involve a series of economic measures: coordination of national and European funding, introduction of a European preference in public procurement, a more pragmatic interpretation of merger control... All guided by the need to develop European innovation.

This reform should be institutionalized so that it does not remain a dead letter. A revision of the TFEU should be envisaged - a long and complex process. In the meantime, enhanced cooperation between willing States could be encouraged, to demonstrate the concrete benefits of further integration, while maintaining the political pressure needed to drive the process forward.

## 2. Reverse the logic of redistribution to allocate funding to the most promising projects

**It will also be necessary to reconsider the current logic of *redistribution*** (which enables Member States to recover their contribution to the EU budget via European projects) **in order to finance the most promising innovative projects, regardless of their location within the Union.**

To avoid unilateral transfers of wealth between countries (particularly from the poorest to the richest), compensation mechanisms can be put in place, such as :

- Introducing conditionalities for companies benefiting from European funds: operational presence in several countries, creation of jobs across the EU, an obligation to give preferential access to their products and services at advantageous prices to all Member States (particularly to those with no direct benefits from the companies in question), etc. ;
- Strengthen the role of cohesion policy, which is already designed to reduce development gaps (which still exist today) between regions;
- Engage in a more ambitious reflection on a genuine European tax system, which would enable a better redistribution of wealth within the Single Market. This would require further integration, which would be difficult to achieve in the short term, from a political as well as an institutional and economic point of view.

## 3. Enable corporate consolidation to create European champions

**The creation of European champions will require the consolidation of companies within the continent, which will require a review of current competition rules** to authorize such consolidations. The fragmentation of national tech ecosystems has led to the emergence of many competing or complementary startups, which would gain more strength on the Single Market by merging, rather than each running their own separate race to expand across different EU countries.

## 4. Involve industrial policy with traditional private industrial and financial players, to create leverage effects

Europe's productivity gap is partly due to the disengagement of the private sector - particularly traditional industrial sectors - from the digital economy. The Union urgently needs to put in place a set of coordinated measures, at European and national level, to activate two major levers:

- major industrial groups, whose investments in R&D and startup acquisitions remain far below those of their global competitors;
- institutional investors (insurers, pension funds, long-term savings funds), who remain underexposed to European venture capital and technology assets[13] even though they invest in these sectors on the other side of the Atlantic.

Engaging these private actors requires a mix of monetary and non-monetary incentives: conditionality of aid, revision of prudential rules, broader awareness on the performance of the European tech sector, creation of meeting opportunities between stakeholders, institutional recognition of those companies who commit to financing the tech sector, construction of a positive narrative around investment in innovation and more.

## 5. Introduce a generalized EU preference in public procurement

Finding customers is a key objective of any company and its main driver of growth. In this sense, public procurement is one of the most powerful industrial policy tools in the hands of the public sector. By purchasing homegrown technology, public buyers (at all levels: European, national, regional, local) can not only modernize their services, but also support employment, growth and consequently tax revenue in Europe. Moreover, public procurement sends a strong signal to the market that Europe trusts its innovations, which in turn would have positive effects and encourage purchases by private customers and investment by private investors.

Such a preference would not be an obligation, rather, it would be an additional requirement to be taken into account by public buyers alongside other evaluation criteria. While the practical modalities of such a preference need to be discussed more in depth, Europe must urgently seize the opportunity to use this tool, especially in the current uncertain and unstable geopolitical context.

13 France Digitale, Unlocking investments for competitiveness: How can institutional investors boost the European innovation ecosystem? (2024)

02

# Radically reform the EU budget to better finance innovation

Before presenting France Digitale's proposals for reforming the EU's innovation budget, we'd like to take a first look at the efficiency of institutions and the deployment of funds.

## The state of play of EU innovation funding in 2025

Are European institutions and the way EU funds are deployed effective in supporting tech and innovation? What are their strengths and limitations, from the point of view of startups, scaleups and their investors? What needs to be improved to enable Europe to regain global competitiveness?

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### EU financial tools

**The EU has two main levers for financing the real economy:**

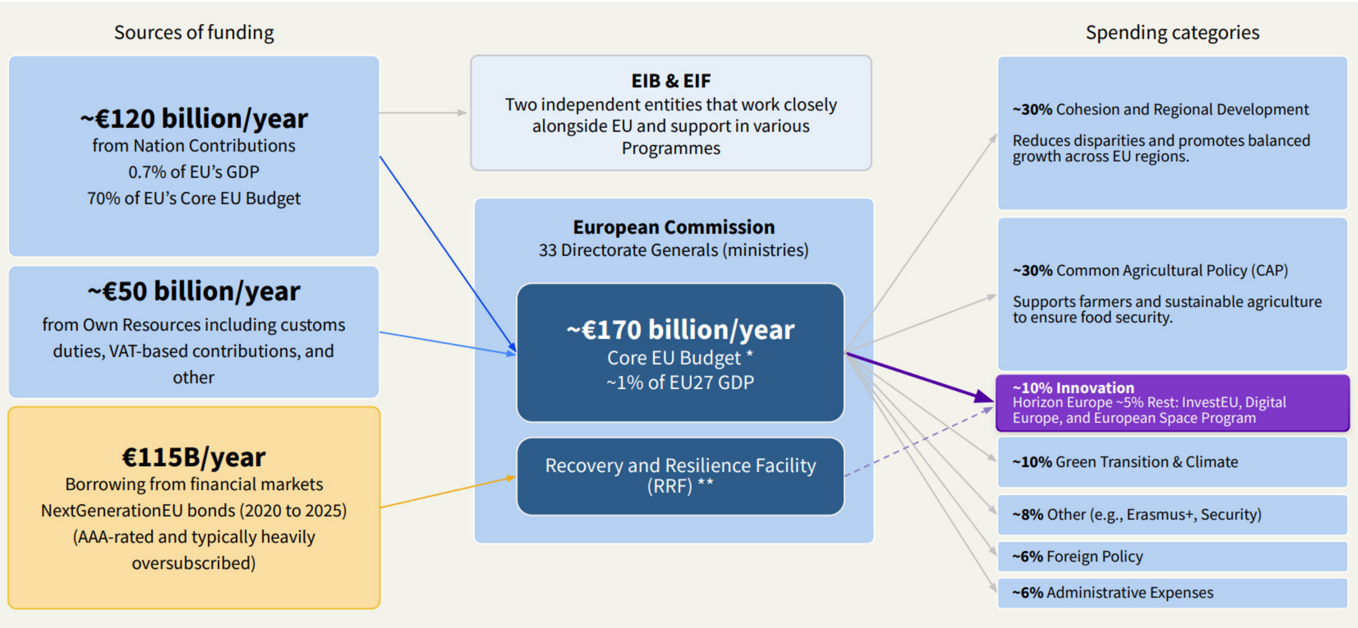
- **the deployment of its budget**[14], drawn up for 5 or even 7 years, and managed by the European Commission (which functions as the EU's executive, administration and, for certain subjects, authority). It is deployed according to the Commission's political priorities (which are, in principle, priorities shared by all Member States);
- **the European Investment Bank (EIB), which includes the European Investment Fund (EIF)**. The EIB is an independent public financial institution (not an administration) whose shareholders are the Member States. While its mandates are defined by the Member States, the deployment of funds is guided by financial, not just political, objectives.

The European Commission and the EIB thus follow different logics: the Commission pursues public policy objectives, while the EIB has a requirement for financial profitability to ensure its positive rating and thus continue to operate effectively on the markets.

14 or, in Brussels jargon, «multiannual financial framework» (MFF)

## First observation: the European budget still benefits startups too little

Innovation in Europe accounts for
**10% of the EU budge**
but **only 5%**
goes directly to startups




*Source : Dealroom, Startups backed by the EU's Framework Programmes, March 2025*

According to a study published by Dealroom in March 2025[15], **innovation takes up almost 10% of the EU budget**. The EU has allocated nearly 225 billion euros in the last three "framework programs" to finance innovation and research, **but only 5% of these funds have been deployed directly to startups**.

These framework programs (such as Horizon Europe, Digital Europe, Erasmus+...), which are managed directly by the European Commission or its entities, such as the European Innovation Council (EIC)[16], impose **significant administrative burdens, particularly for collaborative projects, without necessarily leading to real economic performance**. A study published by Bocconi University in June 2025[17] demonstrated that the obligation to cooperate in European projects has no impact on the long-term growth of beneficiaries. There may be several reasons for this: forced collaborations do not create real synergies; a significant portion of funds are redirected to consultancy services; funds are concentrated in the hands of regular beneficiaries (i.e. large companies). The startups we interviewed confirm that, while in theory any entity can lead a consortium, in practice, this role often falls to the larger, better-equipped companies, universities or institutions, which thus capture a large share of the budgets. As for collaborations, they are more useful for expanding one's network than to produce genuine innovation.

15 Dealroom, Startups backed by the EU's Framework Programmes, March 2025
16 France Digitale, Mapping European funding programs
17 Fuest, C. and D. Gros, et al. (2025), Funding Ideas, Not Companies: Rethinking EU Innovation Policy from the Bottom Up, Institute for European Policymaking & EconPol/ifo Institute.

**What's more, funds are deployed for the most part in the form of grants, which are inadequate to keep up with the evolution of projects and the growth of companies**. While grants provide additional liquidity at the seed stage and are helpful to finance R&D activities, they lose their relevance when companies consolidate their products and need to finance their growth[18]. Indeed, the link between R&D and commercialization (e.g., among objectives and desired results) is often absent in these projects. More effort is demanded on reporting than on the positive impact of the projects, such as ensuring the adoption or re-use of project results. Moreover, project contracts allow very little flexibility to adjust the project roadmap, even though, in innovation, companies often have to adapt their approach to find the most effective solution.

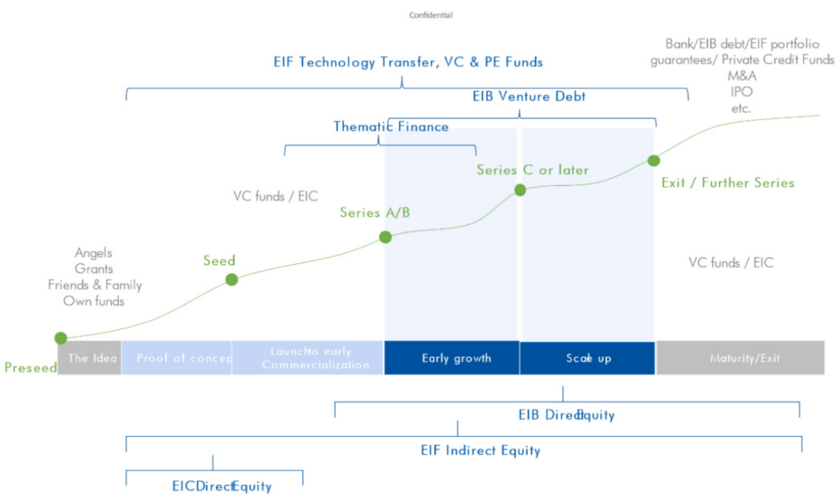
## Second observation: the EIB and EIF play a key role for investors

Among the priorities of the European Investment Bank (EIB) is the acceleration of the digital transformation and the deployment of the value chain of new technologies[19].

The EIB has several instruments at its disposal, depending on the company's growth stage or the sector in which it operates: loans, guarantees, equity financing and fund-of-funds financing. It acts in cooperation with the EIF, and intervenes in the real economy either directly or indirectly.

It can also combine these funds with those from the European budget to maximize leverage with private investors: this is the case, for example, of the InvestEU program and its predecessor, the European Fund for Strategic Investments (EFSI).

**Figure 1 – Financement des entreprises innovantes tout au long du cycle de croissance**




*Source :* EIB Group Strategic Roadmap 2024-2027

18 France Digitale, Our ambition for the next EU budget, 2025
19 EIB Group Strategic Roadmap 2024-2027

**FDecoder**

### How does the EIB budget work?

The EIB's own resources are the capital provided by its shareholders (the 27 Member States). Each contributes according to its economic weight within the Union, measured by GDP at the time of accession. In 2024, France held 19% of the EIB[20] and was its main beneficiary.[21]

External resources (which are the majority) are raised by issuing bonds on international markets. In 2024, the EIB borrowed €63.4 billion. For 2025, it has an authorization to borrow up to €65 billion. This financing is facilitated by the institution's Triple A rating.

This means that the European economy can be financed without increasing Member States' national contributions - an interesting model for Member States that need to reduce public spending, such as France or Romania.

**How the EIB finances innovation in practice:**

- When it comes to startups, the EIB's mainly finances large-scale industrial projects, such as Verkor (for an electric batteries gigafactory[22]) or SiPearl (for the development of a low-power microprocessor[23]);
- **The impact is greater for venture capital funds (VCs), which benefit from EIB financing via the EIF**. In fact, funds from the EIF account for up to 20% of assets under management in almost one in 3 French VCs[24]. As a fund-of-funds investor, the EIF plays a role of «cornerstone investor» for the majority of European VCs: it creates a real leverage effect to attract other Limited Partners (LPs). However, this support is not automatic. The EIF is a demanding investor: its due diligence processes can last up to 18 months, with extensive reporting. It also imposes investment priorities aligned with public policy objectives, which are often narrower than VCs' investment theses. Finally, it limits secondary investments (buyouts of shares of early investors by late-stage growth investors), even though this practice is key to offering liquidity to those who took the first risks.

20 EIB, Le référentiel des financements des entreprises, Banque de France, 2021
21 EIB Group invested 12.6 billion euros in France in 2024 in support of growth, green transition and innovation, Février 2025
22 EIB, A French gigafactory for batteries for electric vehicles, juillet 2024
23 EIB, France : SiPearl - 1st Series A closing with €90m of financing to launch Rhea, the low-power microprocessor dedicated to HPC1, avril 2023
24 France Digitale x EY 2024 barometer on the economic and social performance of French startups and venture capital funds, septembre 2024

## France Digitale's proposals for a reform of the European budget to finance a common industrial policy for innovation

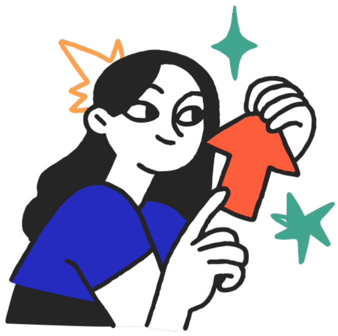
France Digitale calls for a radical reform of the European budget to fund the common industrial policy on tech and innovation. In particular:

### 1. Increase the share of the European budget dedicated to tech and innovation

How can we increase the overall budget dedicated to innovation?

- **An increase in direct contributions from Member States**, the main source of the EU budget. Each member state currently contributes 1.11% of its gross national income (GNI). Increasing GNI contributions is a source of division between the «frugal» countries, the beneficiaries of cohesion funds or those who, like France, advocate greater European integration, without - in France's case - really having any budgetary leeway to increase their contribution. This option could be supported in the name of the strategic importance of the subject - as it's the case for the Common Agricultural Policy (CAP) since the 1960s;
- **An increase in the EU's «own resources»** (customs duties, VAT, plastic resources, etc.), with the risk of this being either too marginal, or offset by a reduction in GNI contributions;
- **Setting up a common loan**: during the Covid-19 pandemic, the EU overcame the limitations of the first two options by launching an unprecedented common loan of 750 billion euros to finance the Next Generation EU plan. However, this debt will have to be repaid under the next EU budget... ;
- **Setting up a common fund dedicated to a project of strategic European interest**. This should be based on the Airbus model, rather than on the Important Project of Common European Interest (IPCEI) model, which is heavily regulated[25] and has yet to produce results;
- **A rebalancing of the internal priorities of the European budget, without any net increase** - which, in practice, would mean reducing the resources allocated to other policies, and would therefore be socially unacceptable - this option is not favored by France Digitale.

Whatever the modalities, it is difficult to justify an increase in the resources of the European budget without an improvement in its performance. That's why this reform must go hand in hand with a thorough overhaul of the way things currently work.



25 Important Projects of Common European Interest, A European Industrial policy tool - Les Thémas de la DGE, n. 17 (2024). Ministère de l'Economie

**FDecoder**

### Is an EU corporate tax really a good idea?

In its draft budget, the Commission proposes a mix of these measures: higher direct contributions, new own resources (such as a tobacco levy or an increased travel authorisation fee for visa-exempt travellers) and a new tax, the Corporate Resource for Europe (CORE). While we support the idea of diversifying funding sources and welcome the courage to put taxation on the table, we must raise a note of caution on CORE.

CORE would apply to all companies selling in the EU and making a net annual turnover of at least 100 million euros. This would capture several fast-growing European companies, including scaleups, undermining the objective of boosting their competitiveness. If such a tax is introduced, it should be offset by a reduction at national level or another form of relief. Alternatively, it could be restricted to very large corporations, using thresholds already established in EU law (such as in the Corporate Sustainability Due Diligence Directive: 1,000 employees and 450 million euros turnover), ensuring startups and SMEs are excluded not only "in principle", but in practice.

## 2. Changing the principle of fund allocation: from geographic redistribution to European champions

Today, Member States contribute to the European budget only to the extent that they can expect an equivalent return[26]. This logic of national redistribution should give way to a logic of **support for the most promising projects - whatever their country of origin - with a view to collective competitiveness, through the creation of European champions**.

Transnational collaborations should be encouraged when they correspond to a real project logic, but not imposed mechanically to satisfy geographical balances. Technological synergies, not political compromises, should guide allocation choices.

## 3. Delegate fund management to independent, expert entities

For greater efficiency, **fund management should be entrusted to independent institutions with scientific and financial expertise, following the model of the EIB and the EIF.**

The European Innovation Council (EIC) could play this role, provided it acquires real autonomy from the Commission. Indeed, in most Member States, innovation funds are not managed by central administrations, but by specialized entities (in France, for example, it's the case of Bpifrance, Caisse des Dépôts...). Europe should follow suit.

26 Lucazeau, C. (2022). Les politiques économiques en Europe. Thèmes & Débats

## 4. Reforming calls for projects: from laboratory to market

Calls for projects should be defined and evaluated by scientific and industry experts, in direct relation to major technological challenges. Apart from fundamental research - whose independence must be preserved - applied projects should also be assessed on their potential for valorization or reuse by companies.

Flexibility should be granted on the execution of project roadmaps to adapt to the short cycles of innovation, as long as the expected outcomes are achieved. The success of a project should be measured by its real impact on innovation - new discoveries, methods, concrete applications - and not by the quality of its administrative reporting.

## 5. Adapt financing tools to all stages of growth

Grants currently dominate European funding schemes. Yet this type of funding is not always suited to stimulating the commitment of founders, teams and investors. **The EU needs to broaden the range of instruments available: debt, guarantees, equity - in particular through the EIB and the EIF.**

Another underexploited financing instrument is public procurement. **Ambitious public procurement**, including on a European scale, would be a **powerful lever for growth**, as is the case for major companies in the United States in sectors such as cloud[27] and space[28].

## 6. Target beneficiaries more effectively: support real innovators

Too much of today's funding is captured by large, established groups, who often produce only incremental innovation[29]. To maximize impact, funds should be **channeled more towards innovative SMEs and startups**. We need to ensure that those who take the greatest risks and advance the technological frontiers are the ones who benefit from public support.

## 7. Cut red tape and give time back to innovators

Red tape before, during and after the execution of projects is a source of inefficiency. It diverts technical talent towards bureaucratic tasks and encourages massive recourse to consulting firms, which in turn leads to fund capturing without generating innovation. Red tape also favors players who are used to applying to and winning calls for projects rather than new entrants. If Europe wants to attract the best talent, it must give them direct access to the means to innovate.

27 Reuters (2022). Pentagon splits $9 billion cloud contract among Google, Amazon, Oracle and Microsoft
28 NASA (2014). NASA Chooses American Companies to Transport U.S. Astronauts to International Space Station
29 Fuest, C. and D. Gros, et al. (2025), Funding Ideas, Not Companies: Rethinking EU Innovation Policy from the Bottom Up, Institute for European Policymaking & EconPol/ifo Institute.

## 8. Don't fall for the hype when it comes to prioritizing sectors

The tech sector is particularly sensitive to media-driven hype cycles: generative and agentic AI are the most recent examples. Added to this are geopolitical priorities - for example, the heightened interest in defense or dual-use technologies in the current context of war. These fields must of course be supported, but without overshadowing other essential long-term priorities, such as energy, healthcare or the ecological transition.

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### Will the European Competitiveness Fund fix these issues?

In its proposed European Competitiveness Fund (ECF), the Commission makes partial progress on the issues at stake.

The fund covers a wide range of sectors beyond defense—such as digital, biotech, health, and decarbonation—though spending levels vary significantly. Financial instruments are expanded beyond grants, but this diversification is confined to a single programme (InvestEU). Meanwhile, EU preference in public and pre-commercial procurement remains confined to sovereign sectors (cybersecurity, resilience, defense, and space), even though extending it to other strategic areas—such as digital, where Europe's reliance on foreign technology directly threatens its autonomy—is urgently needed.

The ECF also promises more calls dedicated to startups and SMEs, yet there is no mechanism to ensure that recurrent beneficiaries deliver substantial contributions to innovation. Administrative burdens are said to be reduced, but many simplification measures remain optional or limited to exceptional cases.

More importantly, several structural flaws remain unresolved. The distribution logic has not been replaced by a preference for EU champions. Indeed, vaguely defined "EU Tech Frontrunners" may propose projects independently of Commission calls, but only via "industry-driven consortia" – without any real guarantee of synergies.

Flexibility in project execution also remains limited. Although funds would be allocated on the basis of deliverables rather than costs, this approach risks falling short when deliverables evolve in response to changes in the project roadmap. A genuine assessment of projects based on actual results is therefore still lacking.

The link between research and market uptake also stays weak. The ECF requires certain projects to include a "research and innovation" component, but it is unclear whether this is matched by a "commercial exploitation" component in research-heavy projects. This disconnect is reinforced by the parallel set-up of Horizon Europe, the Commission's flagship programme for research and innovation. Horizon and the ECF will operate separately, with only one of Horizon's four pillars (Competitiveness and Society) linked to the ECF. Strikingly, the other pillars—including "Excellent Science" and "Innovation" (home of the European Innovation Council, a popular financing instrument with deeptech startups and scaleups)—remain disconnected. **How is the lab-to-market bridge supposed to be built if the EU's flagship innovation body (the EIC) is excluded from the ECF?**

Another structural issue concerns governance. Aside from InvestEU (entrusted to the EIB) and space funding (entrusted to the European Space Agency), the budgets of both the ECF and Horizon—including the EIC—remain directly managed by the Commission. While independent experts may evaluate projects, the Commission retains overall control of fund management, despite lacking strong financial and scientific expertise. This is particularly worrying given repeated warnings about its chronic understaffing[30], even in core tasks such as enforcing EU law[31].

For all these reasons, we call for the ECF—and the Horizon Europe regulation—to be democratically amended and strengthened by the European Parliament and the Council. Only then can Europe secure a budget that truly boosts the competitiveness of its economy.

30 COM_2025_570_1 - Commission Communication on A dynamic EU budget for the priorities of the future – The Multiannual Financial Framework 2028-2034
31 Compte, J. (2025). 'Grossly understaffed' EU competition enforcers must prioritize, Guersent says. Mlex

**About France Digitale** | **www.francedigitale.org**

Founded in 2012, France Digitale is Europe's largest startup association, with more than 2,000 French startups, incubators, accelerators and investors. The association's mission is to help European tech champions emerge by federating and raising the voice of those who innovate to change the world.

**Methodology**

This study was carried out on the basis of desktop research, discussions with economists and qualitative interviews with some 40 French and European companies (startups, scaleups, venture capital firms, incubators).

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