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Proposal for a Long-Term EU Sovereign Tech Fund

The EU has the opportunity to strengthen digital sovereignty and competitiveness by investing strategically in open source software (OSS). Supporting OSS will reduce reliance on proprietary technologies, attract top IT talent, and boost innovation across the continent.

Therefore, forCrowd endorses OpenForum Europe (OFE)'s proposal for an "EU Sovereign Tech Fund (EU-STF)," with additional remarks on how the fund should be positioned for the long term.

While the OFE proposal is an excellent start, we strongly recommend emphasizing Europe's digital dependency on proprietary solutions and using the fund to transition to open source solutions gradually.

The Free Rider Problem

The OSS ecosystem is systematically underfunded due to a coordination failure known as the "free rider problem," where individual users benefit from freely available software without contributing back.

It is critical to note that the issue doesn't discriminate and applies to any free and open source software. Following Germany's example with its Sovereign Tech Agency, the EU-SFT could prioritize "critical infrastructure" in the initial phase. However, the fund should cover all software solutions in the subsequent phases.

Long-Term Strategy

As a long-term strategy, we therefore recommend using the fund to increase the production of all OSS, including end-user applications:

Expand the open tech ecosystem: Next to existing open source initiatives, invite all software and tech companies to participate in the open tech ecosystem and enable them to generate revenue through the fund. Companies producing commercial applications can be encouraged to create an open source, potentially a lighter version, of their proprietary solution.

EU as an open source hub: Similarly, use the fund to attract non-EU IT companies and talent to the EU with a clear message: "Build your open tech business in the EU, pay your taxes here, and we will finance your work."

Maximize sovereignty and innovation: Gradually replace proprietary solutions with OSS to achieve complete digital sovereignty and boost tech-related business activities by maximizing innovation.

Mapping Software Dependencies

Periodically mapping the software dependencies is imperative for the EU-STF to be effective. An EU-wide software inventory should be used as a benchmark for the fund to determine its effectiveness in transitioning from closed to open technologies. It would also be a key component in identifying potential bottlenecks for cybersecurity threats.

The Fund Details

Regarding the fund itself, we recommend that the following details be considered:

Data-driven distribution: One-time grants with manual application and review process would have a limited impact. Instead, a data-driven funding mechanism can incentivize broader participation and achieve scalability.

The fund should be distributed periodically to all software and tech companies that build OSS in the form of direct income. The primary metrics should be the "usage" information (how many European organizations rely on that particular OSS) and the "solution complexity."

The goal should be to establish an EU-wide open tech market: set clear rules on receiving funding, keep the fund impartial, and let the companies compete for resources by creating high-quality, secure, and widely used open source solutions.

Fund size and revenue: The fund size should be relative to the size of the software industry or spending, rather than a fixed figure, for OSS to be competitive enough.

To achieve this, consider proposing a gradual fiscal mechanism, an "Open Source Tax", to the Member States: a value-added tax adjustment on sales of proprietary software and services.

The tax could be increased gradually (e.g., 1% in the first year, 2% in the second year, etc.) to make building OSS more attractive by channeling more resources through the fund.

The increased tax should be considered a counterpart to the reduced software license fees and a way to shift resources from proprietary to open source solutions.

Long-term commitment: Set an operating period for the fund (e.g., the next five years) and annually extend it to ensure the businesses can rely on this income.

EU-Only: The EU-STF should primarily finance the EU open tech solutions and have limited support outside the EU. Instead:
- Invite initiatives outside the EU to relocate to the EU and help grow the EU's open technology ecosystem.
- Or invite other countries to establish their STFs and support increasing global funding and expanding the open technology market.

Open process: Follow open source principles and keep data and processes transparent and open. How many solutions does the EU-STF finance, how does the decision-making process work, and how much does each OSS receive? Allow other parties, the private sector, or other countries to inspect, contribute, and replicate the process.

Conclusion

Establishing a well-designed EU-wide fund with a long-term strategy is essential for the EU to address its digital sovereignty concerns, turn the EU into an open source hub, and maximize innovation and economic activity in the tech sector. A fund that operates by adopting open source principles can become a blueprint for other countries to follow and lead to creating a global open tech market.

Thank you for considering our suggestions. If you need any additional information, please do not hesitate to contact us. We look forward to working with EU institutions, OSS initiatives, and relevant stakeholders to bring this vision to life.

Serkan Holat
forCrowd - Software, Consultancy & Research
Email: contact@forcrowd.org
Website: https://forcrowd.org
Address: Keurenplein 4, Box A3230, 1069CD Amsterdam, Netherlands