SWEDISH INCUBATORS
& SCIENCE PARKS

Input for the Open Call on the Savings and Investment Union (SIU)

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This submission highlights actionable measures to bridge the gap between savings and investments, increase private sector participation, and ensure harmonized financial market regulations across the EU, from a Swedish perspective.

1. Mobilize savings more effectively

The EU's significant savings-investment mismatch – where citizens' wealth is largely held in low-yield deposits (31.01%) instead of productive investments – must be addressed by:

Encouraging retail investment participation through:

- Simple, low-cost investment products (modeled after Sweden's Investment Savings Account (ISK)).
- Tax incentives that encourage long-term capital investments.
- Financial literacy programs to educate citizens on investment opportunities – leveraging best practices from the Netherlands, Finland, Denmark, Estonia, Slovenia, and Sweden.

2. Use pension funds to invest in innovation

Swedish pension funds can be leveraged to invest in innovative startups through strategic reforms and targeted investment mandates, but the model is not sufficiently utilized for its intended purpose. The EU should provide incentives to ensure broader adoption of the model across all member states.

Proposal for adjusting pension fund regulations

- Modify investment rules for AP funds to allow a larger share of capital to be allocated to venture capital (VC) and growth companies.
- Establish clearer guidelines and incentives for pension funds to invest in innovative and sustainable sectors.
- Introduce state-supported innovation funds, or a pan-European one, where pension funds can co-invest with private actors in deep tech, AI, and climate technology.

Example from Sweden: AP funds currently have limited investment mandates for unlisted companies. With a well-structured reform, a portion of pension capital could be allocated to VC funds, increasing capital flow to startups.

Lessons from other countries:

- **France**: Bpifrance successfully manages public-private investments in startups using pension capital.
- **Denmark**: ATP has successfully invested in tech startups through partnerships with VC funds.

Introduce tax incentives for pension funds Investing in Innovation

- Implement tax benefits for pension companies that invest in startups, similar to those available for venture capital firms.
- A system where long-term investments in innovation-driven companies are rewarded could create a stable financing source for startups.

Allowing a Higher Share of Unlisted Investments in the Premium Pension System (PPM)

- Allow pension savers to choose funds focused on innovation and growth companies.
- Create innovation-focused funds within the PPM system that allocate a portion of capital to VC and startups.

Best practice example: Canadian pension funds, such as CPP Investments, allocate a higher share to venture capital and private equity, which has provided stable long-term returns.

And finally: Ensure that European pension funds invest in **European innovation** – not American or Asian!

3. Expand access to capital for young and innovative companies

- Institutional investors must be incentivized to allocate more funds to startups and SMEs. Current investment mandates should allow higher-risk allocations with proper portfolio risk management.
- Expanding the investment mandate and budgets of incubators, accelerators, and university venture arms can provide a stronger foundation for startup growth.
- Encouraging cross-border joint investments in strategic European sectors (e.g., deep tech, AI, clean energy).
- Simplifying foreign direct investment (FDI) procedures to remove barriers that hinder private equity and venture capital investments across EU borders.
- Regulatory reforms should enable corporate governance structures such as multiple voting share models, similar to those used in the U.S., to maintain founder control while attracting institutional capital.

Example from Sweden: Swedish insurance companies hold 50% of their portfolios in stocks, compared to an EU-27 average of 27%. This is largely due to long-term pension reforms that encouraged higher-risk equity investments – a model that could be replicated in other EU countries (Indicator 12 in CMU Progress Monitoring).

4. Strengthen market integration and reduce cross-border investment barriers

- Create a light-touch regulatory framework for SMEs and startups, ensuring simplified EU-wide compliance instead of fragmented, country-specific regulations.
- Address cross-border barriers in taxation, licensing, and supervision, which currently hinder free capital movement and scaling of businesses within the EU.
- Streamline dividend and withholding tax procedures to create a more investor-friendly environment, facilitating more efficient reinvestment across EU capital markets.

5. Improve supervision and regulatory harmonization

- Ensure consistent implementation of EU financial regulations across member states.
- Avoid "gold-plating" (excessive national additions to EU directives), which creates unnecessary complexity in investment markets.
- Strengthen European Securities and Markets Authority (ESMA) oversight to enforce equal treatment of investors and companies across jurisdictions.

Examples from Sweden and Denmark:

- **Sweden:** Strict reporting rules, mandatory notifications, and high financial penalties for non-compliance.
- **Denmark:** No fines if a company realizes post-factum that it should have reported an investment.

What this means: Diverging interpretations of EU regulations create an uneven playing field, where companies in some countries face higher compliance costs and competitive disadvantages.

6. Leverage public investment to unlock private capital

- Public investment should serve as a de-risking mechanism to attract private sector funding in key innovation sectors.
- Learn from models like ALMI Invest (Sweden), Bpifrance (France), and High-Tech Gründerfonds (Germany) to develop blended finance strategies that complement venture capital and institutional investments.
- Encourage EU-funded initiatives (such as EIC Accelerator and Horizon Europe) to scale promising deep-tech companies.

Conclusion: Actionable steps for the SIU

To advance the European Savings and Investment Union (SIU) and boost Europe's capital markets, we recommend that the EU:

- Expand tax-efficient investment schemes to encourage long-term citizen participation in capital markets.
- Ease investment restrictions so that pension funds can allocate more capital to unlisted startups and growth companies.
- Create national innovation funds, or/and a pan-European one, where pension capital is co-invested with private actors.
- Introduce tax incentives for pension funds investing in innovation.
- Make the premium pension system (PPM) more startup-friendly by enabling innovation-focused funds.
- Strengthen institutional investment frameworks to direct capital toward SMEs and innovation-driven firms.
- Reduce cross-border regulatory barriers and improve market integration to facilitate EU-wide investments.
- Ensure consistent supervision and regulatory enforcement across all member states.
- Use public investment to de-risk and catalyze private sector involvement in key industries.
- Ensure that European pension funds invest in European innovation – not American or Asian!

By implementing these measures, the EU can unlock significant private savings, foster long-term economic growth, and ensure that European capital markets remain competitive in a global investment landscape.