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**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN  
PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL  
COMMITTEE AND THE COMMITTEE OF THE REGIONS**

**The EU Startup and Scaleup Strategy**

**Choose Europe to start and scale**

Agence Europe

## INTRODUCTION

### *Context*

**The Competitiveness Compass<sup>1</sup> establishes competitiveness as one of the EU's overarching principles for action.** Based on the Draghi Report's three transformational imperatives to boost competitiveness - innovation, decarbonisation and resilience -, it calls on the EU to restart a virtuous innovation cycle. Recognising that starting and scaling up innovative companies in Europe is currently hindered by a number of challenges, it identifies the EU Startup and Scaleup Strategy as one of its flagship actions, delivering together with the Single Market Strategy<sup>2</sup>, the Savings and Investments Union<sup>3</sup>, and the Union of Skills.<sup>4</sup>

**European startups and scaleups are strategic drivers of the EU's competitiveness.** They stand as pivotal actors in enhancing our role in the global market, accelerating innovation<sup>5</sup>, creativity and sustainable growth. Their added value is also evidenced by the creation of 3 million jobs in the past decade by tech startups, with a total workforce of 3.5 million in 2024.<sup>6</sup> Europe is home to 35 000+ early-stage companies, with additional 3400 tech companies in their growth stage.

**A thriving startup and scaleups ecosystem plays a key role in economic growth by increasing productivity, creating quality jobs and attracting investments.** It adds value finding new, better approaches to solving client issues, targeting niche or emerging markets and addressing problems not tackled by larger companies. When successful, they often become engines of disruptive innovation and create new markets where the EU can take global leadership. They also stimulate innovation in larger, established companies through collaboration, competition and acquisition. In this way, European startups and scaleups strengthen the EU's industrial capacity and productivity and help reduce dependencies in key sectors and technologies. They are therefore **instrumental in boosting the EU's strategic autonomy.**

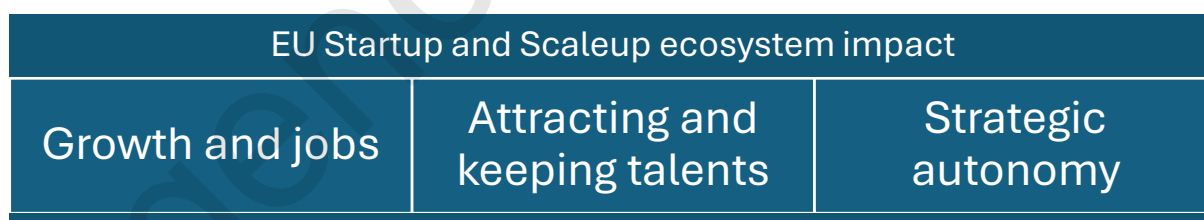


Figure 1: The EU Startup and Scaleup ecosystem impact

1 [https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34\\_en](https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en)

2 Add link once adopted

3 [https://finance.ec.europa.eu/document/download/13085856-09c8-4040-918e-890a1ed7dbf2\\_en?filename=250319-communication-savings-investments-union\\_en.pdf](https://finance.ec.europa.eu/document/download/13085856-09c8-4040-918e-890a1ed7dbf2_en?filename=250319-communication-savings-investments-union_en.pdf)

4 [https://employment-social-affairs.ec.europa.eu/document/download/915b147d-c5af-44bb-9820-c252d872fd31\\_en?filename=Communication%20-%20Union%20of%20Skills.pdf](https://employment-social-affairs.ec.europa.eu/document/download/915b147d-c5af-44bb-9820-c252d872fd31_en?filename=Communication%20-%20Union%20of%20Skills.pdf)

<sup>5</sup> In 2019, 65% of high-growth startups and 58% of other startups in the EU28 reported to have developed new-to-the-world innovations, against 15% of SMEs.

<sup>6</sup> Atomico (2024), State of the European Tech 2024.

## *Solid foundations*

**Startups and scaleups can count on solid foundations to grow in Europe.**

**The EU is a powerful global economic force, with high potential for innovation, high stock of capital in savings, a leading position in research and innovation and a single market of nearly 450 million consumers.** There has been a steady rise in tech entrepreneurship, with more startups launched annually than in the US and a fourfold increase in early-stage companies since 2015.<sup>7</sup> Returns from European venture capital funds are now broadly on par with, and in some cases outperform, their US peers.

**The EU has a highly skilled work force and talent** to build on. We have among the best education systems in the world, with and leading universities and research institutions that bring highly qualified young people to the labour market every year.

**Democratic institutions, the respect for the rule of law and the stability of the EU regulatory system** provide certainty for European startups and scaleups, as well as investors both within and outside the EU.

**Policies both at the EU and at national level have also supported startups and scaleups in the past years.**<sup>8</sup> For example, the **European Innovation Council** was launched in 2018 with a budget of EUR 10.1 billion, to support game changing innovations throughout the lifecycle from early-stage research to proof of concept, technology transfer, and the financing and scaleup of innovative startups and SMEs. Today the EIC is the biggest deep tech venture capital fund in the EU, aiming to raise up to EUR 20 billion in investments in startups by 2027.

## *Remaining challenges*

**Despite the solid foundations and supportive measures, more needs to be done.** The European startup and scaleup landscape remains fragmented, with notable regional imbalances. The Draghi<sup>9</sup> and Letta<sup>10</sup> reports have highlighted its structural limitations. In particular, they pointed out to Europe's persisting difficulties in translating research into marketable products, lacking scale due to incomplete Single Market, regulatory fragmentation and insufficient use of public procurement.

In a context of intensified global competition, the **lack of a fully integrated Single Market, including for capital, the lower investor risk appetite and the regulatory hurdles** remain key barriers to Europe's tech ambitions, making it difficult for startups to scale effectively compared to their counterparts in the US or China. Furthermore, European companies are facing **significant skills shortages** and global competition for talent is fierce. On average, 53% of European micro-companies consider finding people with the right skills one of their most pressing problems to solve, followed by administrative burdens<sup>11</sup>.

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<sup>7</sup> Dealroom – Accelerating Europe report, 2025

<sup>8</sup> European Commission - Europe's next leaders: the Start-up and Scale-up Initiative, COM(2016) 733 final, 22 November 2015; the Startup Europe initiative (<https://digital-strategy.ec.europa.eu/en/policies/startup-europe>); the creation of the Europe Startup Nation Alliance (ESNA) in 2021 (<https://esnalliance.eu/>)

<sup>9</sup> Mario Draghi, 'The future of European competitiveness: Report by Mario Draghi', 2024. [https://commission.europa.eu/topics/eu-competitiveness/draghi-report\\_en](https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en)

<sup>10</sup> Enrico Letta, 'Much more than a market – Speed, Security, Solidarity - Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens,' 2024. [Enrico Letta's Report on the Future of the Single Market - European Commission](#)

<sup>11</sup> Identified as one of the most serious problems by 34% of respondents to a 2023 Eurobarometer survey related to SMEs and skills shortages.

**European innovations and innovative companies often continue to face two so-called ‘valleys of death’.** First, innovations frequently fail before becoming a marketable product or service and, second, companies find it difficult to successfully pass the growth stage.

**The second ‘valley of death’ affects European companies particularly heavily.** As a result, between 2008 and 2021, close to 30% of the “unicorns” founded in Europe – startups growing to the value of USD 1 billion or more – relocated their headquarters to third countries, with the vast majority moving to the US. Europe **needs to do more to keep high potential scaleups.** Around 60% of all global scaleups are based in North America, in contrast with only 8% in the EU. Similarly, the EU has very few and still relatively small listed (or unlisted) technology champions, compared to big technology dominance in US stock markets and risks losing the growth race in some strategic technologies, such as cleantech, to China.

#### *The EU Startup and Scaleup Strategy*

**The EU Startup and Scaleup Strategy aims to position the EU as the best place in the world to start and scale global technology-driven companies.** It aims to help innovators, founders and investors to Choose Europe. It will do so by improving the framework conditions for European startups and scaleups, allowing them to make most of the new opportunities created by the current geopolitical context and limiting the incentives to relocate outside the EU. This will be particularly relevant for highly innovative sectors such as life sciences (including biotech), artificial intelligence, semiconductors, quantum computing, clean technologies, advanced and raw materials and defence technologies.

**Achieving this vision requires a structural shift of the European economy towards more entrepreneurial and innovative model,** characterised by increased investments into new product development, services and business models, agile and flexible markets, and a regulatory environment conducive to innovation and investment. The Strategy should lead to a dynamic European ecosystem that welcomes audacity of vision and calculated risk-taking from the innovators, and where failure is considered an integral and necessary component of progress. Ultimately, the Strategy aims to be the catalyst for a mindset change, and to drive structural policy and regulatory changes in Member States and the EU as a whole. The Commission intends to lead by example.

**The Strategy sets out legislative, policy and financial support measures to be adopted by public and private actors, both at EU and Member States level, in support of European startups and scaleups.**

**It is structured according to different needs** that an innovative company may face through its lifecycle, from starting up in the EU, through scaling up in the EU and beyond to maturing and succeeding in the EU: 1) simple and harmonised regulation, 2) increased finance, 3) fast market expansion, 4) support for the best talent and 5) access to infrastructure, networks and services. Finally, a sixth section sets out actions to measure the success of the Strategy through key performance indicators. The Strategy is accompanied by a Staff Working Document.

**This Strategy is closely linked to other measures of the Commission to improve conditions for European companies,** in particular the Single Market Strategy. Improving access to the vast European market has a huge potential to stimulate innovation by opening up opportunities for startups and scaleups as well as by offering a sound competitive environment.

## 1. SIMPLE AND HARMONISED REGULATION

**The EU has long been recognised for its leadership in regulatory standards.** The stability and predictability of the EU regulatory framework is viewed positively by non-EU investors, who often see it as a source of safety and trust within the single market. However, the EU and the Member States must become more agile and adaptive to ensure competitiveness, to continue setting the rules relevant for global technologies, and to lead the development and scaling up of the innovations that will shape the 21<sup>st</sup> century. The efforts that the Commission is taking to simplify the administrative burden by 25% for companies and by 35% for SMEs, under a number of Omnibus and other initiatives, are already contributing to this agility. Furthermore, the Commission will deliver on the actions set out in the **Single Market Strategy**<sup>12</sup> addressing fragmentation and removing obstacles to the free movement of goods and services.

**However, the EU's competitive potential is often undermined by internal regulatory fragmentation across Member States.** Investors must grapple with different national legal systems, in particular in the areas of company law, securities law, taxation and foreign direct investment restrictions. This complex landscape serves as a deterrent to potential investors and limits the flow of capital necessary for fostering innovation and economic growth.

In particular, **establishing a business is often still a complicated and burdensome endeavour in the EU.** Entrepreneurs who want to set up companies in different countries across the EU, need to adopt in each country a company form governed by that country's national law. Many stakeholders call for EU level solutions, which would offer more digital, easier and quicker procedures in a single language for setting up and investing in companies.<sup>13</sup>

**Member States' regulatory agility to deal with new technologies across sectors remains limited.** In some cases, existing regulatory regimes may not accommodate disruptive innovative products or services and there may be uncertainty as to how innovations will be regulated or fit under existing regulatory regimes. In other cases, though the regulatory framework may be fit for purpose, it is too complex or costly for startups and their funders to comply with. Therefore, there is urgent need to improve the quality, speed and efficiency of regulatory delivery to provide confidence to investors and help early-stage businesses manage risks, while ensuring the necessary safeguards.

**Regulatory sandboxes provide startups with clearer regulations, easier market access, and funding opportunities, while promoting collaboration with authorities and knowledge sharing.** They are crucial for disruptive innovators lacking legal expertise, allowing them to adjust products to meet compliance before full regulation applies. Sandboxes also build trust with regulators, which is of key importance for attracting institutional investors and pension funds, and enables startups to learn from experienced participants. Regulatory sandboxes can have a considerable economic impact. In the fintech sector, studies confirmed their overall positive influence on the growth of venture investment.<sup>14</sup> More specifically, over 60% of startups that participated in sandboxes managed to attract investment within the first six months of their trials<sup>15</sup> and participation in sandboxes increased by 50% their chance to attract funding<sup>16</sup>. However, regulatory sandboxes are not yet sufficiently used. The regulatory understanding of disruptive technologies and emerging business models pose a particular

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<sup>12</sup> add reference once adopted

<sup>13</sup> See the summary of the consultation included in the Staff Working Document accompanying this Strategy.

<sup>14</sup> <https://www.sciencedirect.com/science/article/pii/S2199853122004383>

<sup>15</sup> <https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/early-lessons-on-regulatory-innovation-to-enable-inclusive-fintech/>

<sup>16</sup> <https://www.bis.org/publ/work901.pdf>

challenge: regulators (at both EU and Member State level) may not have the expertise and resources to be able to keep up with rapid pace of cutting-edge technology innovation or new business models.

**The Commission will therefore propose country specific recommendations to Member States** in the European Semester process addressing key challenges of innovation policy and proposing simplifications that will also benefit startups and scaleups. It will also **support Member State reforms** (at national, regional and local level) **through the Technical Support Instrument** to streamline the regulatory environment and strengthen administrative capacity to design and implement reforms reducing the administrative and regulatory burden for startups and scaleups.

**In addition, in many sectors, market entry is contingent on prior authorisation, certification, or compliance with standards, which still differ across Member States.** This heterogeneity slows the ability of startups and scaleups to expand quickly in the Single Market and achieve profitability, as substantial resources must be redirected from innovation, expansion, and market competition to managing these different regulatory requirements. Moreover, the current standardisation process is too slow to keep pace with technological developments and policy objectives, particularly in strategic sectors.

**EU fragmentation due to different national labour laws and collective sectoral bargaining agreements results in different levels of notification, oversight and compensation rights in case of restructuring or liquidation.** These differences and the high cost of failure for companies in the EU (e.g. time and costs to reach a settlement, risk of litigation and severance payments) create uncertainty for founders and cross-border investors and may hinder investments from corporates and limit the return for founders. Against this background, the Commission, when reporting on the application and impact of the **Restructuring and Insolvency Directive**, will specifically analyse its effects on startup and scaleups.

### Actions

- **The Commission will propose a European 28<sup>th</sup> regime** which will provide a single set of rules based on digital-by-default solutions and will help overcome barriers in setting up and operating a company across the Single Market. To do so, it will simplify applicable rules, including any relevant aspects of corporate law, insolvency, labour and tax law, for example relating to the taxation of employee stock options. It will thus reduce the costs for startups, including the cost of failure (Q1 2026).
- **The Commission will propose a European Innovation Act which will also promote regulatory sandboxes, to allow innovators to develop and test new ideas.** It will contain a common legal definition and basic principles regarding the establishment of regulatory sandboxes, including cross-border sandboxes (Q1 2026).
- The Commission will propose a **voluntary “Innovation Stress Test” by Member States**, consisting of recommendations for Member States to systematically assess the potential impact on innovation when preparing new or revised national legislation (Q1 2026).
- The Commission will put forward proposals to **reduce regulatory burdens in strategic sectors** through forthcoming sectoral legislative and non-legislative proposals, such as the EU Biotech Act, EU Life Science Strategy, Advanced Materials Act, Medical devices, etc (as of 2025).

- The Commission will **revise the Standardisation Regulation** in order to make standard-setting processes faster and more accessible, in particular for SMEs and startups (Q2 2026).
- The Commission will **launch a study** to assess the extent to which the way in which corporate restructuring is organised and regulated at EU and Member State levels creates obstacles for business adaptation and innovation in different sectors of the economy, based on firm-level data (2026).

## 2. MORE FINANCE FOR STARTUPS AND SCALEUPS

**Recent trends have seen European venture capital investments yield returns equal to or higher than their non-EU counterparts.** However, the European financial market remains a primarily bank-driven financial system, with bank assets totalling 300% of GDP, compared to 85% in the US.<sup>17</sup> The small size of the EU venture capital (VC) market can be largely attributed to the fragmentation of the European financial sector and to the low engagement of institutional, corporate and retail investors.<sup>18</sup> The fragmentation is rooted in differences between national regulations for financial investors, including business angels, and the lack of EU-wide exit opportunities (for instance there is no EU-wide tech index like NASDAQ).

In Europe, the public sector has played an important role in compensating for the underdeveloped private venture capital market and helped nurture an increasingly impactful venture capital fund ecosystem. In addition to national funding, **European startups and scaleups benefit from a wide range of EU grant, blending and investment products. Through intermediaries such as the EIB, EIF or national promotional banks, the InvestEU, under guarantee from the EU budget,** provides access to venture debt and indirect equity to innovative SMEs and small mid-cap enterprises. The **European Tech Champions Initiative** has already succeeded at pooling public funds to invest in European venture capital funds. The European Innovation Council (EIC) supports deep tech startups that can create new markets or disrupt existing ones, with grants, and equity investments up to EUR 30 million. The experiences show the benefits of combining indirect tools such as InvestEU, which help develop VC ecosystem as a whole, with direct equity tools such as the EIC Fund, which enable strategic decisions in the selection of companies to invest, in the investment partners and in the investment guidelines.

However, **a funding gap persists** when it comes to the scaleup financing of high-risk, capital intensive technologies requiring investments above EUR 100 million. Such large investments can currently only be supported by venture debt instruments of the EIB, backed by the InvestEU guarantee. The lack of broader accessibility of scale up or growth capital poses several risks for the EU: to lose companies that Europe has nurtured in the initial growth phase, and to lose critical technologies which are existential in an increasingly competitive world. A European scaleup fund with critical mass, operating at market conditions, is needed to fill this gap and reinforce the EU's economic security and tech sovereignty.

**The demand for deep tech startup financing also remains high.**<sup>19</sup> Despite having become one of Europe's main deep tech investors in only four years, the demand from excellent deep

<sup>17</sup> EIB (2024), The scaleup gap: financial market constraints holding back innovative firms in the European Union, European Investment Bank, <https://data.europa.eu/doi/10.2867/382579>

<sup>18</sup> EIB (2024), The scaleup gap: financial market constraints holding back innovative firms in the European Union, European Investment Bank, <https://data.europa.eu/doi/10.2867/382579>

<sup>19</sup> footnote with EIC statistics

tech companies for European Innovation Council support cannot currently be met. Also, the EIC needs to simplify and accelerate its processes to better respond to the needs of its stakeholders. Furthermore, the EIC will take inspiration from ARPA-type practices and will work closely with its trusted investors, corporate partners and the most successful European innovators to identify emerging technological trends and disruptive technologies, as well as to support more effectively disruptive innovation, which is key to European competitiveness.

**Today, European institutional investors, including pension and insurance funds, play only a limited a role in the European VC market.** Between 2013 and 2023, pension funds accounted for only 7% of VC funding in the EU, in contrast with the 20% observed in the US.<sup>20</sup> However, some Member States' initiatives have shown promise in mobilising institutional investors to partake in VC investments. One such successful example is the Tibi Initiative in France.

The Commission will deliver on a number of ambitious measures set out in the **Savings and Investment Union**. As a horizontal enabler, it will focus on increasing returns on savings of EU citizens and widening financing opportunities for businesses and improving the competitiveness of the EU.

**The level of cross-border investments remains low**, which also dampens growth perspectives and may push innovative companies to seek larger markets and simpler financing outside Europe. This tendency can have important economic costs both in terms of entrepreneurial brain drain and missed opportunities for the EU economy. Foreign Venture Capital investments in European-based firms,<sup>21</sup> especially from the US, have been increasing since 2016. Furthermore, EU scaleup companies are more likely to relocate than in the US and in the UK.

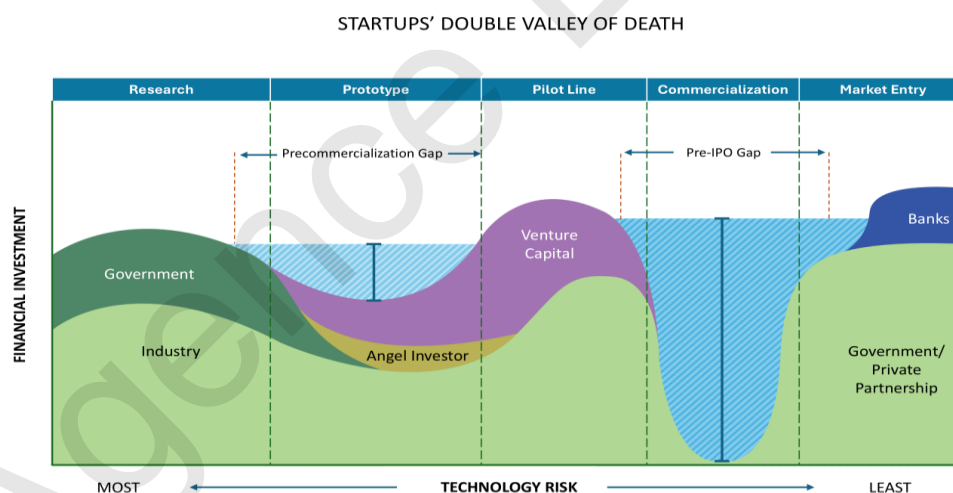


Figure 2: Startups' double valley of death

**Many startups struggle to use their intangible assets, such as intellectual property (IP), as collateral or security to raise funding**, due to restrictive banking regulations, underdeveloped IP valuation ecosystem, lack of trust in IP valuation methods, low awareness of internationally recognised IP valuation methods and, more generally, limited market recognition of IP-backed financing. There is a lack of incentives in the EU to tackle the conservative attitude of banks

<sup>20</sup> France Digitale 2024.

<sup>21</sup> EU plus the UK.

and institutional investors to engage in IP-backed financing. As a result, startups and scaleups across the EU face difficulties to use their IPR as a collateral to secure more financing.

Europe has a growing number of business angels, in particular successful founders that monetised the value of their innovations and are willing to share funds and experience with the new generation of startups. However, **business angel potential in Europe is limited** by obstacles to cross-border investment, business practices which lock in their investment over a long period and lack of effective intermediation for matching with promising prospects and likeminded co-investors.

In addition, while it is important that Member States have appropriate screening mechanisms to assess and where necessary block foreign transactions, **sufficient legal clarity is needed for foreign investments channelled into EU startups and scaleups through venture capital and other investment fund structures where foreign investors participate as limited partners.** The co-legislators should proceed with the adoption of the revision of the Foreign Direct Investment (FDI) Screening Regulation which will reduce costs and increase the attractiveness of investing in EU startups and scaleups. Furthermore, the Commission will work with Member States to provide more clarity to venture capital funds with foreign limited partners on how these are captured in national FDI screening.

**State aid rules need to take into account the specificities of fast-growing startups.** State aid to certain types of undertakings that are considered to be “in difficulty” is, with exceptions for newly created undertakings until 3-5 years from incorporation, permissible if it is in line with the Rescue and Restructuring Guidelines. Generally, other forms of aid to such undertakings are prohibited. Some perceive these rules as unduly restricting public support to startups as the definition of “undertaking in difficulty” relies on static financial indicators that fail to reflect the growth perspectives of startups with slim capitalisation. Their temporary levels are normal occurrence in fast-growing limited liability companies that invest heavily in R&D and growth before profitability.

**The lack of suitable exit options** for investors is often cited as a major reason for the underdevelopment of venture and growth capital funds in the EU. The **stock market** plays a particular role in monetizing value of innovation and returning the original investment of funds, time and talent to founders. The volume of exits in Europe has significantly grown in the last decade with the total value of Initial Public Offerings (IPOs) in Europe of USD 321 billion, compared to the USD 100 billion reported in the previous decade. Nevertheless, the **EU stock market framework is not unified** and exits remain primarily concentrated in a few countries, with almost half of all exits exceeding one billion (USD) having occurred in the UK over the past decade.<sup>22</sup> The size of the stock markets in the EU is 55% of GDP, while for the US it represents 147% GDP. In general, the EU only accounts for 11% of the global IPOs, as compared to 38% in the US or 18% in China. **Delivery on the actions foreseen in the Savings and Investment Union** will be key to improve exit opportunities.

Creating value for innovators and facilitating the diffusion of innovation within the economy, **mergers and acquisitions** are an essential element of a healthy innovation ecosystem. They provide cash returns for founders and investors, and enable a virtuous cycle of reinvestment in and multiplication of new innovative startups. However, **EIF data shows that currently over 60% of buyouts of European startups are done by non-EU companies.** For Europe to retain its sovereignty in technologies that are essential for its competitiveness, security and autonomy, it is essential that European industry competes to retain homegrown innovation in our continent.

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<sup>22</sup> Atomico (2024), State of the European Tech 2024.

On the other hand, for the next generation of European centaurs and unicorns to grow and thrive, **it is paramount that young European companies are not stifled in their ambition to determine their own growth and exit strategy**. When assessing the competitive effect of mergers and acquisitions, it should also be considered how these impact the capacity for innovation, especially in industries characterized by high fixed costs and rapid technological advancement.

### Actions:

- The Commission will **expand and increase the firepower of the European Innovation Council** and simplify its rules. The EIC will introduce more ARPA-like processes to support high-risk innovations, expand its Trusted Investor Network and better engage with **EU centaurs and unicorns for policy feedback** (2025).
- The Commission will work with the EIB Group and private investors to deploy a **Scaleup Europe Fund**<sup>23</sup>, to help bridge the financing gap of deep tech scale-up companies (2026).
- The Commission, in coordination with the EIB Group, will work with large institutional investors to develop a voluntary **European Innovation Investment Pact** for those who commit to invest part of their assets under management into EU funds-of-funds, venture capital funds and unlisted scaleups (2026).
- The Commission will develop new instruments to invest in **European high tech defence startups and scaleups** (2026).
- The Commission will develop a **framework for IP valuation** for IP-backed financing in cooperation with the EUIPO (Q2 2027).
- The Commission will support **European business angels** and their networks in order to create more possibilities for young startups to grow (2026).
- The Commission will review the **criteria of “undertaking in difficulty”** taking into account the possible obstacles for certain startups and scaleups, which are not at risk of going out of business, to benefit from other types of State aid. This may result in more flexibility to provide public support to fast growing companies in temporary need of cash (2026).
- The Commission will review the **Horizontal and Non-Horizontal merger Guidelines** having in mind dynamic criteria such as innovation competition (2025).

### 3. FAST MARKET EXPANSION

The successful transition of an innovative product from lab to market often requires a combination of entrepreneurial determination, risk-tolerant capital and public support. Moreover, this is only possible within well-functioning innovation ecosystems, where networks of universities, startups, large companies, research and technological infrastructures and venture capitalists create and nurture the right entrepreneurial and innovative environment.

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<sup>23</sup> This fund was referred in previous Commission Communications, e.g. the Clean Industrial Deal, as “TechEu Scaleup Fund” – the concept is the same.

Public policies, therefore, need to support the creation and expansion of such innovation ecosystems.<sup>24</sup>

**Universities are a major source of startup creation, playing a crucial role in driving innovation and economic growth.** Promoting ecosystems around universities and collaboration between startups, government, investors and researchers may create over 110 000 spinoffs and startups founded by current and past alumni and subsequently generating 4.3 million jobs in the next ten years.

However, with the exception of high-performing innovation clusters, **the successful transition of research results into commercial ventures is low in Europe.** It is important that best practice is shared across Europe and that these clusters provide mutual access to their ecosystems of practices, infrastructures and partners, corporates and investors.

**Several factors hamper the commercialisation of research results, with strong differences across European regions.** There is often insufficient pro-innovation mindset at universities. Consequently, they fail to support valorisation of research due to, for example, lacking career incentives for researchers to pursue commercialisation of their research or inappropriate royalty sharing arrangements. At European level, there is a clear fragmentation of legal, organisational and financial frameworks for academic spin-offs, with various diverging intellectual property protection, licensing and royalty-sharing practices. State aid rules relating to the licensing of IP rights are sometimes perceived as unclear. The resources and expertise of university Technology Transfer Offices largely differ across European regions, and new roles of ‘venture builders’ with expertise to set up academic spinouts are not yet widely diffused.

Today, while more than 10% of all patents filed at the European Patent Office by European applicants in 2019 originated in universities, **only a third of the inventions patented by universities and research organisations are commercially exploited.**

**European startups cannot yet enjoy EU-wide, one-step patent protection through the Unitary Patent and Unitary Patent Court Agreement.** To date, of the 25 EU Member States that have signed the **Unitary Patent Court Agreement**, only 18 have ratified it. Two Member States have not yet opted in. Yet, the Draghi Report underscores the pivotal role of the Unitary Patent system in enhancing Europe's innovation landscape. It emphasizes that adopting the Unitary Patent system across all EU Member States would significantly reduce patent application costs, provide broader and uniform territorial protection of IPR, and mitigate litigation uncertainties through the jurisdiction of the Unified Patent Court. All this, in turn, would speed up the commercialisation of breakthrough technologies across the Single Market. **The Commission calls on all relevant Member States to join the Unitary Patent and ratify the Unitary Patent Court Agreement.**

**For companies entering the market, the public procurement frameworks in EU Member States also remain overly risk-averse** and prone to favour well-known solutions and established providers, posing significant barriers to the participation of innovative companies and emerging firms. European startups could significantly benefit from privileged access to public procurement contracts for innovative goods and services. On the demand side, there is an overall lack of investments in R&D procurements and public procurements to deploy innovative solutions. This is aggravated by the insufficient use of innovation-friendly procurement criteria and mechanisms to diversify supply chains with young innovative companies. On the supply side, limited procurement literacy among startups about how the public procurement market works and how to create robust offers are critical bottlenecks.

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<sup>24</sup> A notable example is the Co-Innovation funding programme run by Business Finland, which supports joint research, development, and innovation projects involving companies and research organizations.

**Once on the market, the engagement of startups with European corporates is essential for market expansion.** A first customer reference from a well-known industry player can help an innovative startup win other customers. Corporates, on the other hand, stand to benefit significantly from collaborations with startups, particularly in terms of innovation and productivity. Yet, it can be challenging for innovative companies to find private buyers for their innovative solutions in the EU. One major hindrance is the corporate procurement process, which is often risk averse and not startup-friendly, which makes it difficult for startups to access private-sector contracts and limits their growth potential.

**It is also essential for European competitiveness that our companies are able to rapidly access markets outside the EU,** be it in countries with whom the EU has a trade agreement, countries associated to Horizon Europe, neighbouring regions, and global innovation hubs. Such markets offer great opportunities for EU startups and scaleups, such as expanding their customer base, diversifying their sources of supply and thus making them less vulnerable to economic shocks and more competitive. Therefore, the Commission will leverage its international presence through the EU Delegations to support startups and scaleups engagement with key non-EU countries and regions.

### **Actions**

- The Commission will launch a **Lab to Unicorn Initiative** to accelerate the commercialisation of research results. Under this initiative, the Commission will:
  - finance the establishment of a network of leading **European Startup & Scaleup Hubs** rooted in strong university ecosystems. These Hubs will collaborate across borders to provide access to startups and scaleups to each other's respective services, infrastructures and corporates (2026).
  - develop a **blueprint for royalty-, equity- and revenue-sharing for academic institutions and their inventors** when protecting IP and creating spinoffs, following best commercial practice. The Commission will support capacity-building of Technology Transfer Offices and also support for the creation of 'venture builders' roles in Research and Technology Organisations, including universities (2026).
  - provide legal and implementation **guidance on the applicable State aid rules** to clarify the conditions under which universities and public research organisations can grant IP rights in compliance with State aid rules (2026).
- When developing **new legislative proposals** such as the revision of the Public Procurement Directives and the European Innovation Act, the European Commission will propose a set of **pro-innovation procurement reforms**. In particular, the Commission will:
  - seek ways to improve the use of innovation procurement across Member States;
  - simplify public procurement procedures to facilitate access for startups and scaleups;
  - rethink the innovation partnerships with a view to helping contracting authorities procure innovative products in a collaborative manner.
- The Commission will create a **European Corporate Network** to better integrate large companies, corporate venture investors and corporate procurers in the EU in the innovation ecosystem. The Network members would make a voluntary commitment to privilege European startups when they engage, invest and procure innovative solutions,

especially when they use public funding or when they operate critical infrastructures (2026).

#### 4. SUPPORT FOR THE BEST TALENT IN EUROPE

**The success of a startup is highly dependent on the access to highly skilled talent.** The competition for highly qualified talent remains fierce, in part due to obstacles to cross-border mobility, untapped academic potential and lack of sufficient mobility between academia and startups. Some Member States have developed digital nomad visa schemes, e-residence digital IDs or qualified workers programmes to facilitate relocation of the best candidates.

As highlighted in the Union of Skills communication,<sup>25</sup> **Europeans need to further improve entrepreneurial, financial and investment skills to launch and grow successful startups.** Enhancing educational and training programmes to better align with industry needs is a crucial step in addressing the talent gap. In the call for evidence for the Strategy, stakeholders highlighted the importance of fostering an entrepreneurial culture and promoting diversity within the startup ecosystem.

**Entrepreneurial education is crucial** as it equips students with the skills, mindset, and resilience necessary to innovate, create jobs, and drive economic growth in an increasingly dynamic global economy. Despite its importance, entrepreneurial education remains insufficiently integrated into university curricula across the EU: fewer than 50% of EU students at the secondary and higher education levels report having access to any form of entrepreneurship education.<sup>26</sup>

**Rewarding researchers** involved in the commercialisation of research results and spin-off creation increases their propensity to contribute more to spinoff formation and knowledge transfer activity.<sup>27</sup> However, many existing frameworks for the management and commercialization of academic results lack the appropriate incentives, as universities focus on increasing their publication impact, but not their commercialisation outcomes.<sup>28</sup> Researcher assessments often do not adequately reward multi-track careers.<sup>29</sup>

**Startups often do not have sufficient cash flow to offer competitive wages.** Employee Stock Options (ESOs) can be an effective compensation to attract the best talent. From a tax perspective, however, there are difficulties with the use of ESOs in situations where the startup or scaleup expands activities across borders, as their tax treatment is not harmonised across EU Member States. The most impactful differences are the timing of taxation (sometimes taxation occurs at various stages), the classification of income received from ESOs and the valuation of the income realised by the employee.

**Across Europe, 59% of startups have remotely distributed teams, a percentage that goes up to 78% for engineering teams.** This new model of working prevents regional brain drain and enables innovative startups to tap into the wide pool of European talents, while minimising costs and offering attractive work conditions. However, remote cross border work creates

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<sup>26</sup> European Commission's *Entrepreneurship 2020 Action Plan*

<sup>27</sup> Odei, M. A., & Novak, P. (2022). *Determinants of universities' spin-off creations*. *Economic Research-Ekonomska Istraživanja*, 36(1), 1279–1298.

<sup>28</sup> [Challenges in academic commercialisation: a case study of the scientists' experiences](#)

<sup>29</sup> Draghi report (2024), p. 241.

significant challenges, ranging from healthcare, unemployment benefits, family benefits, retirement and international taxation.

**In addition to recruiting and retaining EU talent across borders, startups face persistent challenges in attracting highly skilled non-EU nationals from abroad and retaining domestic talent.** The EU Talent Pool and the Talent Partnerships could facilitate international recruitment of third-country jobseekers residing outside the EU and having the skills required to work in EU-wide shortage occupations at all levels. The EU Blue Card Directive has also proven to be an effective tool for attracting highly skilled professionals to the EU. However, it primarily addresses the needs of employees and does not cover startup founders or innovative entrepreneurs. Parallel national schemes in some Member States further contribute to complexity for businesses and individuals. Furthermore, procedures for granting work and residence permits remain lengthy.

### Actions

- The Commission will launch a **Blue Carpet initiative** to support the attraction and retention of highly skilled talent from within the EU and from third countries. As a part of this initiative, the Commission will (2025-2026):
  - significantly strengthen **entrepreneurial education** through Erasmus+.
  - develop a **blueprint for an academic career development framework** that rewards research commercialisation activities, such as in the academic staff evaluation and promotion criteria and in the opportunities for transitioning from university to industry and back.
  - propose best practices for **employee stock options by startups** and **legislative measures to harmonise certain aspects of their taxation**.
  - put forward a recommendation **to harmonise key taxation rules of remote cross-border employees** for innovative startups and scaleups.
  - adopt an **EU Visa Strategy** to support the procedures for top students, researchers, entrepreneurs and trained workers from third countries to come to the EU, for example through a better and faster implementation of the Students and Researchers Directive and the Blue Card Directive in particular for startup founders. (Q4 2025)
  - launch a **major information campaign to promote the EU Blue Card Directive**, among highly skilled non-EU workers and employers about the benefits of the EU Blue Card in close coordination with the EU Delegations and upcoming Legal Gateway Offices (2026).
  - encourage Member States to **expand the benefits of the Blue Card to startup founders and highly skilled self-employed** and to put in place fast-track schemes allowing highly skilled third country talent - including startup founders - to obtain a residence and work permit under simplified and expedited procedures, including through “**startup visas**”.

## **5. ACCESS TO INFRASTRUCTURE, NETWORKS AND SERVICES**

**Startups require access to state-of-the-art research and technology facilities, equipment and expertise** to test, upscale, validate new products and technologies, shortening the time-to-market and increasing the chances for a successful commercialisation. Horizon Europe already contributes to the European High Performance Computing Joint Undertaking, home to 13 new AI Factories that will offer computing time and customised support to SMEs and startups. But for many innovative startups, finding and accessing highly specific research or technology infrastructure services is a major hurdle. Information about the available services is limited, and access mechanisms are complex and fragmented as well as access contracts and collaboration agreements, for example on IP management. State aid rules relating to access to public infrastructures are sometimes perceived as unclear.

**For many innovative startups, finding and accessing highly specific research infrastructures services is a major hurdle.** Developing the necessary connections can take years and often requires dedicated staff to navigate complex institutional structures. Most companies have no clear entry point when searching for available services, leading to an overreliance on informal, ad hoc collaborations built through personal networks.

Importantly, **startups encounter persistent obstacles in identifying and accessing useful services**, as well as in efficiently navigating the diverse range of available funding instruments. The information is scattered across different platforms and data sources, where AI-driven matchmaking and content targeting solutions are not sufficiently used.

### **Actions**

- The Commission will develop a **Charter of Access** for industrial users to research and technology infrastructures, including for startups and scaleups, to simplify and harmonise diverging access and contractual conditions. The Commission will financially support access to AI computing facilities for startups (2025).
- Building on the Charter, the **European Innovation Act** will further promote the access of innovative companies to European research and technology infrastructures through **legislative measures** (Q1 2026).
- The Commission will provide legal and implementation **guidance on the applicable State aid rules** to clarify the conditions under which universities and public research organisations can grant access to infrastructure in compliance with State aid rules (2026).
- The Commission will launch an **EU Innovation Platform**, a central digital marketplace for European innovators and investors, providing access to a broad set of funding opportunities – in complementarity with the EIB’s TechEU platform - and services, such as business acceleration, IP or regulatory advice, infrastructures and talent intermediation (2025).

## **6. MEASURING PROGRESS**

**Currently there is a lack of a standard and generally accepted definition of startups, scaleups and innovative companies across the EU.** 11 Member States have adopted a legal definition for startups<sup>30</sup> and 5 Member States<sup>31</sup> for scaleups, while the General Block Exemption Regulation and Horizon Europe Regulation also set up definitions at EU level for different purposes. This leads to uncertainty and difficulty in gathering data and assessing the state of the ecosystem at a given point, beyond developing tailored policy measures for these categories of companies. The European Innovation Scoreboard (EIS) and Eurostat Structural Business Statistic (ESBS) provide valuable insights into high-growth firms and European innovation ecosystems, but their data granularity suffers from the lack of harmonised definitions.

**Against this background, a harmonised definition of startups, scaleups and innovative companies is necessary,** not only to measure the impact of the Strategy and its policy measures, but also allow the Commission to propose additional targeted simplification or support measures for these categories of companies.

### **Actions:**

- The Commission will put forward a **definition of startups, scaleups and innovative companies** in the upcoming European Innovation Act (Q1 2026).
- The Commission will set up a **European Startup and Scaleup Scoreboard** that will measure, based on a set of indicators the performance of the European and national startup and scaleup ecosystems. Indicators will include, among others, the number of startups, scaleups, centaurs<sup>32</sup> and unicorns<sup>33</sup>. It will also be used to measure the impact of the Strategy by using **three Key Performance Indicators:** 1) increase in the number of startups in the EU, 2) increase in the number of centaurs in the EU and 3) increase in the number of unicorns in the EU (as of 2026).
- The Commission will carry out an **annual startup and scaleup survey** to assess perception of innovative company founders of the improvement in the EU's regulatory environment over time (as of 2026).

## **CONCLUSION**

**Progressing towards a more entrepreneurial economy and placing startups and scaleups policies in the centre of the EU's competitiveness agenda is crucial at this pivotal moment.** The EU Startup and Scaleup Strategy is the policy framework guiding all the forthcoming initiatives in this domain. The Strategy sets out the Commission's vision for leveraging EU's strengths and build on the solid foundation already established at EU level, while making the most of the opportunities created by the current geopolitical context.

**The Strategy adopts a comprehensive and holistic approach, with simplification as a cross-cutting priority.** It is designed to address the distinct needs of each stage of startup development and growth without focusing on a specific sector and it combines long-term and

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<sup>30</sup> BG, DK, EE, EL, HU, IT, LV, LT, PT, SI, ES

<sup>31</sup> BG, DK, EE, EL, PT

<sup>32</sup> The Centaur is a business that reaches USD 100 million of annual recurring revenue

<sup>33</sup> A unicorn is a privately held company with a market valuation of USD 1 billion or above

short-term measures that, once implemented, will lead to additional value added all across the EU. By putting together targeted initiatives and tools and broader longer-term reforms, the Strategy aims to create an environment where startups and scaleups have all the prerequisites to thrive in the EU and relocate to the EU.

**Effective and speedy implementation is key.** The upcoming European Innovation Act and the 28<sup>th</sup> regime for companies in the EU will be important milestones in this respect. Besides the proposed legislative, policy and financial support measures, the Strategy puts forward instruments of tracking the progress and ensure accountability. The Commission intends to lead by example, taking into account innovative solutions by startups and scaleups in its proposals and practices. Additionally, the Commission will maintain strong coordination across relevant policy areas according to a “whole of government” approach and foster an on-going dialogue with stakeholders. The collaboration with Member States is a cornerstone of the Strategy’s delivery, as many of the proposed actions require coordinated efforts at EU and national level. In this context, the European Innovation Council Forum is invited to follow on the implementation of the Strategy, translating ambitions into concrete results. Furthermore, endorsement and monitoring of implementation progress at the political level remains indispensable to ensure the effective and timely delivery of the objectives.

**The Commission invites the European Parliament, the European Council, the Council and stakeholders to endorse the EU Startup and Scaleup Strategy and to actively contribute to delivering on the initiatives it sets out.**

The Commission will **report by the end of 2027 on the implementation of the Strategy.**

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# **THE EU STARTUP AND SCALEUP STRATEGY**

## **ACTIONS SUMMARY**

### **I. SIMPLE AND HARMONISED REGULATION**

#### **Actions**

- 28<sup>th</sup> regime for companies (Q1 2026)
- European Innovation Act (Q1 2026)
- Voluntary “Innovation Stress Test” (Q1 2026)
- Reduce regulatory burdens in strategic sectors (as of 2025)
- Revision of the Standardisation Regulation (2026)
- Study on corporate restructuring (2026)

### **II. MORE FINANCE FOR STARTUPS AND SCALEUPS**

#### **Actions**

- Expand and simplify the European Innovation Council (2025)
- Scaleup Europe Fund (2026)
- European Innovation Investment Pact (2026)
- European investment instruments for high tech defence startups and scaleups (2026)
- Framework for IP valuation (Q2 2027)
- Support for European business angels (2026)
- Review of the definition of “undertaking in difficulty” (2026)
- Review the Horizontal and Non-Horizontal merger Guidelines (2026)

### **III. FAST MARKET EXPANSION**

#### **Actions**

- Lab to unicorn initiative (2026)
- Pro-innovation procurement reforms (2025-2026)
- European Corporate Network (2026)

### **IV. SUPPORT FOR THE BEST TALENT IN EUROPE**

#### **Actions**

- Blue Carpet Initiative (2025-2026)

## **V. ACCESS TO INFRASTRUCTURE, NETWORKS AND SERVICES**

### **Actions**

- Charter of Access for industrial users to research and technology infrastructures (2025)
- European Innovation Act promoting the access of innovative companies to European research and technology infrastructures (Q1 2026)
- Guidance on State aid rules (2025)
- EU Innovation platform (2025)

## **VI. MEASURING PROGRESS**

### **Actions**

- Legal definition of startups, scaleups and innovative companies in the European Innovation Act (2026)
- Annual startup and scaleup survey (as of 2026)
- European Startup and Scaleup Scoreboard (as of 2026)

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