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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

{SWD(2025) 138 final}

1. INTRODUCTION

Context

It is time for Europe to become a startup powerhouse. Our competitiveness and ultimately prosperity depend on it. A thriving startup and scaleup ecosystem can transform Europe’s economy – by increasing productivity, creating quality jobs and attracting talent and investments. It can also play a key role in the ambition set in President von der Leyen’s Political Guidelines to boost productivity, tech sovereignty and put innovation at the heart of our economy. It is a key part in delivering on the Competitiveness Compass’ call to restart a virtuous innovation cycle.

Europe’s startups and scaleups already drive innovation and creativity across our economy. The 35,000 early-stage companies across our Union, as well as the 3,400 additional tech companies in their growth stage are a main source of new products and services.[1] They excel in providing innovative solutions to client challenges, targeting niche or emerging markets and addressing problems often overlooked by larger companies. They are engines of disruptive innovation and create new markets where the EU can assume global leadership. They also stimulate innovation in larger, established companies through collaboration, competition and acquisition.

A thriving startup and scaleup ecosystem in Europe is also essential for our wider strategic autonomy and resilience. European startups and scaleups strengthen the EU’s industrial capacity and productivity and help reduce dependencies in key sectors and critical technologies. Crucially, they also play a vital role in providing jobs for Europeans, with three million jobs created in the past decade by tech startups only. This transformation can be further amplified by the gradual integration of candidate countries, extending the reach of the Union’s competitive ecosystem.

The diagnosis: Strong foundations, enduring challenges

Startups and scaleups have solid foundations to thrive in the EU, including a highly skilled workforce and a stable regulatory system. The EU is a global economic powerhouse with leadership in research and innovation, a single market of 450 million consumers, effective and fair competition, substantial household savings, a predictable investment and business environment, founded on the rule of law. Tech entrepreneurship is on the rise, with more startups launched annually than in the US and a fourfold increase in early-stage companies since 2015.[2]

EU and national policies have significantly improved the startup ecosystem.[3,4] Since 2007, EU-funded startups developing cutting-edge technologies have raised over EUR 70 billion in venture capital and generated over EUR 500 billion in enterprise value. The European Innovation Council (EIC), launched in 2018 with a EUR 10.1 billion budget,

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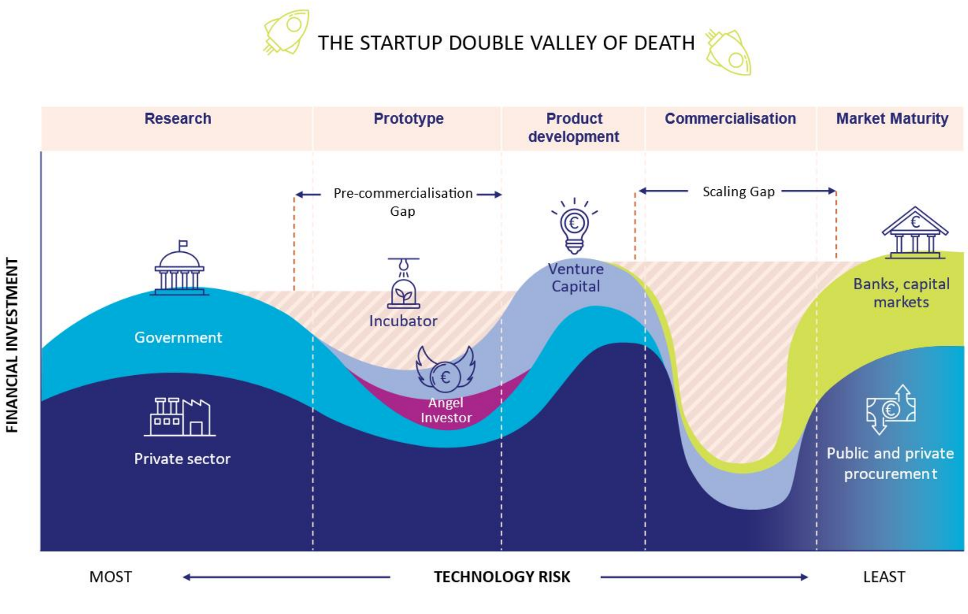
[1] Atomico (2024), State of the European Tech 2024.
[2] Dealroom – Accelerating Europe report, 2025
[3] For example, the Europe Startup Nations Alliance (ESNA) whose mission is to identify, share and implement best policy practices for startups and monitor member state progress in implementing them under national competencies.
[4] 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).

supports disruptive innovations from research to scaling. Today, the EIC Fund is one of the largest deep-tech venture capital funds in the EU, aiming to raise up to EUR 20 billion for startups by 2027. InvestEU, the EU's largest program for supporting companies at all development stages, complements this by fostering seed capital, growth, scale-up, manufacturing and deployment.[5] Through partners like the European Investment Fund, InvestEU is key to developing Europe's venture capital ecosystem, while the European Tech Champions Initiative has successfully pooled public funds to support European VC funds.

But starting and scaling up innovative companies in Europe remains difficult today. From transitioning from lab to market, to accessing capital and talents, to a successful exit, European startups and scaleups still face significant challenges. The market remains fragmented, with regional imbalances, and EU efforts to translate research into marketable products and scale businesses are hindered by an incomplete Single Market – including for capital-, regulatory fragmentation, lower risk appetite from investors, slow innovation uptake and underutilised public procurement.

European startups often encounter two 'valleys of death' (Figure 1). The first occurs when innovations fail to become marketable products, while the second, particularly challenging in Europe, happens when companies struggle to scale. Between 2008 and 2021, nearly 30% of European 'unicorns'[6-] relocated outside the EU,[7] and only 8% of global scaleups are based in Europe. Europe risks falling behind in strategic technologies, as it struggles to retain and attract high-potential technology scaleups.



/Figure 1: Simplified illustration of the startup double valley of death

[5] Around 40% of the EUR 26.2 bn InvestEU guarantee is used for support of high-risk venture debt, quasi equity, and equity investment made by implementing partners under risk-sharing arrangements with the EU budget.
[6] A unicorn is a privately held company – startup – with a market valuation of EUR 1 billion or above.
7 "In search of the EU unicorns – what do we know about them?" JRC technical report, 2022 https://publications.jrc.ec.europa.eu/repository/handle/JRC127712

The vision: Making the EU a startup and scaleup powerhouse

The EU Startup and Scaleup Strategy aims to make Europe the best place in the world to launch and grow global technology-driven companies, including deep tech companies. It focuses on helping innovators, founders and investors to Choose Europe! by improving the conditions for startups and scaleups, enabling them to capitalise on new geopolitical opportunities and reducing the reasons to relocate outside the EU. This is crucial for strategic technologies, such as for example artificial intelligence, quantum technologies, advanced semiconductors, medical technology, biotechnology, bioeconomy applications, clean tech and energy (including nuclear technology), water and blue tech, security, defence, space, robotics and advanced materials.[8]

Building on the Commission's Single Market Strategy[9] and other efforts to improve the business environment, the strategy focuses on enhancing access to Europe's internal market, which has huge potential to drive innovation and keep European companies competitive globally. It allows startups and scaleups to grow and reach the scale needed to compete effectively.

To achieve this, the strategy seeks to shift the European economy towards a more entrepreneurial, innovative model. It aims to create a dynamic ecosystem where bold vision and calculated risk-taking are encouraged, and failure is seen as a necessary step to progress. The strategy will drive policy and regulatory changes across the EU, with the Commission leading by example. The aim is to pave the way for a next generation of European startups, centaurs and unicorns who have the potential to develop into global tech leaders.

The Strategy sets out a number of legislative, policy and financial support measures in support of European startups and scaleups, at both EU and Member States level. Its impact will be measured by 1) the increase in the number of startups in the EU, 2) the increase in the number of centaurs[10] in the EU and 3) the increase in the number of unicorns in the EU, and how these compare with the EU's global competitors.

The Strategy is structured according to different needs that an innovative company may face through its lifecycle, from starting up to scaling up to maturing and succeeding in the EU:

1) innovation-friendly regulation;

2) better finance;

3) fast market uptake and expansion;

4) support for the best talent; and

5) access to infrastructure, networks and services.

The Strategy is accompanied by a Staff Working Document.

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[8] Including any dual-use applications.

[9] Single market strategy

[10] A centaur is a privately held company – startup – with a market valuation of EUR 100 million or above

2. INNOVATION-FRIENDLY REGULATION

Europe is recognised for its strong regulatory standards, providing stability and trust for EU and non-EU investors alike. The EU's regulatory framework also ensures safety and clarity for startups, fostering innovation and entrepreneurship. At the same time, the Commission is actively reducing administrative burdens, aiming for a 25% reduction for companies and 35% for SMEs, improving agility. The Single Market Strategy[11] is addressing fragmentation and obstacles to the free movement of goods and services, offering a solid foundation for growth.

To remain competitive in the fast-evolving global tech landscape, the EU faces several challenges. Regulatory fragmentation across Member States makes it difficult for startups and scaleups to operate efficiently within the Single Market. Different national legal systems, especially in areas like taxation, company law and securities law, create barriers for investors, limiting the flow of capital. Startups also face difficulties navigating varying labour laws and high failure costs, adding uncertainty for both founders and investors. Moreover, the slow pace of regulatory approval for new technologies, alongside existing regulatory frameworks that do not adapt quickly to innovation, hinders the uptake of disruptive products and services.

To address these challenges the EU must enhance its regulatory agility. The upcoming European Innovation Act and the 28th regime will help startup and scaleup companies develop across the EU. The adoption of the Insolvency Directive will simplify insolvency procedures, benefiting also startups by reducing complexity and costs. The forthcoming Tax Recommendation, as part of the Clean Industrial Deal, will recommend treating favourably the immediate expensing and accelerated depreciation and providing incentives for tax credits supporting investment activities by startups and scaleups. Additionally, **regulatory sandboxes**[12] can provide startups with real-world testing environments, enabling them to refine their innovations while regulators can better understand the needs of emerging innovations and adjust rules to better respond to these challenges. Sandboxes therefore not only help startups[13] but also foster closer collaboration with authorities, building trust and attracting investment and, when applied to place-based innovation, they can drive local development at territorial scale.

The Commission will propose country-specific recommendations through the European Semester process to improve innovation policy and simplify the business environment in Member States. The Commission will continue to strengthen the Member States' administrative capacity through the Technical Support Instrument. Additionally, the Commission will work towards speeding up the EU's standardisation processes to keep pace

11 The Single Market: our European home market in an uncertain world, COM(2025) 500 final

12 Council Conclusions on Regulatory Sandboxes and Experimentation Clauses as tools for an innovation-friendly, future-proof and resilient regulatory framework that masters disruptive challenges in the digital age 2020/C 447/01, OJ C 447, 23.12.2020, p. 1.

13 For example, over 60% of fintech startups that participated in regulatory sandboxes managed to attract investment within the first six months of their trials (https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/early-lessons-on-regulatory-innovation-to-enable-inclusive-fintech/) and by participating in sandboxes their chances to attract funding increased by 50% (https://www.bis.org/publ/work901.pdf)

with technological advancements, ensuring that market entry and expansion for startups becomes smoother and faster across the Single Market.

Actions

- **The Commission will propose a European 28th regime** which will provide a single set of rules for companies. It would include an EU corporate legal framework, based on digital-by-default solutions, and will help companies overcome barriers in setting up, scaling up and operating companies across the Single Market. To do so, it will simplify applicable rules and reduce the cost of failure, by addressing specific aspects within relevant areas of law, including insolvency, labour and tax law. It will explore the possibility of enabling companies to establish in Europe more rapidly, ideally within 48 hours (Q1 2026).
- **The Commission will propose the European Business Wallet** as the cornerstone of doing business simply and digitally in the EU, establishing a digital identity for all economic operators and providing a framework for sharing verified data and credentials to enable seamless digital interactions between economic operators and public administrations across the Union (Q4 2025).
- **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 or place-based regulatory sandboxes, while ensuring sector specific needs (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, the EU Bioeconomy Strategy, the EU Life Science Strategy, the Advanced Materials Act the Medical Devices Regulation and the Omnibus Defence Simplification Package (as of 2025).
- The Commission will **revise the Standardisation Regulation** to make standard-setting processes faster and more accessible, particularly for SMEs and startups (Q2 2026).
- The Commission will **launch a study** to assess the extent to which corporate restructuring is organised and regulated at EU and Member State levels creates obstacles for startups, scaleups and innovative companies for business adaptation and innovation in different sectors of the economy, based on firm-level data (2026). This study will support the implementation of the Quality Jobs Roadmap and the Fair Labour Mobility package.

3. BETTER FINANCE FOR STARTUPS AND SCALEUPS

European venture capital (VC) investments have performed strongly, with returns now on par with or surpassing non-EU counterparts.[14] The EU public sector has been instrumental in boosting the VC market, with initiatives like the InvestEU Fund, which has mobilized private capital for investments in SMEs and scaleups. The European Innovation Council (EIC) has supported deep tech startups with grants and equity investments of up to EUR 30 million and the European Tech Champions Initiative has successfully pooled public funds to support European VC funds. The European Investment Fund (EIF) has catalysed the growth of the venture capital industry over the last 30 years, deploying up to EUR 7 billion per year in funds all across Europe. These experiences show the benefits of combining support through financial intermediaries, as done under InvestEU, which help develop VC ecosystem as a whole, with direct equity investments carried out by the EIC Fund, which enable strategic decisions in the selection of companies to invest, in the investment partners and in the investment guidelines and with shared management funds, mainly the European Regional Development Fund, which acts as catalyst for attracting additional private funds through grants and financial instruments. Foreign VC investments in European companies have been increasing since 2016.[15] The EU has a growing number of business angels, in particular successful founders that are willing to re-invest in, and mentor, the new generation of startups.[16]

Yet, the EU financial system remains predominantly bank-centred, with bank assets totalling 300% of EU GDP, compared to just 85% in the US. [17] The small size of the EU VC market is driven by a lack of equity culture, risk aversion, and the fragmentation of capital markets due to varying national rules.[18] This regulatory fragmentation includes differing insolvency, corporate laws, tax systems, and public markets that limit opportunities to exit investments.[19] There are vast geographic differences in the availability of such financing, with some Member States still facing significant issues across all fundraising stages. 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.

A clear funding gap persists when it comes to the scaleup financing of high-risk, capital intensive technologies requiring investments above EUR 100 million.[20] The lack of broader accessibility of scale up or growth capital poses several risks for the EU, namely i) the loss of companies that Europe has nurtured in the initial growth phase, and ii) the loss of critical technologies that are essential to our future prosperity. A European scaleup fund with critical mass, operating at market conditions, is needed to fill this gap and strengthen the EU's economic security and tech sovereignty. In addition, as announced in the Savings and

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[14] InvestEurope, 2024

[15] EU plus the UK.

[16] The Regulation of European Crowdfunding Service Providers for business facilitates more efficient intermediation and matchmaking, including between business angels and startups at a pan-European level.

[17] 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

[18] 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

[19] See the summary of the consultation included in the Staff Working Document accompanying this Strategy.

[20] EIF report on Scale-up financing gap

Investment Union, the Commission will explore ways to support ETCI 2.0, a deeper and even more ambitious fund of funds structure, pooling capital from both private and public investors, that is planned to be launched by the EIF by 2026. A close cooperation and complementarity between ETCI 2.0 and the new Scaleup Europe Fund will be ensured to maximise impact and flexibility, notably in view of the future European Competitiveness Fund.

The demand for deep tech startup financing also remains high. Despite the EIC Fund becoming one of Europe's main deep tech investors in only four years, the demand from excellent deep tech companies for EIC support cannot currently be met.[21] At the same time, the EIC needs to simplify and accelerate its processes to better respond to its applicants' and potential investees' needs. 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 that are key to European competitiveness and strategic autonomy.[22]

In particular, women entrepreneurs and investors continue to face significant barriers in accessing funding. For instance, capital investment in tech startups is still dominated by all-men founding teams, with mixed gender founding teams receiving 15 % of the funding, while all-women teams receive only 3%.[23] Strengthening women's access to funding, increasing their representation in decision-making roles in finance, and fostering female-led investment networks are critical to closing this persistent gender gap. The Social Economy Action Plan and its forthcoming revision (2026) will also seek to enhance support for social innovation.

Today, European institutional investors, including pension and insurance funds, play only a limited role in the European VC market. Between 2013 and 2023, pension funds accounted for only 7% of VC funding in the EU.[24] However, some EU Member States have already started taking initiatives to mobilise institutional investors to participate in VC investments.[25]

Many startups struggle to use their intangible assets, such as intellectual property (IP), as collateral or security to raise funding, due to i) restrictive banking practices, ii) an underdeveloped IP valuation ecosystem, iii) lack of trust in IP valuation methods, iv) low awareness of internationally recognised IP valuation methods and, more generally, v) limited market recognition of IP-backed financing. There is a lack of incentives in the EU to encourage banks and institutional investors to engage in IP-backed financing.

The potential of European business angels is still limited by obstacles to cross-border investment and business practices that lock in business angel investment over a long period.

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[21] Only 5.9% of applications to the EIC Accelerator were successful in the most recent cut-off (October 2024), a figure consistent with previous cut-offs.
[22] ARPA (Advanced Research Projects Agency) is a U.S. government agency that funds high-risk, high-reward research to drive breakthrough innovations in science and technology, originally established as ARPA (now DARPA) under the Department of Defence and later replicated in other sectors like energy (ARPA-E) and health (ARPA-H).
23 European Commission: Directorate-General for Research and Innovation, She-Figures 2024 – Policy report, Publications Office of the EU, 2025.
[24] France Digitale, 2024
[25] For example, the Tibi initiative in France or the WIN initiative in Germany.

EU legislation such as **Foreign Direct Investment (FDI) screening and State Aid rules** is essential for ensuring the security, strategic interests and fairness of the EU single market. This also applies to FDI in startups and scaleups, where issues of IP ownership and local added value are crucial. However, their implementation can at times be perceived as too burdensome and stifling by startups. Therefore, it is important that these instruments remain targeted to their objectives. In this spirit, the ongoing revision of the FDI Screening Regulation aims to harmonise screening processes across Member States and improve EU-wide cooperation. The Commission will work with Member States to ensure that FDI screening procedures are effective, proportionate, predictable, and do not deter legitimate investments. State Aid rules already offer some flexibility for startups, allowing exemptions from general restrictions on aid to companies 'in difficulty'. However, as current definitions rely on static financial indicators, the Commission will assess how to better tailor these rules to provide support for startups to grow.

The limited availability of suitable exit options is a major barrier to the growth of venture and growth capital in the EU. While IPO volumes in Europe have grown significantly—reaching over EUR 320 billion in the past decade—exits remain concentrated in a few countries, and the EU stock market is only 55% the size of EU GDP compared to 147% in the US. The EU accounts for just 11% of global IPOs.

To address key challenges in the functioning of EU capital markets, the Commission is implementing the **Savings and Investment Union (SIU)** strategy.[26] The SIU will reduce market fragmentation, create better investment opportunities for citizens and help to expand funding options for businesses. In particular it will seek to improve access to equity and debt financing for startups and scaleups, strengthen the role of venture capital and institutional investors and better align EU public funding instruments with SIU objectives.

Finally, **mergers and acquisitions play a key role in reinvesting and scaling innovation**, but over 60% of European startup buyouts are by non-EU companies. For the EU to retain its technological sovereignty and foster the growth of homegrown innovation, European corporates must better compete to keep talent and technologies within our continent, while ensuring young companies can choose their own growth and exit strategies without stifling ambition.

<u>Actions</u>

- The Commission will **expand the European Innovation Council** and simplify its rules. The EIC will increase its focus on challenge-driven, staged funding for high-risk innovations by introducing more ARPA-like processes. It will also expand its Trusted Investor Network and better engage with EU centaurs and unicorns for policy feedback (2025).
- The Commission will work with private investors to deploy, as part of the EIC Fund, a market-based, privately managed and privately co-financed **Scaleup Europe Fund,**[27] with a focused investment strategy aimed at bridging the financing gap of deep tech

[26] Savings and Investments Union A Strategy to Foster Citizens' Wealth and Economic Competitiveness in the EU (COM/2025/124, final)

[27] This fund was referred in previous Commission Communications, e.g. the Clean Industrial Deal, as *TechEU Scaleup Fund* – the concept is the same. The internal Commission governance of the fund will be decided after the adoption of the strategy.

scaleup companies. The Scaleup Europe Fund will mobilise significant private funds and make direct equity investments in strategic sectors,[28] to contribute to Europe's technological sovereignty and economic security. The deployment of the Scaleup Europe Fund is without prejudice to the next Multiannual Financial Framework. The Scaleup Europe Fund will work in close cooperation with InvestEU and in complementarity with the European Tech Champions Initiative and other instruments of the EIB Group (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 leverage and reinforce existing instruments and develop new instruments to invest in **European security and defence startups and scaleups,** in line with the White Paper on Defence[29] and based on the upcoming Omnibus Defence Simplification Package. These instruments could include more flexible and adaptive funding approaches for emerging defence innovators, including also from Ukraine, such as targeted support to single entities; as well as reinforcing and broadening the scope of available EU funding options, including equity and debt instruments (2026).
- The Commission will develop a **framework for IP valuation** for IP-backed financing in cooperation with the European Union Intellectual Property Office. It will also expand the evidence base to develop concrete IP finance instruments. (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, in the context of the upcoming review of the Rescue and Restructuring Guidelines, review the definition 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 (as of Q2 2025).
- The Commission will review the **Horizontal and Non-Horizontal merger Guidelines** bearing in mind dynamic criteria such as innovation competition (2027).
- The Commission will create a **European Corporate Network** to better integrate large companies, corporate venture investors and corporate procurers into the EU's innovation ecosystem and benefit from innovative solutions developed by startups. The Network members would advise on related policy, engage in matchmaking with startups and 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 research or technology infrastructures (2026).

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[28] Such as for example artificial intelligence, quantum technologies, advanced semiconductors, medical technology, biotechnology, bioeconomy applications, clean tech and energy (including nuclear technology), water and blue tech, security, defence, space, robotics and advanced materials, as well as including any dual-use applications.

[29] European Commission, White Paper for European Defence – Readiness 2030, 19 March 2025 https://commission.europa.eu/document/download/e6d5db69-e0ab-4bec-9dc0-3867b4373019_en?filename=White%20paper%20for%20European%20defence%20%E2%80%93%20Readiness%202030.pdf

4. FAST MARKET UPTAKE AND EXPANSION

The successful commercialisation of innovative products relies on a mix of entrepreneurial drive, risk-tolerant capital, market demand and public support. Universities[30] play a crucial role in this ecosystem, producing over 157,000 spinoffs and startups from alumni, potentially generating 6.1 million jobs in the next decade.[31] The EU has a long-standing track record of initiatives and public policies in support of innovation ecosystems. The **European Unitary Patent System**, launched in 2023, is expected to significantly reduce patent costs, provide uniform protection and speed up the commercialisation of technologies across the EU.

In Europe, translating research into commercial ventures remains low outside high-performing innovation clusters. The European Institute of Innovation and Technology,[32] the Enterprise Europe Network,[33] the European Clusters Collaboration Platform (ECCP) and the EDIHs (European Digital Innovation Hubs) already support entrepreneurship and academic startups, but key issues remain. While universities account for over 10% of patents filed at the European Patent Office, only one-third of these patents are commercially exploited. A key issue is the lack of a pro-innovation mindset in many universities, where there are insufficient incentives for researchers to commercialize their work. Legal, organisational and financial frameworks for academic spin-offs vary across Europe, causing an uneven landscape across the continent. Additionally, the public procurement process in many EU countries is overly risk-averse, favouring established providers over startups. This limits access from startups to public contracts for innovative solutions. Corporate procurement processes also hinder the ability of startups to expand, with innovation often stifled by risk-averse practices.

To foster a more cohesive innovation environment, the EU must encourage stronger interconnected ecosystems through greater support for universities, research institutions, and startups. The **Unitary Patent System** must be fully adopted by all EU Member States to reduce patent costs and facilitate the commercialisation of research. On the procurement side, the European Commission plans to revise and propose legislation and non-legislative measures concerning public and private procurement, which will also help to better support startups and scaleups by reducing possible barriers and encouraging innovation. Complementary non-legislative measures will enhance monitoring, funding, and national competence networks across Member States. By supporting intra-EU cross-border collaborations and simplifying access to procurement processes, the EU can create a more favourable environment for the growth and scaling of startups. To enhance collaboration between startups and corporates, strategic partnerships should be encouraged, making it easier for startups to secure their first customers and grow. **Cohesion policy** can also help connect

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[30] Including as Universities of Applied Sciences and Research and Technology Organizations.

[31] Redstone University Startup Index - Europe's Trillion Euro Opportunity, 2024 - https://www.redstone.vc/research/redstone-university-startup-index

[32] The European Institute of Innovation and Technology (EIT) directly supported over 9 900 startups and scaleups which have collectively raised almost €10 billion in external funding, resulting in unicorns and innovative companies worth €71.2 billion today.

[33] More than 3,500 Enterprise Europe Network (EEN) advisors help startups and scaleups with free business support in nearly 60 countries. Over 1,500 clusters also boost innovation and competitiveness among its stakeholders including for startups.

regional and national actors, fostering territorial connectivity and helping startups scale. The mid-term review of cohesion policy is a key step in aligning regional and national efforts to help startups connect with larger corporations and enter new markets.

Finally, the Commission in cooperation with the European External Action Service and Member States' will support **startups to access global markets**, including by leveraging trade agreements as well as mobilising through EU Delegations, Member State networks and dedicated EU tools.[34] The Commission will also work on better integrating innovative solutions from startups and scaleups into the value-chains of **Global Gateway** and benefit its supporting financial instruments, to improve their access in developing markets.

<u>Actions</u>

- The Commission will launch a **Lab to Unicorn Initiative** to accelerate the commercialisation of research results. Under this initiative, the Commission will:
    - support leading **European Startup & Scaleup Hubs,** rooted in strong university ecosystems, to network and collaborate across borders to provide access to startups and scaleups to each other's respective services, infrastructures and corporates. Synergies with existing networks will be harnessed where relevant (2026).
    - develop a **blueprint for licensing, royalty- and revenue-sharing and equity participation for academic institutions and their inventors** when commercialising IP and creating spinoffs, following best commercial practice. The Commission will support capacity-building of Technology Transfer Offices and the creation of 'venture builders' roles in research performing organisations, including Research and Technology Organisations, research infrastructures and universities (2026).
    - provide legal and implementation **guidance on the applicable State aid rules** to support startups by clarifying the conditions under which universities and public research organisations can grant IP rights in compliance with State aid rules (2026).
- The Commission will propose a set of measures for **pro-innovation procurement**. In particular:
    - In the context of the **revision of the EU public procurement directives**, the Commission will seek ways to improve and simplify the access to public procurement, taking into account the needs of startups and scaleups. The public consultation would also look into issues particularly relevant for startups and scaleups, such as limiting overspecification and excessive financial requirements in tender documents and introducing more innovation-friendly IPR provisions and value engineering.
    - In the context of the revision of the **EU public procurement directive in the field of defence and security**, the Commission will seek ways foster the

[34] Including online platforms such as the Commission's Access2Markets portal, specific helpdesks in non-EU countries, networks supported by the Commission like the Enterprise Europe Network or national or European Chambers of Commerce inside the EU, or in potential foreign markets.

inclusion of startups and scaleups in procurements and take into account a possible EU preference in procurements to reinforce EU competitiveness and technological sovereignty.

- In the context of the **European Innovation Act**, complementing the above, the Commission will seek ways to increase total investments in public and private innovation procurement across Europe i) provide a fast-track procedure for public procurement of R&D services that fall outside of the EU public procurement directives, including pre-commercial procurements; ii) incentivise innovation-minded sourcing strategies for private procurers.

The Commission will support the above legislative measures with **non-legislative support measures**, such as i) continuing the EU wide monitoring of national innovation procurement policy frameworks and investments and integrating it into the European Research Area and European Innovation System scoreboards; ii) reinforcing support from EU R&I funding to public buyers to implement joint innovation procurement in strategic sectors and technologies and iii) reinforcing the European network of national competence centres for innovation procurement and to extend it further to all Member States.

5. SUPPORT FOR THE BEST TALENT IN EUROPE

The success of a startup heavily relies on access to highly skilled talent. Some EU Member States have implemented initiatives like digital nomad visa schemes, e-residence digital IDs and qualified worker programmes to attract top talent. These schemes are designed to facilitate the relocation of highly skilled candidates, making it easier for startups to tap into the global talent pool. The EU Talent Pool and Talent Partnerships will also help to recruit skilled third-country nationals, tailored to the sectors most in need of a skilled workforce. rthermore, 59% of startups in Europe have remotely distributed teams, with 78% of engineering teams working remotely. This trend has helped prevent regional brain drain and enabled startups to access a wider pool of European talent while minimizing operational costs. However, work in remote cross-border teams remains hampered by the complexity of tax and social security obligations.

Despite these initiatives, competition for qualified talent remains fierce. Cross-border mobility obstacles, notably hindrances to the recognition of qualifications,untapped academic potential, significant underrepresentation of women and limited diversity contribute to this issue. Additionally, startups often cannot match the wages and benefits offered by larger companies, making it difficult to attract top employees. The complexities around **Employee Stock Options (ESOs)**, such as differences in tax treatment across EU Member States, create additional challenges for startups when offering non-cash compensation to attract skilled talent.

A major issue also lies in entrepreneurial education.[35] Less than 50% of EU students in secondary and higher education have access to any form of entrepreneurial education, hindering the development of future entrepreneurs.[36] Furthermore, existing frameworks for managing and commercialising academic research results often lack the necessary incentives, as universities prioritise academic publication over commercialisation.[37,38]

To address the talent gap, it is essential to improve entrepreneurial education, ensuring that students acquire the skills, mindset, and resilience necessary to innovate and create jobs. Programs should be better aligned with industry needs to equip students with practical knowledge. Additionally, promoting **gender balanced leadership and diversity** within the startup ecosystem will help build a stronger, more resilient talent pipeline. **Universities should also focus more on incentivising commercialisation of research** and creating appropriate reward structures for researchers who contribute to spinoff formations and knowledge transfer. Harmonising certain aspects of the treatment of **Employee Stock Options (ESO),** including taxation, across EU Member States will reduce administrative complexity and encourage more startups to offer ESOs as a competitive benefit. To help retain talent, startups should continue to embrace the remote working model, ensuring they

[35] European Commission, Union of Skills Communication, 2025, https://commission.europa.eu/topics/eu-competitiveness/union-skills_en
[36] European Commission's *Entrepreneurship 2020 Action Plan*
37 Challenges in academic commercialisation: a case study of the scientists' experiences
38 Draghi report (2024), p. 241.

navigate the challenges related to healthcare, caregiving responsibilities, social security contributions and retirement taxation effectively.

The EU Blue Card Directive and the Long-Term Residents Directive proposal are key steps in facilitating the attraction and retention of highly skilled non-EU talent. However, the Blue Card primarily addresses employees and not startup founders or innovative entrepreneurs. Some Member States have national schemes, but the process remains fragmented and complex. Streamlining these procedures for work and residence permits will help create a more cohesive and efficient system. Further, international recruitment from countries outside the EU will be essential to meet the growing demand for specialized skills across all levels in the startup ecosystem.

Actions

The Commission will launch a **Blue Carpet initiative** to support the attraction and retention of highly skilled and diverse talent from within the EU and from non-EU countries. As part of this initiative, the Commission will (2025-2026):

- Actively promote and further strengthen **entrepreneurial education** and upskilling, including through the EIT, promoting gender balanced and diverse participation.
- develop **a blueprint for an academic career development framework** that rewards research commercialisation activities, including transitioning from university to industry and back, such as in the academic staff evaluation and promotion criteria, as part of the Competence framework of academic staff announced in the Union of Skills.[39]
- explore best practices concerning the treatment of **employee stock options for startups, including considering legislative measures to harmonise certain aspects of their treatment.**
- propose a recommendation **to eliminate tax obstacles for remote cross-border employees** for startups and scaleups.
- present a **Fair Labour Mobility Package,** including clarification of social security coordination rules in case of cross-border remote work and a **Skills Portability Initiative** to further facilitate and simplify the recognition of qualifications, including for third country nationals (2026).
- adopt an **EU Visa Strategy** which will include measures to better attract highly skilled students, researchers, entrepreneurs and trained workers from third countries to come to the EU, for example by making the most of the Students and Researchers Directive and the Blue Card Directive in particular for startup founders (Q4 2025).
- pilot the **Multipurpose Legal Gateway Offices** initiative with a specific focus on ICT skills (Q4 2025). The pilot will serve as a one-stop-shop for information and assistance to highly skilled professionals, students and researchers in the ICT sector, who are interested to work in the EU.
- roll-out targeted information activities **to promote the EU Blue Card Directive**, among highly skilled non-EU workers and employers about the benefits of the EU

[39] Communication on the Union of Skills

Blue Card, including the possibility for the EU Blue Card holder and its family members to get easier access to the EU long-term residence status.

- **encourage Member States to put in place fast-track schemes** allowing eligible startup founders to obtain a residence and work permit under simplified and expedited procedures**.**
- **simplify and reinforce existing EURAXESS services for innovators**, including by offering bespoke support to non-EU talent, with essential information on the respective procedures across the different EU Member States.

6. ACCESS TO INFRASTRUCTURE, NETWORKS AND SERVICES

Startups need cutting-edge research, technology facilities, and expertise to rapidly test, scale, and validate new products, accelerating time-to-market and boosting commercialisation success. Horizon Europe supports this by funding the European High Performance Computing Joint Undertaking, which will house 13 new AI Factories offering computing power and customised support to SMEs and startups.[40]

Networks like the **Enterprise Europe Network**, **European Digital Innovation Hubs** and the **EIT** provide targeted assistance. But despite these resources, **information gaps**, **complex access processes** and fragmented **IP management agreements** remain major barriers. Many startups struggle to navigate the **maze of services**, unable to easily identify the right **research infrastructures** or funding opportunities. The lack of clear entry points and fragmented access to funding, services and information compounds the problem, leaving startups without streamlined pathways to access available support. State Aid rules relating to access to public infrastructures are sometimes perceived as unclear.

Startups, scaleups, innovators and investors need faster and better access to resources needed to thrive and grow. In the context of the forthcoming European Competitiveness Fund, the Commission will streamline existing EU IT hubs with the aim of establishing a single digital entry point for European innovators, investors, and service providers to find, compare and access funding programmes, services and infrastructure. This initiative will be implemented in complementarity with the EIB's TechEU platform.

Actions

- The Commission will develop a **Charter of Access for industrial users to research and technology infrastructures**, including for startups and scaleups, and, where necessary, 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).

[40] that will be deployed in the context of the AI Continent Action Plan

7. MEASURING PROGRESS

Currently there is no single EU definition of startups, scaleups and innovative companies. 11 EU Member States have adopted a legal definition of startup[41] and five Member States of scaleup,[42] while the General Block Exemption Regulation and Horizon Europe Regulation also set out definitions at EU level for different purposes. This creates uncertainty and makes it difficult to collect data or assess the state of the ecosystem at any given time, let alone to design targeted policy measures for these types 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 interpretability suffers from the lack of standard and generally accepted definitions.

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

Actions

- The Commission will propose **a definition of startups, scaleups and innovative companies,** taking into account existing definitions of SMEs and small mid-caps (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 and unicorns. It will also be used to measure the impact of the Strategy by using **three Key Performance Indicators**: 1) the increase in the number of startups in the EU, 2) the increase in the number of centaurs in the EU and 3) the increase in the number of unicorns in the EU (as of 2026), and how these compare with global competitors.
- The Commission will carry out an **annual startup and scaleup survey** to assess the perception of innovative company founders of the improvement in the EU's regulatory environment over time (as of 2026).

[41] BG, DK, EE, EL, HU, IT, LV, LT, PT, SI, ES
[42] BG, DK, EE, EL, PT

CONCLUSION

Europe is at a pivotal moment, and putting startups and scaleups at the heart of its competitiveness agenda is essential for driving future growth and prosperity. The EU Startup and Scaleup Strategy lays the European Commission's vision and groundwork for this transformation, tapping into our strengths while seizing the opportunities of the current geopolitical landscape.

This Strategy takes a holistic approach, simplifying processes at every stage of startup development, and combines short-term action with long-term reforms to create an ecosystem where startups in any sector can thrive — and choose to stay and relocate in Europe. It caters for the gradual integration of EU candidate countries.

The key to success lies in swift, effective implementation. Key milestones like the European Innovation Act and the 28th regime for companies will be critical to achieving these goals. The Strategy integrates policy, legislative and financial support, with a strong focus on accountability through clear tracking instruments. The European Commission will lead by example, involving the startup and scaleup community – including through regular meetings of European unicorns and centaurs – in shaping and executing these plans.

Collaboration across Member States is critical for success. The European Innovation Council Forum will track progress and turn ambition into action, while political backing will be critical to ensure timely and effective delivery of the Strategy's goals.

It is time to make the European Union the ultimate destination for innovation, empowering startups and scaleups to grow, scale, and succeed. In our continent.

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 on the implementation of the Strategy by the end of 2027.

THE EU STARTUP AND SCALEUP STRATEGY

ACTIONS SUMMARY

I. INNOVATION-FRIENDLY REGULATION
Actions
• 28th regime for companies (Q1 2026) • European Business Wallets (Q4 2025) • 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. BETTER 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 security and 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” (as of Q2 2025) • Review the Horizontal and Non-Horizontal merger Guidelines (2027) • European Corporate Network (2026)
III. FAST MARKET UPTAKE AND EXPANSION
Actions
• Lab to Unicorn initiative (2026) • Pro-innovation procurement measures (2025-2026)
IV. SUPPORT FOR THE BEST TALENT IN EUROPE
Actions
• Blue Carpet Initiative (2025-2026) • Fair Labour Mobility Package (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 the applicable State Aid rules for universities and public research organisations to grant access to infrastructure (2026)
VI. MEASURING PROGRESS
Actions
• Definition of startups, scaleups and innovative companies (2026) • Annual startup and scaleup survey (as of 2026) • European Startup and Scaleup Scoreboard (as of 2026)