

- **STARTUP POLICY IDEAS** -

The Cluj Recommendations

March, 2019

The number of startups and entrepreneurs in Europe has persistently been growing over the last years and the future looks bright. In this regard, Startups represent more than a new trend, they are the personified ambition to address the thorniest challenges of our economies and societies; they routinely bite off more than they can chew and remind the rest of us that more often than not, it works!

Startups drive growth, competitiveness and create jobs¹, especially in Europe where over 2 million people make a living in the software economy². This underlines the role startups take in educating and future-proofing our workforce. Startups can help established champions to leapfrog into the digital age and more importantly, become European champions themselves. Because startups are essential to Europe's economic growth and job creation, the next Commission President should ensure startups have opportunities to connect with decision makers and influence the policies that will affect their ability to start and scale their businesses. This interchange should ensure that European startups operate in an environment that incentivises new firm creation, and allows them to attract the best talent, capital, and customers in order to scale.

Europe's investment in promoting the growth stages where rapid value creation happens is falling short. In order to capture more of this supergrowth, Europe should prioritise policy interventions which increase the ability of startups to attract talent, capital, and customers.

Founders need to know that they are able to shape their economies without being disconnected globally. Below we collected 11, concrete and actionable recommendations for European leaders, elected representatives and policymakers who like us, believe that "small is beautiful" but also that "la croissance c'est la prospérité"

Starting is good, scaling is better

- EU activity for startups has been focussing dominantly on non-legislative support, grants, and promotional activities. But as the startup and scale-up communication stated, "too few European start-ups survive beyond the critical phase of 2-3 years, with even fewer growing into larger firms."³ We believe **that a broader view of**

¹ <https://tech.eu/features/21820/seed-the-future-a-free-report-on-early-stage-tech-startups-in-europe/>

² <https://www.progressivepolicy.org/blog/update-on-european-app-economy-jobs/>

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2016:733:FIN>, page 1

startup-policy is needed. From pure recipients of government support, startups should be recognised as growth firms that rely on a regulatory growth framework.

- Startups are the most agile entities to link research, creativity, investment and bring solutions to market quickly. Entrepreneurs have taken on some of the most difficult challenges of today including many from the sustainable development agenda. Recognising the role startups can play in addressing SDGs and encouraging company creation and impact-driven investment will improve Europe's ability to achieve the Sustainable Development Goals.

Recommendation 1

Treat Startup as a topic in its own right, stop writing "start-up" and assuming all startups are SMEs. Engage with founders, investors, thinkers in the startup ecosystem to raise awareness about how the growth ambition and funding sources of startups distinguishes them from other businesses.

- The regulatory framework naturally evolves around digital policies but we need to start looking beyond that and take a more holistic approach. The Digital Single Market and its pillars all had unanticipated effects on startups. Legislation concerning banking, health, manufacturing, tax and the environment has the potential to unlock further startup innovation and economic growth. A broader view requires all Commission services to be aware and act towards enabling more startups in Europe to succeed.

Recommendation 2

Make **Startup Europe the cross-directorate umbrella** in the European Commission and equip it with legislative competence and resources from all DGs. Build a **"Startup & Scaleup" Advisory Board**⁴. We call for the European Parliament to establish an **Intergroup on Startups and Scaleups** and the European Council to seek a more regular exchange with founders and set up a permanent **Like-Minded Group on Startups**.

⁴ The Board would be made up of representatives of early-stage startups, growth companies, early-stage investors, and ecosystem supporters and charged with providing actionable policy recommendations to the policy making process.

Acknowledge the power of the public purse

- Procurement contracts across European borders keep on soaring, the opportunities for innovative business to grow across Europe are declining. The 2016 Scale-up Europe manifesto called to set targets of 20% for Public Procurement of Innovative Solutions and 3% to Pre-Commercial Procurement. Recent benchmarks⁵ showed that only a few Member States have set targets at all, and those who did fall short of the ambition. In those cases where startups fulfil procurement, intellectual property rights should remain with the innovator, not with the procuring authority in order to allow for these innovations to be commercialised in Europe.

Recommendation 3

Review the public procurement directive in order to make it a strategic tool for modernising public services with innovative solutions by startups. Adopt the [Scale Up Europe](#) manifesto targets for pre-commercial procurement and public procurement of innovative solutions and monitor the implementation of the targets regularly at European level. Promote open, transparent and shorter-term contracts, which are advertised in good time, without prohibitive conditions or qualifying criteria. Provide procurers with free access rights while Intellectual Property Rights remain with innovators.

Build on strengths - make Europe the best and most diverse place for talent and entrepreneurs

In order to raise and encourage the next generation of entrepreneurs, the public policy debate has to evolve beyond sheer numbers. Supporting early and continued exposure to the working environment of startups can raise awareness and attractiveness of entrepreneurship across Europe. Developers and software engineers can enrich their theoretical education with placements and more practically oriented training.⁶

⁵<https://ec.europa.eu/digital-single-market/en/news/online-consultation-benchmarking-national-innovation-procurement-policy-frameworks>

⁶ <https://stripe.com/reports/developer-coefficient-2018>

In order to promote entrepreneurship and startups as workplace, in particular for women, increased emphasis should be put on promoting diversity and women in tech.

Recommendation 4

Increase awareness about opportunities for Women in tech. Strengthen transparency requirements about diversity in the public and private sector⁷. Encourage Universities to include a 6- or 12-month work placement with a startup as part of the core curriculum or the Erasmus programme. Promote role models and success stories across Europe.

- Employee ownership, through the use of stock options has been a critical element in the success of US startup ecosystems. They enable cash-strapped startups to compete for talent against larger (but less innovative) companies. If a startup ultimately has a successful exit, employees can benefit financially in a big way. They go on to become critical ambassadors, mentors, angel investors, and next-gen entrepreneurs - a virtuous circle. Within Europe, we see some of the world's best - and worst - regulatory environments for stock options, which severely reduces their positive impact. Following existing best practice would accelerate the development of Europe's startup ecosystems, as well as making it easier for pan-European tech champions to emerge.

Recommendation 5

Encourage member states to adopt best practices around the treatment of employee stock options, drawing on those that exist today in Estonia, the UK and France. Allow stock options to be portable across Europe without penalty; a missing piece of today's single market, which specifically harms startups.

- Founders want to come to and hire in Europe but long and cumbersome immigration procedures slow down economic growth. Because there have been relatively few breakout successes in Europe, the talent pool with growth stage expertise is limited. Whereas half of EU Member States have a version of a Startup Visa there is not one harmonised approach for Europe, which limits the mobility of founders and entrepreneurs when working across the EU. We believe it is time to turn many Startup Visas into one **Blue Carpet for Talent**.

⁷ Such as the Women in Digital Scoreboard? Transparency.

Recommendation 6

Collect all existing startup & entrepreneurial visa in one European portal and measure their success - the best-working elements shall inform an EU Startup Visa for the Schengen Zone. Instruct the Commissioner for Home Affairs to consider a legislative proposal as it exists for students, seasonal workers, ICT, etc.

- New forms of work powered by entrepreneurship and technology are rising across Europe and globally. We want Europe to stay true to its social values as well as remain globally competitive while nourishing individual liberty. Rules for the collaborative economy should hence be nuanced in order to acknowledge the diversity and characteristics of new forms of work when integrating them into the European Social Model. They should aim at achieving continued and dignified access to social services of all workers and entrepreneurs rather than forcing them into existing categories.

Recommendation 7

Make use of non-legislative tools and establish a permanent **EU Forum for the Future of Work** to promote current best practices.

Improve investment and clarify the role of the public sector

- The European venture capital market is lagging behind Chinese and US investments. Yet there are plenty of great investment opportunities and abundant capital. To overcome such risk averseness and bridge gaps, the Commission should continue to promote investment in startups where not enough venture capital is available. The goal of public sector activity should be to kickstart ecosystems or specific areas of research and provide funding where the private sector won't (yet) go. The number of institutions with the skill and capacity to invest in European venture capital funds must be broadened and diversified.

Recommendation 8

Clarify the role of the public sector in venture capital as a targeted way to kickstart venture capital in markets where there is not enough private activity. Public engagement

in the VC market should provide tools to de-risk and encourage investments without distorting the market or become a structural part thereof.

Identify venture capital gaps in regions and verticals and increase strategic engagement where not enough capital is available.

More evidence, less unintended consequences

- Many elements of the Digital Single Market, Digital Taxation, the E-Commerce Directive, GDPR or the Copyright reform have shown that startups too often become collateral damage in efforts that were intended for big firms. Evidence & data, effective feedback loops and transparent and measurable outcomes can address this and increase benefits for all.

Recommendation 9

Use specific community resources such as reports and databases to inform policy-making in a transparent way and invest in better research where needed. Enable communities to understand and participate in the public policy dialogue. Foster pan-European research and reports⁸ with international comparable data.

Courageous experiments and bold moves in company law

- Starting up and operating in different European countries should be as simple as doing it in a local market. A unified regime for startups would bridge areas where the Single Market is not yet integrated. A cross border regime could allow startups to benefit from specific regimes such as corporate, tax, labour, stock options, bankruptcy legislation.

⁸ Such as: “Tech Scaleup Europe” Report by Mind the Bridge, “The European State of Tech Report”, Dealroom.co, Tech.eu, Startup Genome Global Startup Ecosystem Report.

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Recommendation 10

Establish a unified regime for startups in Europe. Starting as a pilot project with enhanced cooperation. Collect feedback, measure performance in order to increase adoption and scope across Europe.

Don't only speak to the Community, Become part of the Community

- Every day countless founders, community builders, and startup advocates work hard to build the next big thing and to make Europe the best place for it. Next Commissioner in charge to be where the community is, and through constant interaction, consultation and feedback, become part of the community herself.

Recommendation 11

Accept our invitation to a continuous dialogue about these recommendations before the end of 2019. Encourage and actively invite community builders and organisations in policy-making fora and stakeholder or expert groups. Work continuously with startup community organisations to implement and track these recommendations in public policy.

These ideas have been sourced and developed at the [Startup Europe Summit 2019](#) in Cluj, with a focus on improving the Brussels' playbook in terms of policy-making. This document should be considered complementary to the work of France Digitale and other startups organisations on the [Hacking 2019 Manifesto](#).

For any input or feedback to this document, please contact Allied for Startups at hello@alliedforstartups.org.