



The EU Startup and Scaleup Strategy: Choose Europe to start and scale

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Since startups are central to Europe's competitiveness, driving innovation and strengthening the EU's global position, the new [EU Startup and Scale-up Strategy](#) sets out to make Europe the best place in the world to start and grow a business. The Strategy highlights Europe's strong foundations for a thriving innovation ecosystem: world-class talent, cutting-edge research, and a steady rise in tech entrepreneurship. Today, Europe is home to over 35,000 early-stage startups and 3,400 scaling tech companies, employing a total of 3.5 million people.

However, Europe's startup ecosystem still faces significant challenges, leaving the EU lagging behind the US and China. At the heart of these issues is fragmentation, characterised by regional imbalances, persistent difficulties in turning research into marketable products, limited scaling due to an incomplete Single Market, regulatory inconsistencies, and the underuse of public procurement.

The European Commission correctly identifies that startups in the EU face two major "valleys of death": the first before entering the market, and the second when attempting to scale. These hurdles have led many promising companies to relocate outside the EU. As a result, while 60% of global scaleups are based in North America, only 8% are located in the EU, severely hampering present and future European competitiveness.

To address these challenges, the Strategy revolves around five pillars: harmonised regulation, access to finance, market access, talent attraction, and access to data and infrastructure:

1. **Innovation Friendly Innovation:** The EU is identifying the need to create more agile and adaptive regulation to maintain and enhance its global competitiveness.
 - a. **A European 28th Regime:** A single, digital-by-default set of rules to simplify company setup, ideally within 48 hours, and operations across the Single Market, covering areas like corporate, insolvency, labour, and tax law (including stock options). This will lower costs for startups and reduce the cost of failure, (Q1 2026).
 - b. **A European Blue Wallet:** Creating a digital identity for all economic operators and a framework for sharing verified data to enable seamless digital interactions across the Union.

- c. **A European Innovation Act:** Establishing a common legal framework for regulatory sandboxes, including cross-border ones, to let innovators test new ideas in a controlled environment (Q1 2026).
 - d. **Voluntary “Innovation Stress Test”:** Recommendations for Member States to assess the potential impact on innovation when proposing national legislation (Q1 2026).
 - e. **Reduce Regulatory Burdens in Strategic Sectors:** Upcoming proposals, such as the EU Biotech Act, Life Science Strategy, Advanced Materials Act, and Medical Devices framework, will streamline rules in key industries.
 - f. **Revise the Standardisation Regulation:** Make standard-setting processes faster and more accessible, in particular for SMEs and startups.
 - g. **Assess Corporate Restructuring Barriers:** Evaluate how EU and national restructuring rules may hinder business adaptation and innovation across sectors (2026).
2. **Better Finance for Startups and Scale-ups:** To help overcome short-term fragmentation in EU financial markets, the EU is looking to deepen partnerships with industrial investors, the European Innovation Council, and VC firms.
- a. **Expand the European Innovation Council:** Introduce more ARPA-like processes to support high-risk innovations, while expanding its Trusted Investor Network, and simplifying grant processes.
 - b. **Scaleup Europe Fund:** Work with the EIB Group and private investors, to help bridge the financing gap of deep tech scale-up companies (2026).
 - c. **Reviewing the Horizontal and Non-Horizontal merger Guidelines:** Ensuring innovative companies are not stifled in their ambition to determine their own growth and exit strategy.
 - d. **Innovation Investment Pact:** The Commission, institutional investors and EIB will work to encourage investors to commit funds to EU venture capital and scaleups.
 - e. **High-Tech Defence Investment:** New EU instruments will support investment in defence startups and scaleups (2026).
 - f. **IP-Backed Financing:** A new framework for IP valuation will be developed with the EUIPO (Q2 2027).
 - g. **Support for Business Angels:** The Commission will strengthen business angel networks to boost early-stage startup growth (2026).
 - h. **State Aid Flexibility:** The “undertaking in difficulty” criteria will be reviewed to allow more flexible support for fast-growing startups in temporary need of funding (2026).
3. **Fast Market Uptake and Expansion:** To ensure the successful transition of research into high-impact startups, the European Commission, through initiatives like the the European Innovation Act, and the revisions to the Public Procurement Directive, will implement the following measures:
- a. **Establishing a network of Startup & Scaleup Hubs:** Linked to top university ecosystems, enabling cross-border collaboration and shared access to services, infrastructure, and corporate partners.

- b. **Developing a standard IP-sharing blueprint:** Ensure royalties, equity, revenue for academic spin-offs, alongside support for Technology Transfer Offices and ‘venture builder’ roles in universities and RTOs.
 - c. **Issuing legal guidance on State aid rules:** Clarify how universities and public research bodies can grant IP rights compliantly.
 - d. **Simplifying public procurement procedures:** Encourage broader adoption across Member States to boost demand for innovative solutions, while making it easier for startups and scaleups to participate in public tenders.
 - e. **Reworking innovation partnerships:** Enable public authorities to procure innovative products through more collaborative and flexible approaches.
 - f. **Creating a European Corporate Network:** Connect large companies, corporate venture investors, and procurers with the EU innovation ecosystem, with members voluntarily prioritising European startups when engaging, investing, or procuring innovative solutions.
4. **Support for the Best Talent in Europe:** Through the Blue Carpet Initiative, the EU aims to attract highly skilled talent from both within the Union and third countries.
- a. **Strengthening entrepreneurial education:** Expand and enhance entrepreneurial training through Erasmus+ to build foundational startup skills.
 - b. **Developing an academic career framework:** Create a blueprint that rewards research commercialisation, integrating it into academic evaluation, promotion, and career pathways between academia and industry.
 - c. **Harmonising employee stock option practices:** Propose best practices and introduce legislation to align taxation rules across the EU, making stock options more attractive for startups.
 - d. **Simplifying taxation for remote workers:** Recommend harmonised tax rules for cross-border remote employees working in startups and scaleups.
 - e. **Adopting an EU Visa Strategy:** Improve access for top students, researchers, entrepreneurs, and skilled workers from third countries through streamlined implementation of the Students and Researchers Directive and the Blue Card Directive (Q4 2025).
 - f. **An EU Blue Card awareness campaign:** Promote the benefits of the Blue Card among highly skilled non-EU workers and employers in coordination with EU Delegations and upcoming Legal Gateway Offices (2026).
 - g. **Expanding access to startup visas:** Encourage Member States to extend Blue Card benefits to startup founders and highly skilled self-employed individuals, and to introduce fast-track visa schemes with simplified procedures for third-country talent.
5. **Access to Infrastructure, Networks, and Services:** Ensuring startups have access to the equipment and expertise needed to test, upscale, and validate new products and technologies.
- a. **Developing a Charter of Access:** Create a unified framework for industrial users, including startups and scaleups, to access research and technology infrastructures, simplifying and harmonising contractual conditions (2025).
 - b. **Supporting AI access:** Provide financial support to help startups access AI computing facilities across the EU (2025).

- c. **Promoting infrastructure access through legislation:** The European Innovation Act will strengthen access to research and technology infrastructures for innovative companies via legislative measures (Q1 2026).
- d. **Clarifying State aid rules for infrastructure use:** Offer legal guidance to ensure universities and public research bodies can grant infrastructure access in line with State aid rules (2026).
- e. **Launching an EU Innovation Platform:** Establish a central digital hub for European innovators and investors, offering access to funding, business support services, as well as IP and regulatory advice.

Progress will be measured against a proposed EU-wide **harmonised definition of startups, scaleups, and innovative companies**. This common definition will not only assess the impact of the Strategy and its policy measures, but also to enable the Commission to propose additional, targeted simplification and support for these types of businesses. Now that we have a clear roadmap, To help shape a strong and effective definition that will impact startups and scale-ups operating in the EU for years to come, become a member of AFS and join our **Startup Definition Taskforce** [here](#).

Conclusion

AFS welcomes the initiatives, and are delighted to see the Commission's focus and initiative to make Europe the best place to start and grow a business. We are particularly encouraged by the suggested 28th regime, the promise of simplification through the upcoming European Innovation Act, and the "founders choose their own destiny" approach to mergers and acquisitions. These, along with almost all the proposals suggested, are positive signals that align with the priorities AFS pushed for through the [AFS Startup Journey](#) and the [EU Policy Hackathon](#).

However, we question the Commission's continued emphasis on "leadership in regulatory standards", and how it provides a solid foundation for business growth. While there is some truth to this assertion, the Commission's ongoing push for new tech legislation, such as the Digital Fairness Act and the Digital Networks Act, risks increasing business uncertainty and stifling the very innovation it aims to promote. This is particularly troubling given that the full impact of the AI Act on innovation is still unknown.

Implementing this Strategy is crucial, as we no longer live in a world where the U.S. innovates, China replicates, and the EU regulates. Today, the U.S., China, India, and the Gulf states are all driving innovation, while the EU remains focused on regulation. The time for execution is now, and we look forward now to seeing concrete measures take shape. AFS will closely monitor and engage in how these, along with the commitments outlined in the [Communications on the Savings and Investment Union](#) and the [Single Market Strategy](#), translate into meaningful progress for startups across Europe.