A Startup-Ready GBER: Modernising State Aid for Europe's Future

State subsidies - revision of approval requirement rules (the General Block Exemption Regulation): Call for Evidence
6 October, 2025

Executive Summary

Europe's startups and scaleups are engines of innovation, but outdated State aid rules often exclude them from support. The General Block Exemption Regulation (GBER) must be modernised to reflect today's innovation cycles and tomorrow's growth.

We recommend:

- **Update the definition of a startup**: extend eligibility beyond five years and remove penalties linked to accumulated early-stage losses.
- **Adapt to long innovation cycles**: ensure biotech, healthtech, clean energy and other deeptech firms can access support over 7–10 year horizons.
- **Enable cross-border growth**: design rules that facilitate scale-ups operating across the Single Market.
- **Foster equity financing**: align GBER with innovative tools like SAFEs, convertible notes, and employee ownership schemes.
- **Simplify procedures**: cut red tape so aid is accessible to fast-moving firms without disproportionate compliance burdens.

A GBER fit for startups will unlock Europe's competitiveness, accelerate breakthrough technologies, and help turn innovation into growth.

1. Introduction

Startups and scaleups are Europe's engines of growth, innovation and technological sovereignty. They are the companies that create high-quality jobs, bring breakthrough technologies from lab to market, and allow Europe to compete globally. Yet Europe's State aid framework is still designed around traditional SMEs, not high-growth firms.

The General Block Exemption Regulation (GBER) - the EU's main tool to allow Member States to grant aid without notification - is critical. But in its current form, it excludes many of the very companies Europe most needs to succeed. Definitions are outdated, financing instruments are too narrow, and procedures are too complex.

The Competitiveness Compass (European Commission, 2025a) makes clear that Europe must close its innovation gap, strengthen technological sovereignty and simplify rules across the Single Market. The EU Startup & Scaleup Strategy (European Commission, 2025b) calls for better financing, talent, infrastructure and reduced fragmentation. Together, they provide the political framework. The revision of GBER is the moment to deliver in practice.

Allied For Startups (AFS) urges the Commission to seize this opportunity. A modernised GBER can become one of the operational backbones of the Startup & Scaleup Strategy and a core enabler of the Competitiveness Compass.

2. Early-Stage Startups: Aligning Definitions with Reality

At the earliest stages, startups face the paradox of being Europe's most innovative companies but also those least recognised by State aid rules. Current definitions (notably Article 22 GBER) limit startup status to just five years and treat accumulated losses as a sign of insolvency under the definition of "Undertakings in Difficulty" (Article 2(18)). In practice, this excludes many high-potential firms - particularly in deeptech, where long development cycles and heavy capital needs mean that innovation often takes a decade or more to reach the market.

Extending startup eligibility under Article 22 from 5 to 10 years, and to 15 years with higher aid ceilings for deeptech, would reflect these realities. This article does not reflect the reality of innovation cycles. In Europe's strategic sectors such as biotech, healthtech, and clean energy, many deeptech firms require seven to ten years just to reach market entry. By cutting off eligibility so early, GBER inadvertently disadvantages exactly those sectors the EU wants to nurture. Extending eligibility to ten years - and to fifteen years with higher ceilings for deeptech - could better align State aid rules with Europe's strategic ambitions.

Revising "Undertakings in Difficulty" (UID) criteria. Treating accumulated losses as insolvency is both unfair and inaccurate. Loss-making is a normal feature of venture-backed startups, which often sacrifice short-term profitability for rapid growth. Current UID rules (Article 2(18)) force authorities into heavy administrative checks and exclude companies that are financially viable but not yet profitable. GBER should instead accept venture capital backing, growth metrics and cash runway as proof of viability, exempting RDI-aid (Article 25) from the capital-loss test.

Simplifying the SME definition. The SME definition (Annex I) requires startups to include "partner companies" (25–50% ownership) in their calculations, leading to disproportionate bureaucracy. For a startup with multiple investors, this means compiling ownership structures across numerous unrelated firms. Simplification is overdue: only majority-owned ("linked") companies should be counted, reducing burden while reflecting actual control.

Recognising VC as a market test. The presence of venture capital or business angel investment is one of the strongest indicators of viability and market potential. Yet GBER does not currently recognise this as a positive criterion. Explicitly acknowledging VC ownership as proof of market validation would align EU rules with entrepreneurial reality.

3. Growing Startups: Finance, Talent and Regulatory Environments

As startups mature, moving from validation to growth, their needs shift. Financing must become more flexible, talent acquisition more global, and regulatory obstacles less rigid. Yet GBER remains narrowly focused on grants and loans, overlooking the blended finance models that startups actually use. While it contains a limited article on training aid, this is designed for traditional firms and does not address the real talent bottlenecks facing startups - such as international recruitment, relocation, mobility schemes or reskilling in strategic tech fields. Nor does GBER provide a framework for regulatory sandboxes, which are essential to help startups test innovations in real-world environments.

Expanding financing instruments. Startups rarely scale on grants alone. Growth requires equity co-investments, mezzanine loans, guarantees and blended models that combine public support with private capital. By continuing to privilege only grants and loans, GBER is stuck in an outdated financing model. Opening up to blended finance and risk-sharing would reflect reality on the ground and make State aid more attractive to private investors, de-risking scaleup growth.

Supporting talent and skills. No startup can grow without people. GBER does contain a training aid provision (Article 31), but it was designed for traditional companies and generic skills upgrading. It does not reflect the talent bottlenecks faced by startups: international recruitment, relocation, and reskilling in strategic technologies. GBER should therefore be updated to allow aid for international mobility programmes, graduate hiring and targeted reskilling, aligned with broader EU reforms on stock options and startup visas.

Enabling regulatory sandboxes. Many of Europe's most innovative companies face regulatory bottlenecks, not financing gaps. From AI to biotech, the lack of a flexible space to test innovations under regulatory supervision is a barrier to growth. GBER should explicitly permit State aid for participation in regulatory sandboxes, exempted from certain conditions. This would create space for experimentation, while regulators learn alongside startups.

Facilitating internationalisation. Scaling up requires going global, yet current rules restrict support to de minimis measures that are too limited to be meaningful. Export vouchers, soft-landing programmes and co-financed trade fair participation should be explicitly eligible under GBER. This would allow Europe to retain startups while helping them succeed abroad.

4. Scaleups and the Global Expansion Stage

The Global Expansion stage is when a startup has proven its model, generates revenue, and seeks to scale across Europe and beyond. This is where Europe's weaknesses are most visible: fragmented markets, smaller valuations, and underdeveloped late-stage funding. Scaleups are typically valued at one-fourth of their US counterparts, and institutional investors remain hesitant (AFS & ESN, 2025). Current GBER rules are not adapted to this reality.

Creating a distinct scaleup category. Today, scaleups "graduate" out of SME status and fall into the same category as large corporates. This ignores their different needs. A distinct "scaleup" category should be created, defined by high growth, internationalisation and private capital attraction. This would allow more targeted support at the stage where companies are most likely to leave Europe.

Addressing the scaleup capital gap. Europe's scaleups raise 30–50% less capital than their US peers. Current GBER ceilings are insufficient for later-stage growth. Raising thresholds for co-investments and guarantees, and extending exemptions to 10 years for deeptech with higher ceilings, would allow Member States to support firms more effectively.

Guarantees for First-of-a-Kind (FOAK) products. At this stage, industrialisation is capital-intensive and revenues are not yet stable. Traditional banks will not lend, and VC alone is insufficient. An EU-wide guarantee scheme covering up to 80% of FOAK loans (linked to Articles 17–18 on risk finance aid), modelled on Bpifrance, would de-risk investment and allow banks to lend with confidence.

Mobilising institutional capital. Pension funds and insurers in Europe invest far less in venture capital than their US counterparts. A pan-European Fund-of-Funds structure, managed by EIF/EIB, could pool institutional capital and channel it into venture funds, reducing risk and increasing scale. GBER should explicitly accommodate such instruments.

Opening procurement to startups (Articles 36-39). Public procurement is one of the largest markets in Europe, yet startups are routinely excluded by criteria based on size, revenue history or compliance experience. GBER should support reforms that make innovation a core procurement criterion and dedicate quotas to startups and deeptech firms.

5. Ecosystem Enablers and Simplification

Startups do not grow in isolation. They depend on intermediaries - incubators, accelerators, clusters, and testbeds - that provide the infrastructure for growth. Current GBER rules treat these actors as ordinary economic operators, limiting their ability to serve the ecosystem.

Supporting intermediaries. Public-good intermediaries such as incubators and science parks are essential but underfunded. GBER should allow them to channel startup aid under Article 22 and create a dedicated category for long-term operational support.

Strengthening clusters. Current rules impose a 10-year cap and heavy co-financing requirements on clusters (Article 27), restricting their development. Removing the cap, allowing preparatory aid and simplifying incentive-effect requirements would strengthen regional ecosystems.

Financing testbeds. Deeptech startups depend on testbeds and demonstration sites to validate technologies (Articles 26 and 26a). Aid intensities are too low and operating costs are excluded. Raising aid levels and including operational support would unlock investment and make testbeds more accessible.

Simplifying collaborative projects. Many cross-border and regional projects rely on de minimis support due to administrative burden. Extending Interreg-style simplified models - joint applications, simplified cost options - to all collaborative projects would unleash ecosystem cooperation.

Improving data and transparency. Today, there is no consistent EU-level reporting on how GBER benefits startups and scaleups. Member States should be required to publish startup-specific data, while reporting thresholds (Article 9) should be raised back to €500,000 to avoid unnecessary bureaucracy.

6. Conclusion

The revision of GBER is more than a technical exercise. It is a litmus test for whether Europe can align rhetoric with rules. The Startup & Scaleup Strategy has set an ambitious agenda; the Competitiveness Compass has identified innovation and simplification as priorities. The GBER is one of the files where these priorities can be made real.

Modernising definitions, expanding the toolbox, recognising the global expansion stage, empowering intermediaries and simplifying procedures will transform GBER into a genuine catalyst for Europe's competitiveness.

Europe cannot afford a GBER built for yesterday's companies; it needs one designed for the innovators of tomorrow.