ESNA Compendium

Building a competitive Europe: the role of startup and scaleup ecosystems

Volume: Regulatory Barriers (Red Tape)

ESNA Compendium

Volume I: Regulatory Barriers (Red Tape)

Building a competitive Europe: the role of startup and scaleup ecosystems

For further information on ESNA's activities, please visit our website www.esnalliance.eu/en

Published by the Europe Startup Nations Alliance, Associação.

Europe Startup Nations Alliance
Avenida da República, 79A
1069-218 Lisboa, Portugal

This is a publication by the Network and Strategic Initiatives Department.

About ESNA

Founded as a direct result of the EU Startup Nations Standard of Excellence Ministerial Declaration in March 2021, ESNA is committed to transforming Europe's startup landscape by fostering a robust, interconnected, and competitive entrepreneurial environment within Europe, that drives innovation and economic prosperity across the continent.

About the Network and Strategic Initiatives Department

The Network and Strategic Initiatives Department intends to harness the startup ecosystem stakeholders' network to support on policy trends, strategies and initiatives that are aligned with the achievement of bringing Europe to the forefront of the global startup ecosystem.

Disclaimer

Views and opinions expressed in this document do not necessarily reflect the position of the European Union on the topics covered in this report. The insights presented in this publication are based on desk research and expert dialogue, and the content is independent of ESNA's institutional viewpoint.

Network & Strategic Initiatives Department*

Co-authors: **Carolina Rossi, Marine Desoche,** and special contribution of **Priscila Macedo Pinto**

Production support: **Sebastião Ribeiro**

*N&SI Department led the development of this document, from research design and interviews to strategic analysis, drafting, and final editorial direction. Their leadership and deep understanding of the European startup ecosystem were central in shaping the recommendations made in this Volume.

Main Contributors

Advisory Board: **Carme Artigas, André Azevedo, Egle Markeviciute, Padraig Nolan, Luis Roquette Geraldes** (Working Group Chairman)

ESNA: **Arthur Jordão, Linda Capusa**

Graphic Design: **Pedro Carvalho**

Supported by insights and data from: Team Genesis | Morais Leitão, Galvão Teles, Soares da Silva & Associados - Sociedade de Advogados e Consultores, SP, RL; Krakow University of Economics.

PRR Plano de Recuperação e Resiliência
REPÚBLICA PORTUGUESA
Financiado pela União Europeia NextGenerationEU

Index

Foreword

In a time of accelerated innovation and increasing global competition, the ability of Europe's startup ecosystem to scale effectively has never been more essential. As the EU shapes its Startup and Scaleup Strategy, strategic alignment between European and national initiatives becomes vital. The Regulatory Barriers (Red Tape) Volume offers a concise and practical document, to support this alignment, connecting vision to execution and ambition to outcomes. Building on the foundational ESNA Compendium, this document is the next instalment in a five-part series of volumes that addresses the core strategic pillars needed to foster a thriving startup environment across the EU. This Volume focuses on two actionable areas: the introduction of a harmonised 28th Regime and an enhanced approach to Public Procurement that enables stronger collaboration between startups and public authorities. Each proposal stems from both evidence-based and forward- looking analysis, offering pathways to reduce fragmentation and increase startup competitiveness.

While the Societas Europaea remains the current framework for establishing a European legal entity, it no longer meets the specific needs of modern startups and scaleups. This Volume puts forward a more practical, faster-to-implement legal structure tailored to today's innovation-driven environment, recognising however that meaningful policy reform requires time and consensus.

What distinguishes this Volume is its commitment to a dual approach: combining strategic thinking with a strong empirical backbone. In doing so, it brings together insights from across the European setting to formulate recommendations that are not only ambitious but achievable.

Developed in close collaboration with ESNA's Advisory Board, whose market insights have shaped the priorities within this document, the strategic actions proposed here reflect a deep understanding of the challenges and opportunities facing European startups today. Their voices, combined with the expertise of the Network & Strategic Initiatives Department, have ensured that this Volume remains grounded in real-world relevance.

Alongside concrete recommendations, this document also provides tools such as comparative benchmarks and phased roadmaps to support decision-makers in aligning objectives with measurable outcomes. Whether through harmonised policy levers or reimagined procurement channels, the aim is clear: to turn strategy into structured impact.

This Volume is both a blueprint and a bridge — connecting national and EU-level strategies and aligning long-term vision with the urgent need for scale. It reinforces our shared commitment to building a Europe where startups not only emerge but flourish.

Let us continue the journey toward a resilient, inclusive, and high-performing startup and scaleup ecosystem.

Arthur Jordão
Executive Director, ESNA

Executive Summary

In order to support the Startup and Scaleup Strategy under five building blocks, a pathway has been created by connecting two visions; an EU level approach and a national level approach. This was carried out thanks to strategic thinking based on the selection and analysis of best practices, supported by historical and data driven knowledge of Europe, under one specific topic.

The document was designed to be as concise and practical as possible by incorporating roadmap recommendations, key performance indicators (KPIs), and a comparison of best practices into its structure.

All of this logic is set within the framework of three main pillars that are consistently present in this document:

1. Roadmaps, KPIs & benchmarks: A practical guide

2. Making strategy tangible: correlating actions, objectives, and possible outcomes

3. The architecture of strategy: pathways, performance, and practice

This document is the continuation of ESNA's Compendium - published in November 2024, it is a document that analyses Europe's past, present and future by acknowledging the previous 20 years within the European startup ecosystem. This policy-centred document is one of a five-part series of volumes, each of them focusing on a strategic pillar (Regulatory Barriers, Investment, Entrepreneurial Culture, Talent and IP & Tech Transfer) that will be instrumental in the upcoming EU Startup and Scaleup Strategy.

The document suggests two major actions that are both evidence-based and forward-looking:

Action #1
28th Regime

Action #2
Public procurement: streamlining collaboration between startups and public authorities

These actions were developed thanks to the strong guidance of ESNA's Advisory Board, acting as our voice from the market. The actions are rooted in cross-sector strategic thinking and collaborative insights stemming from the Network & Strategic Initiatives Department.

Finally, this document acts as a backbone for future steps, aligned with ESNA's vision to position Europe at the forefront of the global startup ecosystem.

Document Structure

This Regulatory Barriers Volume is structured to progressively guide the reader from context to action, aligning strategic insight with operational feasibility:

1. Setting the Scene
Need for harmonisation in the EU startup ecosystem

2. Mapping Europe
EU-level Red Tape policies and frameworks.

3. Advisory Board Insights
Deep dives into two proposed actions, supported by evidence and benchmarking

4. National Policy Mapping
Comparative landscape across EU Member States.

5. Suggested Solutions and KPIs
Policy actions, expected impact, and performance indicators.

Final Recommendations – A phased roadmap for implementation for one of the actions, which lays a foundation towards a comprehensive vision for unlocking Europe's potential to streamline administrative processes and positioning its startup ecosystem for sustainable growth.

ESNA Volumes' methodology

Key contributor	Strategic thinking
ESNA Compendium	**Foresight analysis:** identifying signals of change across sectors. **Horizon scanning:** tracking innovation across the EU and globally. **Strategic intelligence gathering:** drawn from expert white papers, market reports, and innovation indexes. **Systems thinking:** mapping how different actors and policies interact within the innovation ecosystem.
Advisory Board meetings	**Design sprints:** framing the problem and rapidly iterating solution pathways (online and in-person AB meetings). **Structured expert:** forecasting and consensus building. **Sharing insights:** 1:1 meetings to share inputs and follow up on actions content.
ESNA Partners contribution	**Participatory co-creation:** involving stakeholders in defining problems and solution framing. **Ecosystem mapping:** identifying roles, interdependencies, and resource flows. **Asset-based thinking:** leveraging strengths already present in the ecosystem. **Knowledge exchange labs:** facilitating cross-border learnings and policy co-design.
Best Practices Catalogue	**Benchmarking & comparative analysis:** identifying global frontrunners and patterns of success. **Case study methodology:** deep dives into implementation and context with qualitative insights. **Expected impact on the startup ecosystem:** researching of expected impact each practice can bring to the ecosystem.
Desk Research	**Policy review & legal scan:** understanding institutional context.

A strategic and deep dive volume with an overview of the European startup ecosystem and concrete actions to the challenge faced

Action #1
28th Regime

Action #2
Public procurement: streamlining collaboration between startups and public authorities

I. Setting the Scene

Key themes

- Need for harmonisation in the EU startup ecosystem
- Excess regulation and its impact on the ecosystem
- 28th Regime: Update of the narrative

In times when regulation may clash with the objective of enabling startups and scaleups to flourish in Europe and grow into innovative global players, the need to eliminate some practices that have been harming our startup ecosystem emerges as critical. One of the major factors which will be developed in this document is the necessity to have one comprehensive European framework that can be replicated by all EU Member States - acting as a single point of entry to a market that can genuinely operate in a united manner.

The startup and scaleup ecosystem is far from being homogenous, however the companies share several characteristics – their level of innovation being the most notable. Their relatively small sizes, however, is a clear challenge to many processes related to either establishing, managing, or scaling their business. Considering the high value they provide, a differentiated approach with tailored provisions akin to the SME test may be an option to ensure these ventures are not left behind, or even prematurely closing their doors.

First and foremost, it is essential to identify the barriers these companies face. They start at the very beginning of any entrepreneurial journey: establishing the company itself. One complaint that is overwhelmingly common is lengthy processes. As stated in the SNS Report 2024[1], it takes more than 24 hours to establish a business online in two thirds of European countries, often taking several weeks in some of them. While the virtue of patience is a definite requirement, having a sufficient financial cushion is equally important. SMEs estimate an average spending of €10,000 for the full administrative procedure to set up their business[2]. While many citizens may have excellent ideas, having the means to develop them is a different matter.

While some ventures have access to the necessary resources to scale, they may still face some obstacles that make it very complicated to expand beyond their borders. One particular example is a non-EU based company not having the option to set up a bank account online in an EU branch. This situation is not only faced by third countries: EU companies often experience difficulties such as IBAN discrimination (*Portugal Case; please see box below*). As this is a basic step when establishing a business, a company representative

[1] SNS Report 2024, Europe Startup Nations Alliance (2025, February)

[2] New study shows how Once-Only can reduce administrative burden for EU SMEs and self-employed workers, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (2024, October)

would have no other option than to travel and carry out the process on-site. Europe is, therefore, missing out on opportunities to have a more competitive environment. And this shows: for every company raising funding from a European investor, another is turning to the US for their capital needs[3].

Portugal Case: Opening a bank account remains one of the most challenging steps when establishing a company. The process can take anywhere from two to three months, and it is strongly advised to appoint a local representative to handle it in person. The primary bottlenecks are the banks' stringent Know Your Customer (KYC) and Anti-Money Laundering (AML) procedures. For example, some national banks have recently begun requiring Portuguese tax identification numbers for all Ultimate Beneficial Owners (UBOs) of the company. Furthermore, without a Portuguese bank account, it is impossible to pay mandatory monthly social security contributions directly, forcing companies to outsource this task—often at additional costs.

As this is a European-wide issue, one must find a European-wide solution. Harmonisation would be an excellent first step to both make scaling up cross-border smoother and have a common framework that is most beneficial to entrepreneurs. In practice, a harmonised scale which would define which aspects can be harmonised at the EU-wide level could be a first step. This would eventually imply less time spent assessing the intricacies of foreign regulations, and more time spent on what actually matters: developing innovative ideas.

Startups and scaleups are particularly suited for such an initiative. As previously mentioned, they have more limited resources, and the fact that they are highly innovative imposes urgency in their development. They are also well-known for their flexibility, which would make them an excellent subject for testing and benefitting from newer, better-adapted regulation.

In January of 2025, the European Commission launched the EU Competitiveness Compass 2025. The horizontal enablers detailed in the document clearly identify five elements that strengthen competitiveness across all sectors: i) simplification, ii) removing barriers in the single market, iii) financing, iv) skills and quality jobs, v) better coordination. Among them, the first two have a direct impact on the topic of this Volume, highlighting the importance of moving forward in the short term towards a new European approach.

By observing this logic, ESNA is set to provide a contribution to the EC's Startup and Scaleup Strategy by following the existing political mandate, EU strategies, and relevant documents, as well as considering the general startup ecosystem's view regarding this topic. Acknowledging this timeline and process to set the scene, the next chapter provides a general view of the current landscape under a policy lens.

[3] Accelerating Europe – Part 1 of 3 – The State of European Innovation and Why It Matters. Innovation Radar Bridge. (2025, January).

1. Harmonisation: a cornerstone for the single market

As the new EC President mentioned in the Political Guidelines, “legislation must also be simplified and designed with small businesses in mind and in a spirit of subsidiary. This will notably be done though a new SME and competitiveness check to help avoid unnecessary administrative burdens, maintaining high standards”.
The EU’s legal and regulatory complexity poses significant challenges for startups and SMEs, with tax compliance alone consuming around 2.5% of turnover, per the European Commission. For founders, especially in the early years, the focus should ideally be on developing ideas rather than navigating administrative hurdles. Simplified regulatory processes and easy access to standard contracts (a common practice in the US) could greatly alleviate these burdens. Additionally, facilitating seamless movement across EU countries would enhance flexibility, reduce costs, and help startups thrive in an integrated market. An EU-based startup seeking the same market access as in the United States faces a daunting reality: it would need to enter nearly 23 different countries at once to achieve comparable market size, given the fragmented regulatory and business environment within the EU. This fragmentation, with each country having its unique administrative, and legal standards, imposes considerable barriers. Meanwhile, US startups enjoy a more unified market and regulatory system across all states, simplifying scale and reducing entry costs. To address the complexity startups face in navigating the EU’s fragmented market, leaders and policymakers have begun discussing solutions to create a more unified business landscape. In response to these challenges, Ursula von der Leyen recently emphasised a proposal for an EU-wide legal framework tailored to innovative companies. This “28th Regime” would simplify regulatory requirements across Member States, enabling startups to operate under a consistent set of rules and more effectively scale across borders. Ursula von der Leyen’s proposal, part of the Political Guidelines for the Next European Commission 2024-2029 signals a mission to strengthen the Single Market, streamlining growth opportunities for EU startups. While clear benefits may be drawn from this model, some challenges remain as to its adoption. This may be heightened by the current fragmentation between Member States, as seen in the table below.

	28th Regime
Benefits	• More politically feasible than mandatory framework • Can incentivise improvements to national frameworks • Facilitates cross-border activity where needed • Gives leeway to entities to opt for harmonisation

Drawbacks	• Limited effectiveness without broad adoption • Political constraints and preference for national control can limit attractiveness • Adds complexity to institutional and regulatory frameworks
Use cases	• If there is a lack of consensus among Member States, where other options are also not feasible • If there is a clear business case for an attractive framework for a subset of interested entities

Figure 1. 28th Regime: pathways to partial harmonisation to foster cross-border integration in politically sensitive areas.
Source: Table from Occasional Paper Series, Capital markets union: a deep dive, Five measures to foster a single market for capita by Alexia-Styliani Arampatzi, Rebecca Christie, Johanne Evrard, Laura Parisi, Clément Rouveyrol, Fons van Overbeek

Recommendations range from taking stock of all existing ongoing policies as well as slowing down regulatory intervention, as excessive regulatory intervention risks stifling competition and creates preconditions for market fragmentation.

Europe has the capability to achieve and increase its leadership on the startup scene by having a true single market with harmonised legal frameworks for new companies to operate in a coordinated manner – by focussing on reducing bureaucratic barriers and having a unified approach to simplify cross-border operations, digital expansion, and enhance access to EU-wide funding and support programmes.

On this topic, it is worth mentioning that 10% of the core EU budget goes to innovation (about €225 billion), which indicates that the European Union has been making significant efforts to boost the local ecosystem. However, only 5% of EU innovation funding is directly channelled to startups[4]. Lengthy processes related to grant applications – which is how this funding is typically allocated – may limit this impact.

These figures highlight startups' limited access to funding, and this is not only specific to grants. While these small, innovative companies can provide a broad range of services, their track-record - or lack thereof – may not be seen as sufficient for a prospective client or contracting authority. This is particularly visible when it comes to

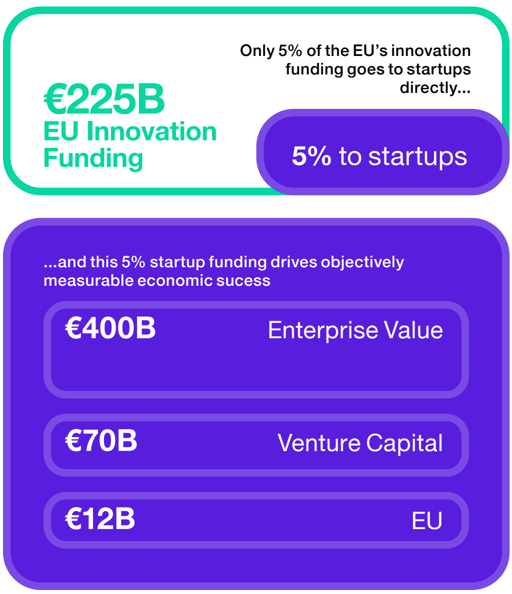


Figure 2. EU innovation funding.
Source: "Startups backed by the EU's Framework Programmes", March 2025.

[4] Startups backed by the EU's Framework Programmes. (2025, March)

public procurement. Tenders typically involve a series of requirements, including a number of years of activity. For a company that is still fairly new, this is a clear barrier as they are unable to make themselves known as a potentially excellent service provider. This may lead to a vicious cycle where a startup does not have a chance to prove its value, thereby struggling to attract clients and achieve growth. This lack of maturity results as best in stagnation, however it can also directly lead to closing the company altogether. This is why startups must be first defined as a legal entity, in order to then provide them with the support they need.

Legislative processes vs VC investment

The period 2015-2019 saw a surge of EU-backed startups with 1M total VC investment while fewer legislative acts were adopted by the EU.

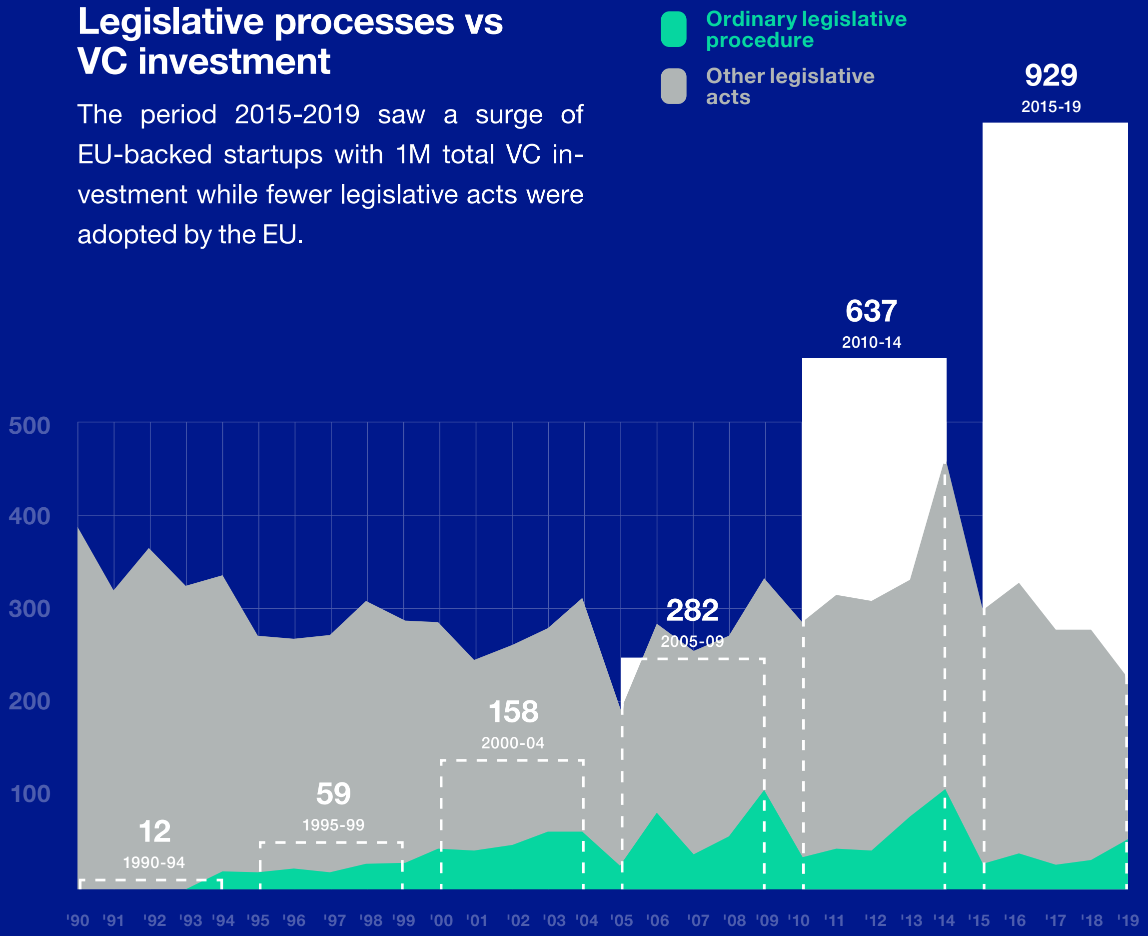


Figure 3. EU-backed startups with 1M+ total VC investment VS EU legislation adopted annually
Source: Dealroom.co, August 2024; Eur-Lex; ESNA analysis.

2. How does excess regulation affect the different actors of the ecosystem?

Founders

Regulation has an impact on resources, both human and financial. Every new regulation must be studied, implemented, and its impact monitored. Compliance involves a significant cost, whether most of the steps can be done internally – for administrative tasks – or externally via legal consultants. This implies that the money and efforts put towards this is not allocated to activities that bring direct value and eventually, growth.

Growth and scaling often go hand in hand, however the broad range of regulation applied in various EU countries can be a significant barrier, as founders typically need to call in local experts to expand and establish their company in another EU country. As this can certainly be overwhelming, excess regulation and fragmented implementation among EU Member States can deter the most motivated innovator to create, experiment or scale.

Workers/employees

Incentives such as Employee Stock Option Plans (ESOP) are in several countries not attractive enough and/or difficult to implement to be adopted by startups. Employees are therefore missing out on the benefits ESOP can provide them to make up for an often less competitive salary.

While relocating with the EU is theoretically simple for EU citizens, this significant move implies a consequent amount of paperwork, which can feel overwhelming for those trying to settle in a new country, thereby hindering relocation.

Investors

Investment and risks are intrinsically intertwined. However, unanticipated risks related to new regulation can be particularly difficult to manage. Paired with legal-heavy exit options, investing in a space where there is excess of regulation is not attractive.

Fragmentation is not only an issue for the groups previously mentioned, it is also an issue for investors. They equally need to be familiar with the various national legalisations across Europe.

Government

Excess regulation leads to unnecessary bureaucracy, which implies that more resources are needed at the governmental level to enforce legislation. This translates into a loss, as these efforts could be redirected to support to companies. Excessive bureaucracy may make a country a less appealing option, causing the government to miss out on potential tax revenues and future development in new technologies.

The previous examples both eventually lead to an overall hindered economic growth, as companies are less likely to relocate, innovate and generate value through jobs. Inadequate and burdensome regulation may also kill innovative ideas. As entrepreneurial culture is typically not Europe's strongest fit, creating additional barriers to entrepreneurship undermines even more Europe's position.

28th Regime: Evolution of the narrative

In order to understand and address one of the major topics for the European Startup ecosystem of the past year, it is highly relevant to elaborate on the narrative of what is known as the “28th regime".

At the outset, the 28th regime refers to the 27 EU Member States + 1. Although it is a concept that gained traction especially since last July, when the President of the European Commission strongly stressed its importance in the EU Political Guidelines, this term has emerged in the EU legal and policy settings much earlier. It has actually been under the scope of many legal circles for over a decade.

Simply put, it proposes to create a set of rules that could be defined as an EU-wide regulation that coexists with national legislation. In this framework, there is a clear understanding that some points may be of national competence, that the regime would not necessarily cover (e.g. labour laws and taxation laws). On the other hand, this unique system would allow companies (especially startups and SMEs) to operate in a single European legal framework instead of navigating the fragmented national regimes of all EU countries. Indeed, this has become one of the major challenges consistently highlighted in many of the startups and scaleups manifestos, documents and major reports in Europe, especially since 2024.

This is why the proposal does not intend to harmonise or replace 27 national laws, but rather offer a regime that businesses can voluntarily adopt for enhanced simplicity and scalability, effectively providing an add-on to improve Europe's competitiveness.

In terms of timeline, one could go back to the end of the 1970s (1978), when the idea of codifying European private law was exemplified by a proposal to create a European Uniform Commercial Code, outlined by Ole Landon and the Commission founded by him (Principles of European Contract Law) - it was however later pushed back.[5]

Subsequently, in the mid-1990s (1995), another attempt was made when the codification of European private law was again brought into debate.

Closer to the startup and scaleup ecosystem, it is worth acknowledging that the European Commission introduced the Common European Sales Law (CESL)[6] in October of 2011. This initiative had also been under discussion for many years, with the European Parliament repeatedly providing guidance and support. It was however withdrawn after applying the principle of discontinuity in 2015.

One of its key aspects was to improve and accelerate trade by encouraging cross-border sales and to enhance consumers’ trust when buying goods abroad. The proposal was always intended to be an “optional instrument”, as it would have contained a single set of pan-EU rules, in parallel to the Member States’ contract law[7]

---

5 European Civil Code - Max-EuP 2012

6 Common European Sales Law - 2011/0284(COD)

7 Common European sales law (CESL) Carriages preview | Legislative Train Schedule

> *"Differences in contract law between Member States hinder traders and consumers who want to engage in cross-border trade within the internal market. The obstacles which stem from these differences dissuade traders, small and medium-sized enterprises (SME) in particular, from entering cross border trade or expanding to new Member States' markets. Consumers are hindered from accessing products offered by traders in other Member States"*[8]

The topic of transnational trade remains a relevant component of the 28th regime, as the Single Market is a key pillar for Europe. Indeed, the new suggested regime acknowledges the needs to improve cross-border exchanges and business contracts when referring to company law (fostering easier cross-border business operations), contract law (the Common European Sales Law was correlated to this topic) and the Digital Single Market policies (e.g. copyright and digital content rules). The latter is a very well-known theme within the startups and scaleups ecosystem as it is directly related to digital tools, content and business model of most of these organisations.

Despite shifts in proposals since 2011, the idea of establishing a unified framework to enhance competitiveness for startups and scaleups created in Europe remained consistent in academic and policy debates across the region from 2015 to 2020.

The debate sparked again in 2024 and became a major topic within the European startup and scaleup ecosystem. As a result, the Commission revealed a new plan for Europe´s sustainable prosperity and competitiveness in 2025 (more on this topic on Chapter Mapping Europe: EU Policies and guidelines on red tape). As Europe has always been a continent of industry, enterprise and innovation, it needs to reinvent itself through industry and tech to maintain its competitiveness:

> *"To safeguard and boost Europe's competitiveness, also vis-à-vis other global actors, prosperity, and fairness, we must take decisive action. This starts with making business easier and faster, and deepening our single market across all sectors. The competitiveness compass, as the first major initiative of the new Commission, will frame our future work building on the Draghi report*[9]*.*

This has since become a cornerstone for most major players of this ecosystem as well as a key tool promoting free movement and supporting a single market. A formal 28th regime proposal is expected to be issued by the European Commission in 2026.

Furthermore, some challenges remain, such as:

1. Whether labour law would be or should be integrated in the proposal for a 28th regime; would this be the case, how can one

[8] *Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on a Common European Sales Law {SEC(2011) 1165 final} {SEC(2011) 1166 final*

[9] European Commission's priorities - Competitiveness

ensure that national labour market models and social dialogue are not impacted? [10]
2. How can this system ensure the absence of unfair competition between companies that apply the 28th regime and companies that apply national legislation? [11]
Finally, other initiatives pursue a similar objective. Enrico Letta, in his 2024 Report Much more than a Market, indicated how the European Code of Business Law; "would be a transformative step towards a more unified Single Market, providing businesses with a 28th regime to operate within the Single Market". In today's fast-changing economy, this could help overcome issues related to the current patchwork of national regulations, becoming a major tool to "unlock the full potential of free movement within the EU".

[10] We recommend these efforts to be incremental, and not to target labour or tax law at this stage.
[11] This model is not necessarily limited to startups and scaleups.

Main takeaways:

1. Current fragmentation forces startups to navigate at least 23 different regulatory systems, unlike the U.S.' unified market.

2. Lengthy administrative processes and high costs make it difficult for startups to establish and expand.

3. Regulatory inconsistencies, such as non-EU companies being unable to open bank accounts online, create barriers.

4. These inefficiencies push startups to seek investment and scale outside the EU, particularly in the U.S.

5. The proposed 28th Regime would create a consistent legal framework across Member States, facilitating startup growth.

6. While 10% of the EU budget goes to innovation (€225 billion), only 5% directly benefits startups.

7. Bureaucratic-heavy funding mechanisms and public procurement restrictions limit startup access to crucial resources.

8. Excessive compliance costs divert resources from innovation and growth.

9. Complex or limited stock option plans (ESOPs) and relocation processes reduce incentives for talent attraction and retention.

10. Legal-heavy exit strategies and regulatory unpredictability discourage investment.

11. A more coordinated EU-wide approach is needed to encourage innovation and ensure startups can compete on a global scale.

12. Policymakers should focus on harmonising regulations, easing administrative burdens, and increasing access to EU-wide funding and support programmes.

13. Similar initiatives that had the same aim as the 28th Regime p roposal, has been under debate for more than a decade in Europe, however there has been a shift in the narrative.

II. Mapping Europe: EU policy & guidelines on red tape

Key themes

- EU Political Guidelines and the new Commission
- EU Missions Letters and associated competences
- The EU Competitiveness Compass under a red tape lens

1. State of play of the EU policy landscape: Political Guidelines, EU Mission Letters under red tape

Ursula von der Leyen's Political Guidelines particularly highlight simplification measures for SMEs and speedier processes. With the nomination of the new College of Commissioners in late 2024, which notably includes a Commissioner for Implementation, Simplification and Interinstitutional Relations, Valdis Dombrovskis, the EC President sets a clear priority on this topic.

Therefore, the key performance indicators outlined by the President of the EU to Valdis Dombrovskis are unequivocal: reporting obligations must be reduced by a minimum of 25%, and by at least 35% for small and medium enterprises (SMEs) – this equals to 5-7% per year.

By mapping the EU and Member States under a policy lens, this chapter intends to assess both levels to support competitiveness in the EU, more specifically when it comes to the startup and scaleup ecosystem. The implementation of EU initiatives may vary from one country to another, which may also highlight some disparities not only in terms of efficiency, but the diversity of nations that make up the European Union.

Keeping consensus is a difficult balance act, whether it is meeting all countries halfway or enacting laws that minimise any potential burden. In order to support these efforts, ESNA provides some tools to policymakers at national levels, which eventually impact European policymakers. The Startup Nations Standards Report, which monitors startup-friendly policies in European countries on an annual basis, is a valuable resource to take stock of the regional situation when it comes to topics that are particularly relevant for small, innovative companies. Furthermore, the Best Practices Catalogue showcases initiatives from various parts of the world that have the potential to inspire European lawmakers to develop their own, country-tailored regulation.

To understand the major activities that support the Europe Startup and Scaleup Strategy, a general timeline of main events has been put together:

17/04 2024

Letta Report

"Much More than a Market"

18/07 2024

Ursula von der Leyen's Political Guidelines

"Europe's Choice: Political Guidelines for the Next European Commission 2024- 2029"

09/09 2024

Draghi Report

"Report on the Future of European Competitiveness"

05/11 2024

Appointment of Commissioner for Startups and Scaleups

Ekaterina Zaharieva (Bulgaria) was approved by the European Parliament as the EU's first Commissioner for Startups, Research, and Innovation

29/11 2024

Launch of the ESNA Compendium

5 building blocks: Red Tape, In-vestment, Talent, Entrepreneurial Culture and IP Tech Transfer

01/12 2024

Establishment of the Project Group on Startups and Scaleups

Project Commissioners: Ekaterina Zaharieva, Henna Virkkunen, Maria Luis Albuquerque, Michael McGrath, Stéphane Séjourné, Valdis Dombrovskis 2024- 2029

29/01 2025

EU Competitiveness Compass

An EU Compass to regain competitiveness and secure sustainable prosperity

May 2025

Release of the Startup & Scaleup Strategy

The Startup and Scaleup Strategy is to be presented by the EU Commission in Q2 2025

Figure 4. General timeline. ESNA.

a. Political guidelines

President Ursula von der Leyen's overarching guidelines set the tone for the European Commission's strategic goals. Published in July 2024, these guidelines define six broad objectives to prepare the EU for the next seven years and beyond. Six key goals underpin the Commission's approach to fostering prosperity and competitiveness:

Key Political guidelines	ESNA Volumes
A.1. Make business easier and deepen the Single Market	**Regulatory Barriers**
A.2. Build a Clean Industrial Deal to decarbonise and bring down energy prices	
A.3. Put research and innovation at the heart of the economy	**IP Tech Tranfer**
A.4. Boost productivity through digital tech diffusion	**Entrepreneurial Culture**
A.5. Invest in sustainable competitiveness	**Investment**
A.6. Tackle the skills and labour gap	**Talent**

All these goals are directly or indirectly related to innovative companies. Startups are mentioned three times in the 31-page document, indicating that the EC does not leave them behind during this new mandate. A new EU Startup and Scaleup Strategy is indeed in the pipeline, going beyond the traditional outlook on SMEs. While there is not yet a European-wide definition of startups[12], the ecosystem tends to favour young, innovation and/or research-intensive companies with up to 250 employees.

The EU Startup and Scaleup Strategy will

[12] The taxonomy of the "startup definition" is an ongoing work where many actors of the startup and scaleup ecosystem are involved, including ESNA, as it has also supported and lead some research on this topic.

become a common thread connecting the missions mentioned above, ensuring that research, innovation, skills development, access to finance, and industrial strategy all contribute to the same goal: to make the EU a global leader in the startup ecosystem.

b. EU Missions Letters

The Mission Letters were published in September 2024 with the intent to assign portfolios to the Commissioner-elect. They set guidelines for the proper delivery of their missions, highlighting strategic tasks. ESNA collected the missions mentioned in these letters and allocated them to relevant utmost goals in the table below. Various Commissioners have missions that either directly or indirectly contribute to these utmost goals, particularly regarding the startup and scaleup ecosystem.

Apart from focusing on bureaucracy and red tape, the table above also identifies which authorities hold competencies over these topics, and how they are concretely turned into a legal shape.

A.1. Make business easier and deepen our Single Market

Missions	National/ EU level	Legislation type
1. Digital Networks Act	National/ EU level	Proposed legislation (details pending)
2. European Data Union Strategy (simplified legal framework)	EU level	Strategic initiative encompassing various legislative measures
3. Horizontal single market strategy	EU level	Strategic initiative (specific legislative acts may vary)
4. SME passport	National level	Conceptual initiative (specific legislative framework to be determined)
5. Single Digital Gateway	National level	Legislative Act: Regulation (EU) 2018/1724
6. Facilitate labour mobility	EU level	Legislative Act: Regulation (EU) No 492/2011
7. Review regulatory framework to help startup financing	National/ EU level	Ongoing reviews (specific legislative outcomes pending)
8. Digital Euro		
9. SME and competitiveness check "one in, one out"	National level	Regulatory approach (implemented through various guidelines)
10. 28th regime	EU level	Conceptual framework (specific legislative acts to be defined)

A.2. Build a Clean Industrial Deal to decarbonise and bring down energy prices

Missions	National/ EU level	Legislation type
11. European Green Deal - Clean Industrial Deal - Industrial Decarbonisation Accelarator Act / Net Zero Industry Act - Circular economy		

A.3. Put research and innovation at the heart of our economy

Missions	National/ EU level	Legislation type
12. EU Cloud and AI Development Act	EU level	Proposed legislation (details pending)

13. Have capital markets that invest in Innovation		
14. Intellectual property policy	National/ EU level	Legislative Acts: Includes directives such as Directive (EU) 2019/790
15. European Research Area Act - "fifth freedom"		
16. Strategy European Research Infrastructure		
17. Strengthen Universities Alliances		
18. European Innovation Act	National/ EU level	Proposed legislation (details pending)
19. Advanced Materials Act		

A.4. Boost productivity with digital tech diffusion

Missions	National/ EU level	Legislation type
20. Europe´s 2030 Digital Decade	EU level	Legislative Act: Decision (EU) 2022/2481
21. European Digital Rulebook	EU level	Comprises various regulations and directives
22. Impact of digitalisation in the world of work	National/ EU level	Addressed through various legislative measures

A.5. Invest massively in our sustainable competitiveness

Missions	National/ EU level	Legislation type
23. Defence industrial competitiveness		
24. New Industrial Strategy		
25. European Competitiveness Fund		
26. Invest EU programme		
27. Critical raw materials act		
28. New approach to competition policy	EU level	Policy initiative (implemented through various guidelines)
29. SMEs and small midcaps killer acquisitions		
30. Increase availability of venture and other risk capital		
31. Enhance EIF to finance high-potential and fast growing EU companies		

A.6. Tackle the skills and labour gap

Missions	National/ EU level	Legislation type
32. Quality Jobs Roadmap / Union of Skills / Pact for Skills		
33. Talent Pool		
34. STEM Education Strategic Plan		

Figure 5. EU Missions and their impact at national and EU level. ESNA analysis

Note: Mission Letters related to regulatory barriers, highlighted in grey.

This is worth highlighting as their impact may vary accordingly. For example, while a regulation is binding and directly enforceable in the Member States, a directive acts more as a guideline for the EU countries. It is not directly applicable in national law, and it remains up to each Member State to implement them practically within a specific period of time - compliance levels may therefore vary. This eventually implies that various levels of enforceability lead to various levels of enforcement. A unanimous stance from the EU is not always necessarily reflected in all EU countries – and even if it does through a non-legally-biding mechanism, it will take time and may not achieve the desired level of uniformity.

2. The EU Competitive Compass under the red tape lens

The Commission presented the Competitiveness Compass in January of this year, a roadmap to support and restore Europe's dynamism and boost economic growth. It follows an analysis of Draghi's report, as it acknowledges three imperatives that were mentioned in this report as essential to reach competitiveness:

1. Closing the innovation gap

2. Increasing security and reducing excessive dependencies

3. A joint strategy for decarbonisation and competitiveness

Closing the innovation gap

The EU must reignite its innovation engine - to do so, startups and scaleups are fundamental. As mentioned in the EU Digital Compass, to create a habitat for young innovative startups, promote industrial leadership in high-growth sectors via deep technologies and promote the diffusion of technologies across established companies and SMEs, we need to take the following topics into consideration:

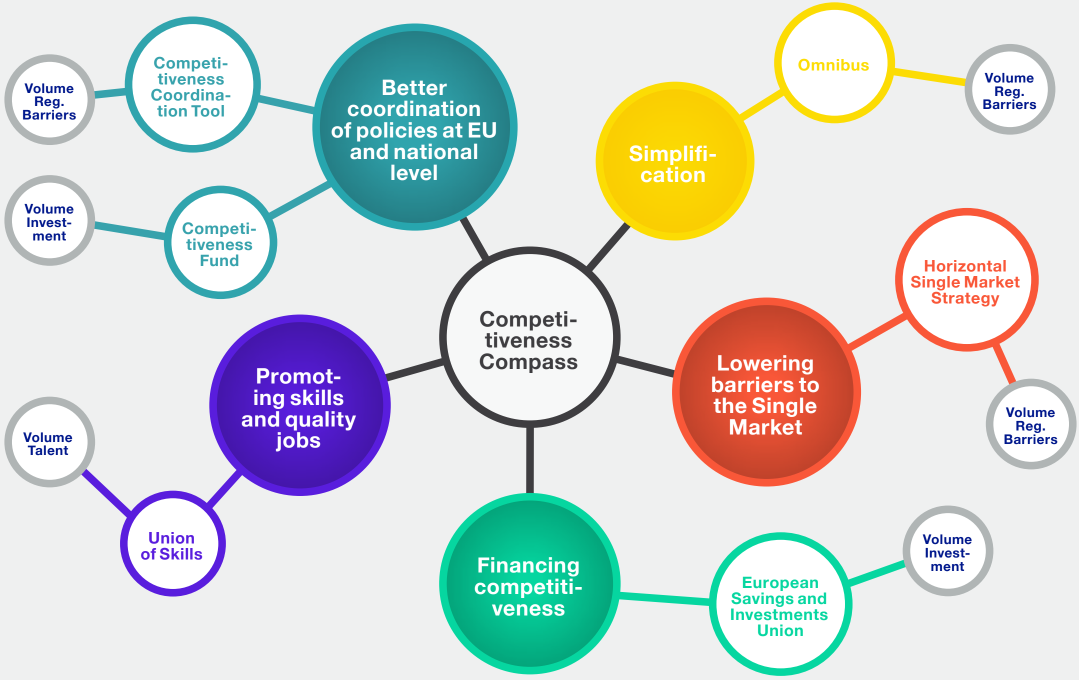
1. **AI Gigafactories**
2. **Apply AI**
3. **Advanced materials, quantum, biotech, robotics and space technologies**
4. **EU Startup and Scaleup strategy to address the obstacles that are preventing new companies from emerging and scaling up**

The 28th legal regime will simplify applicable rules, including relevant aspects of corporate law, insolvency, labour and tax law, and reduce the costs of failure. This will make it possible for innovative companies to benefit from one single set of rules wherever they invest and operate in the Single Market

Five horizontal enablers for competitiveness compass

The three pillars are complemented by five horizontal enablers

Figure 6. Lowering barriers.



Reducing excessive dependencies and increasing security

Reviewing the public procurement rules will allow for the introduction of a European preference in public procurement for critical sectors and technologies. **Joint defence procurement and joint procurement on critical raw materials will support the EU's autonomy and self-efficiency.**

Competitiveness Coordination Tool

The Competitiveness Coordination Tool will be a cross-border initiative that will monitor the implementation of shared EU policy objectives at the national and European levels. Spearheaded by the European Commission, it will also identify relevant cross-border projects and support associated actions.

Omnibus

The Omnibus is a proposed initiative to simplify reporting, due diligence and taxonomy related to sustainability. This should make managing small mid-cap companies easier, as they are not entitled to some exemptions targeted at SMEs however still do not have the same resources as larger companies do.

Horizontal Single Market Strategy

The objective of the Horizontal Single Market Strategy is to revamp the Single Market and improve the way it works to enhance the EU's competitiveness. With a cross-industry approach, it intends to remove intra-EU barriers by speeding up processes and making them more accessible for smaller companies.

a. European Public Funding and special framework: from EU to national Level

General public funding

To understand the dynamic of capital flow and the relevance under the public lenses, it is important to highlight not only the amount of public investment that goes to innovation, but also the system that allows it to be distributed at a local level.

When it comes to general public funding set to support innovation, the EU budget, managed by the European Commission, is funded through contributions from Member States (€120 billion/year), own resources (€50 billion/year), and borrowing from financial markets (€115 billion/year via NextGeneration EU bonds). The total budget of €170 billion/year is distributed across various sectors: 30% for Cohesion & Regional Development, 30% for the Common Agricultural Policy (CAP), 10% for innovation (Horizon Europe, InvestEU, Digital Europe, and the European Space Programme), 10% for Green Transition & Climate, 8% for programmes such as Erasmus and security, 6% for foreign policy, and 6% for administrative expenses. The European Investment Bank (EIB) and European Investment Fund (EIF) work alongside the EU to support various initiatives. This budget structure aims to ensure balanced regional growth, sustainability, innovation, and economic resilience across the EU.

Coordination of capital flow

In terms of coordination, the system is built up with the EU Member States, European Investment Bank (EIB) and the European Commission being the main coordinators of the funds supply. Alongside them, there is the European Investment Fund (EIF). The funding is used for a diverse range of projects and programmes, such as InvestEU, EUChip Act, and the Framework Programmes (FP) 9, also known as Horizon Europe, which allocates a total of €95B to Research & Innovation.
The coordination role of the Horizon Europe Programme is divided into four different entities: Directorates General (DGs) and agencies, European Innovation Council (EIC), European Research Council (ERC) and European Institute of Innovation and Technology (EIT), which are responsible for allocating those funds in grant, equity investments and co-investing in innovation projects.

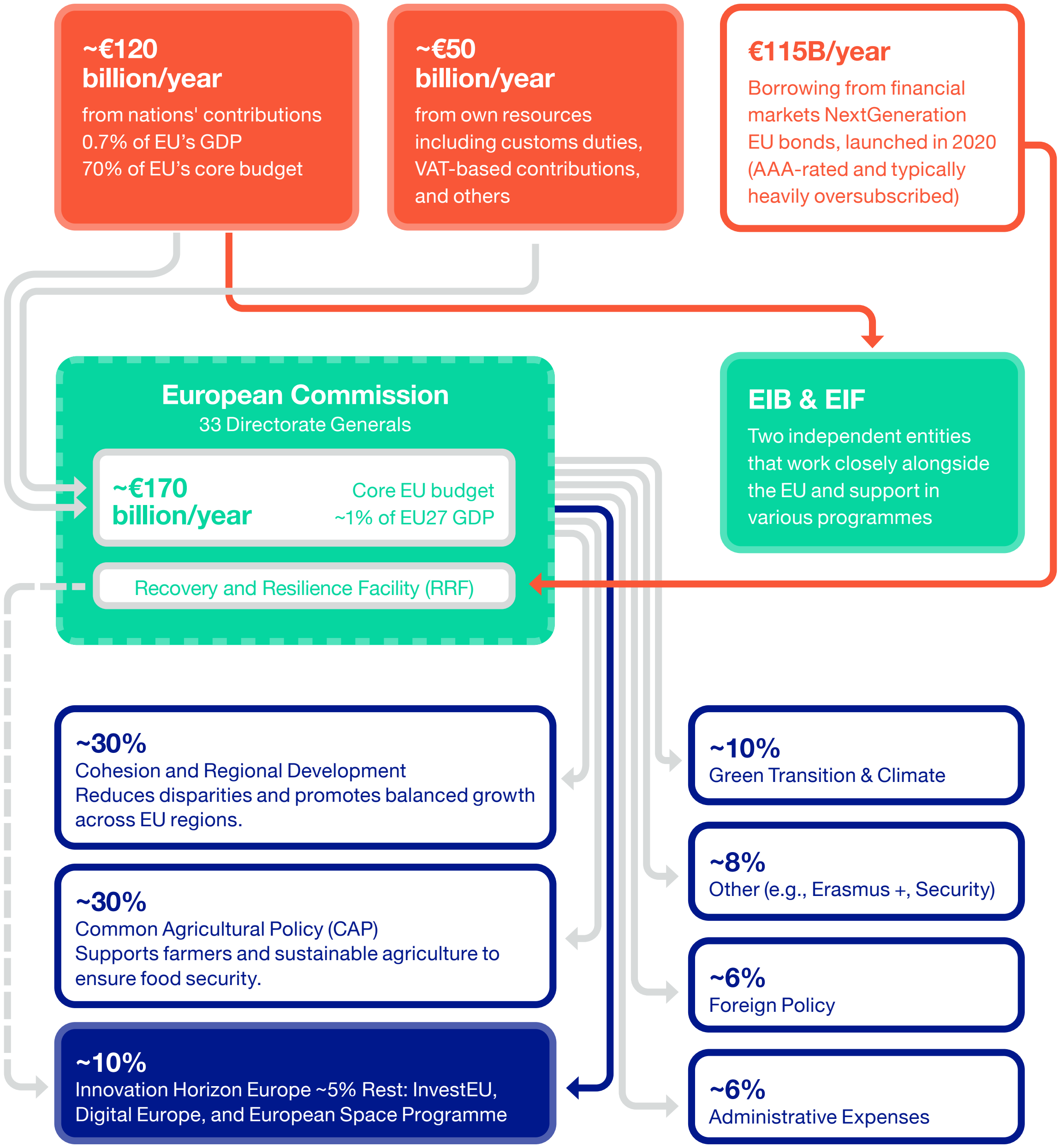
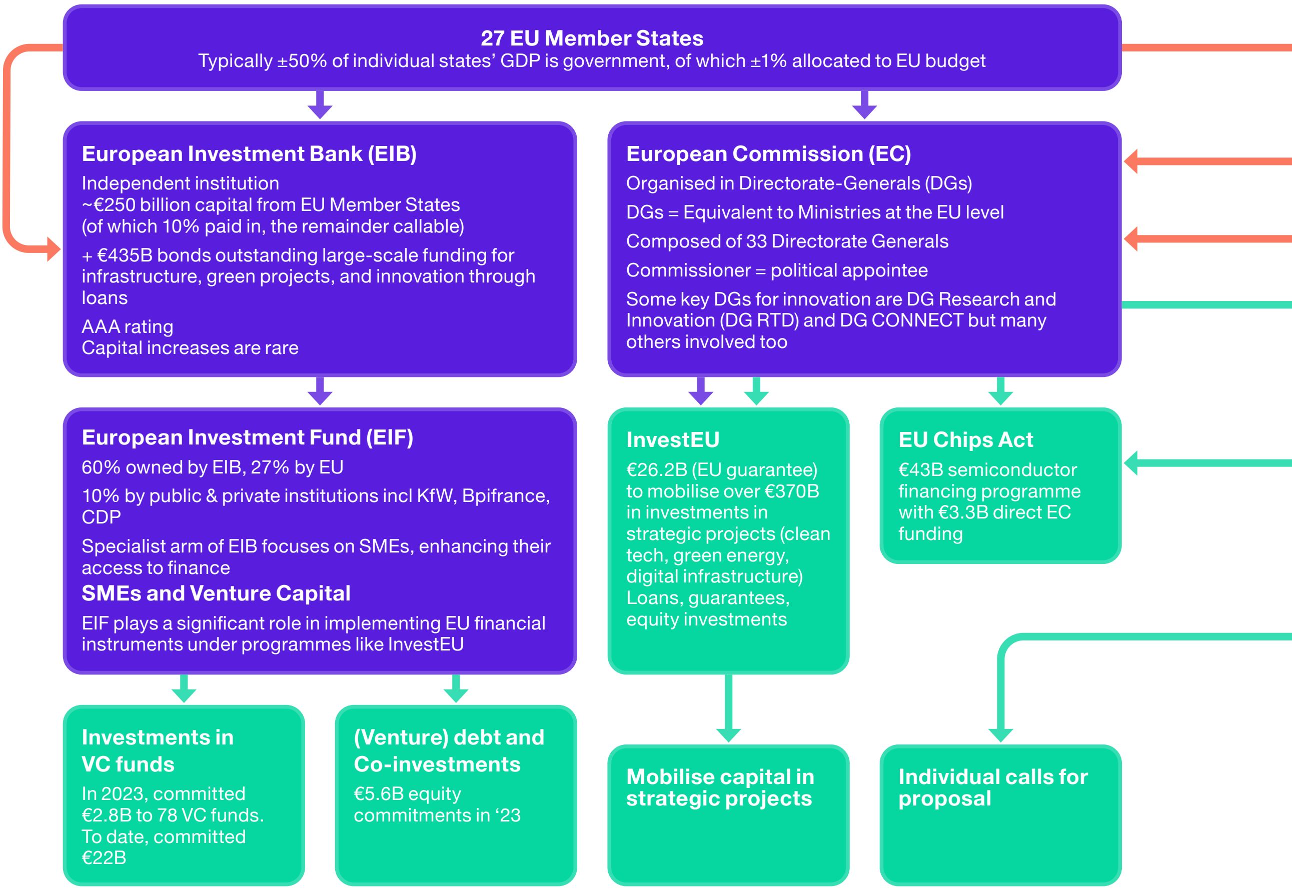


Figure 7. EU budget of GDP

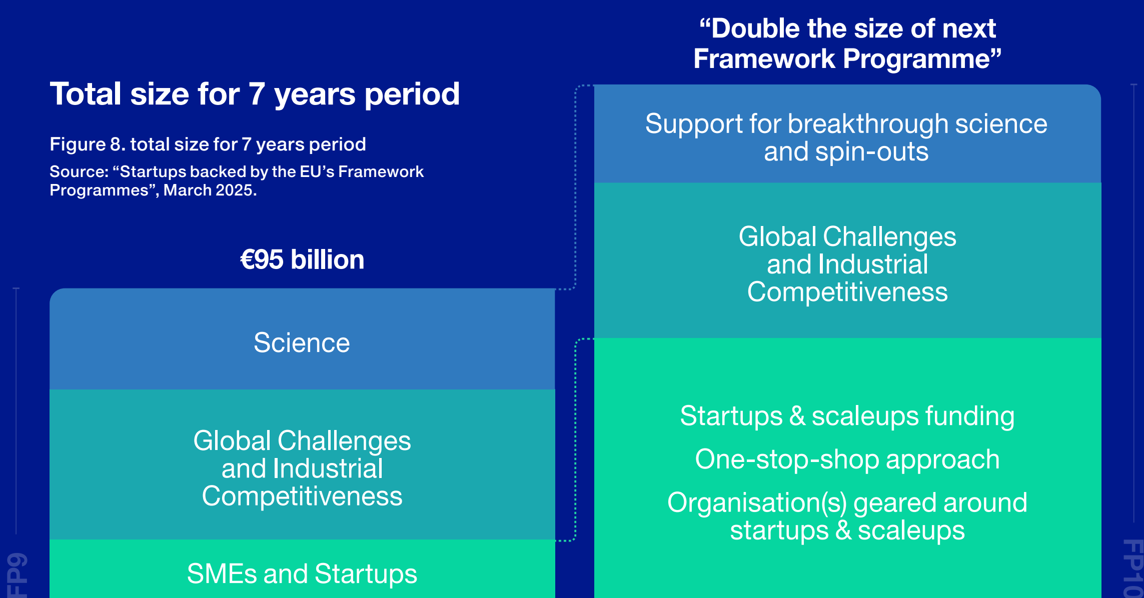
Source: "Accelerating Europe – Part 1 of 3 – The State of European Innovation and Why It Matters", January 2025.



Total size for 7 years period

Figure 8. total size for 7 years period

Source: "Startups backed by the EU's Framework Programmes", March 2025.



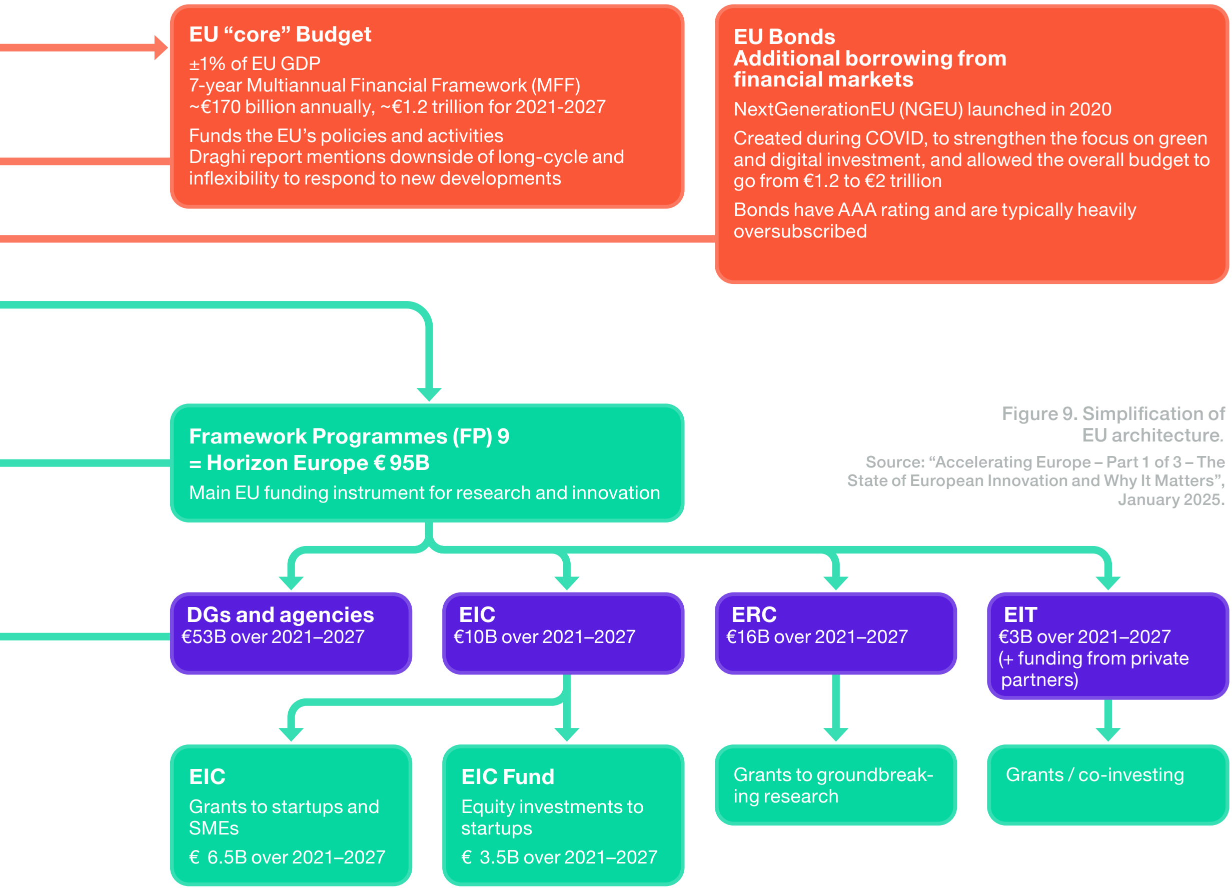


Figure 9. Simplification of EU architecture.

Source: "Accelerating Europe – Part 1 of 3 – The State of European Innovation and Why It Matters", January 2025.

Next step on Horizon Europe: acknowledging FP10

Mario Draghi acknowledges in his recent report that clean technologies should be one of the strategic priority areas of FP10. It implies:

- A dedicated new competitiveness joint undertaking for applied and breakthrough industrial research where the EU can become a leader for the next generation technologies. The objective is to attract adequate resources for the deployment of first-of-its-kind tech, particularly for large-scale projects and related infrastructure.
- A particular focus on the revamped breakthrough innovation programmes which would notably include offering various instruments adjusted to different TRLs (Technology Readiness Level, which measures at which development phase a product is). FP10 should extend to the phase of deployment to market.

Public R&D spending in the EU is highly fragmented across Member States, not consistently directed towards EU-wide priorities, and often difficult to access.

It is worth noting that in March 2025 the European Commission announced through its White Paper for European Defence and the ReArm Europe Plan that the EIC and the anticipated TechEU Scale-up Fund will be able to invest in dual-use technologies, shifting from civilian application only to supporting defence efforts.

b. Savings and Investments Union strategy: correlation with actions

The Savings and Investments Union serves as a key enabler in building a financing ecosystem that supports investments aligned with the EU's strategic priorities.
As emphasised in the Competitiveness Compass, Europe's ability to tackle major challenges – such as climate change, rapid technological advancements, and shifting geopolitical dynamics – requires substantial investment. The Draghi report estimates an additional €750-800 billion per year by 2030, a figure further influenced by rising defence needs.
A significant portion of these investment requirements pertains to SMEs and innovative companies, which cannot rely solely on traditional bank financing. By fostering integrated capital markets alongside a unified banking system, the Savings and Investments Union will play a crucial role in efficiently channelling savings into productive investments, strengthening Europe's financial resilience.

Figure 10. The Savings and Investments Union Factsheet. ESNA.

Mapping red tape across the six key policy pillars (focused on public procurement)

1. Encouraging retail participation in capital markets

2025 Q3

Not directly applicable, but indirectly supportive by increasing the visibility and economic success of startups, which could increase retail investor confidence in the startup sector.

Indirect connection:

- Public procurement as revenue for startups increases their viability and attractiveness to retail investors.

2. Developing the supplementary pension sector

2025 Q4

No direct overlap, as this pillar is focused on long-term savings, not procurement. However, increased startup revenue through procurement could strengthen the startup ecosystem that pension funds might invest in.

3. Market integration and supervision

2025 Q4

Strong alignment with the goal of creating a more harmonised and integrated internal market.

Relevant procurement topics:

- **EU Supplier Catalogue & TED integration** – creates cross-border market access and data standardisation.
- **Multilingual support and cross-border tender facilitation** – breaks down national silos in public spending.
- **API integration between national and EU-level platforms** – key to digital market unification.

4. Banking sector

2026

Indirectly related, especially regarding SME/startup liquidity.

Relevant link:

- **Faster, standardised procurement processes** improve startup cash flow, reducing dependence on short-term bank credit.
- **Modernised evaluation criteria** make it easier for new companies to secure public contracts without requiring heavy financial guarantees.

5. & 6. Promoting equity investment

2025 Q4 & 2026 Q3

Indirectly relevant, particularly in reinforcing startup attractiveness to equity investors.

Connection points:

- Winning public contracts improves a startup's financial track record, de-risking them for equity investors.
- Catalogue of EU-certified suppliers could serve as informal validation for VC and angel investors.

3. Main EU policies and strategies addressing red tape for small companies

While a variety of initiatives were designed to alleviate the administrative burden on businesses and public administrations, they have been implemented in a fragmented and isolated manner. It is, therefore, challenging for wider audiences to keep track of institutional efforts to execute them.

To ensure lasting progress and garner widespread public support, the European Commission must openly collect and share feedback, expand stakeholder engagement, and introduce a unified platform to monitor simplification efforts. By implementing innovative, more inclusive digital tools that streamline proposal submissions and enable real-time tracking of the Commission's progress, it can achieve significant results and broader societal backing — heeding Ursula von der Leyen's mission letter call to "leverage the power of digital tools to deliver better and faster solutions".

While biannual reports are commendable, the European Commission ought to consider embracing digital tools (as outlined in Ursula von der Leyen's Political Guidelines) to better support the progress of simplification efforts. Although the EU has advanced in refining ideas for the Single Market, Defence, and Competitiveness through the reports by Enrico Letta, Sauli

EU SME Envoy

Set up in 2011

Each EU country has appointed a national SME envoy to support the role of the EU SME envoy, who leads the network. This group of SME envoys forms an advisory body that advocates for SME-friendly regulation and policymaking across all EU countries.

REFIT Platform

Ended October 2019

The REFIT Platform was established to advise the Commission on making EU regulation more efficient and effective while reducing burdens, with the Commission, national authorities, and other stakeholders participating in regular meetings.

Network of Regional Hubs

2021, 2022, 2023

RegHub's unique working method, namely targeted stakeholder consultations, has proven to be an effective tool to gather unique and granular information on the implementation of EU law.

F4F Platform

Operated from 2021 to 2024

The Fit for Future (F4F) Platform was a high-level expert group composed of stakeholders and representatives from all EU Member States. Its mission was to assist the European Commission in simplifying existing EU laws, making them more modern, future-proof, and responsive to emerging trends, technologies, and societal changes.

SME Relief Package

September 2023

Initiative launched by the European Commission, aimed at supporting SMEs within the European Union. This package focuses on providing immediate assistance, enhancing long-term competitiveness, and fostering a fair, SME-friendly business environment.

Budapest Declaration on the new European Competitive Deal

November 2024

This declaration aims to enhance the European Union's competitiveness, productivity, innovation, and sustainability, while ensuring economic, social, and territorial cohesion across member states. Key goals of this declaration include strengthening the Single Market, promoting research, establishing a European Defence Industrial Base and implementing competitiveness impact assessments.

Figure 11. Main EU policies description. ESNA analysis.

Niinistö, and Mario Draghi, it should also reflect on whether administrative burden, simplification efforts, and red tape themselves ought not to be addressed in a similarly strategic manner.

1. Societas Europaeas

The idea to create a unified corporate structure that could operate seamlessly across European borders is almost as old as the European Community is. The concept of Societas Europaea (SE) could be traced back at least to the late 1950s. However, it took several decades of negotiations and legislative efforts before the SE became a reality. The first draft of the SE statute was submitted by the European Commission in 1970, but it was not until October 8, 2004, that the SE legislation came into force.

Legal framework

The legal framework for the SE is established under Council Regulation (EC) No. 2157/2001 of 8 October 2001 on the Statute for a European company (SE)[13], complemented by Council Directive 2001/86/EC of 8 October 2001 regarding the involvement of employees [14].

Main characteristics

Several key characteristics offered by the SEs make it attractive for businesses operating across multiple EU Member States, namely:

- Cross-border operations: The SE facilitates easier cross-border mergers and transfers, allowing companies to operate more efficiently within the EU.
- Management structure: Companies can choose between a one-tier or two-tier management system, providing some flexibility in governance.
- Employee involvement: The SE framework includes provisions for employee participation in company decisions, ensuring a level of worker involvement.
- European identity: Establishing an SE helps companies create a unified European corporate identity, which can enhance their international competitiveness.

However, the SE framework has faced challenges in its adoption, particularly among startups.

Fragilities in adoption by startups and small scaleups

While the SE is a commendable EU effort on uniformization, from a practical point of view, the SE seems to be more orientated towards large international groups of companies than towards SMEs, especially startups.

Impossibility to start as an SE: the available methods to form an SE are by: (i) merger (it requires at least two companies registered in two EU different countries), (ii) the creation of a holding company (it requires at least two companies registered in two EU different countries, or a company that has

[13] Consolidated text: Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE)

[14] Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees

had at least one subsidiary or branch in another EU country for at least two years), (iii) a subsidiary (it requires at least two companies registered in two EU different countries, or a company that has had at least one subsidiary or branch in another EU country for at least two years), or (iv) the conversion of an existing limited liability company (it requires a company that has had at least one subsidiary or branch in another EU country for at least two years). Thus, it is impossible for a startup to start operating as an SE from its inception.

High initial subscribed share capital: the SE must have a minimum subscribed share capital of €120,000.00. Even though it was possible for a startup to incorporate as a SE from the start, this requirement would be a significant barrier.

Complexity and cost: the process of establishing a SE can be complex and costly, which may deter smaller startups with limited resources.

Regulatory inconsistencies: differences in national laws and regulatory requirements across EU Member States can create hurdles for companies looking to form a SE.

Limited awareness: many startups may not be fully aware of the benefits and procedures associated with forming a SE, leading to lower adoption rates.

Updated statistics on adoption

As of recent reports, fewer than 10,000 companies have adopted the SE framework since its introduction in 2004[15]. This relatively low number clearly indicates that while the SE was a milestone for a unified EU corporate law and offers potential benefits, there is still significant scope for developing the right tool for different sets of companies.

2. SME envoys network

The EU has been setting up a number of initiatives dedicated to SMEs over the years. This includes an SME definition set at the EU level. Considering their similarities with startups, these existing programmes could act as a benchmark for startups. In this section, we are exploring an example of the EU SME envoy.

SMEs make up 99% of all companies established in the EU and contribute to 48% of employment in the 27 Member States[16]. While all startups are SMEs, not all SMEs are startups – some small companies may have been operating for a long time or may not particularly focus on innovation. The notion of SME remains highly relevant for startups, and for some scaleups.

Considering their weight in the European market, SMEs' voices must be heard. The setup of the SME envoys network in 2011 was done precisely to promote the interests of these key actors. National particularities are represented in this group through each country's representative. It is typically more challenging for SMEs to be vocal on their prerogatives – especially on issues such as the regulatory hurdles they face - as their structures rarely allow for

[15] LETS 2023, 135 Leading European Tech Scaleups, France Digitale (2023, September)

[16] Micro & small businesses make up 99% of enterprises in the EU, Eurostat (2024, October)

this kind of role.

One of the most impactful tools that the network utilises is the SME test, thereby ensuring that future legislation is SME-friendly. By considering their needs early on when it comes to legislation, lawmakers prevent potential – and very likely – lengthy processes. For specific, in-depth legislation, it can go as far as saving a significant amount of money, as small companies often need to resort to legal consultants. These resources – money, also time – can therefore be redirected to activities that provide added value.

“The European industrial strategy points to SMEs as the primary vehicle of innovation across ecosystems and the EU economy as a whole”[17]. This exemplifies the need to involve SMEs at the early stage of law preparations, both and national and European level. Not only for their own success, but for the EU27’s prosperity.

[17] Katsinis, A., Lagüera-González, J., Di Bella, L., Odenthal, L., Hell, M., Lozar, B. Annual Report on European SMEs 2023/2024, Publications Office of the European Union, Luxemburg, (2024)

Mission highlight: Digital Networks Act

The European Union's Digital Networks Act (DNA) is designed to harmonise regulations across Member States, thereby reducing bureaucratic obstacles and fostering a more integrated digital market. By establishing a unified regulatory framework, the DNA aims to streamline compliance processes for businesses operating in multiple EU countries, minimising the complexities associated with navigating diverse national regulations. This harmonisation not only simplifies administrative procedures but it also reduces the regulatory burden on companies, facilitating easier market entry and operation within the EU. Consequently, the DNA contributes to the EU's objective of diminishing bureaucracy and promoting a more efficient and competitive digital economy.

Expected impact on the startup ecosystem under the red tape lens

For the startup ecosystem, this means access to powerful digital platforms and networks that will accelerate their ability to innovate, scale, and compete globally. Startups will benefit from the integration of advanced technologies to create smarter solutions, optimise operations, and address real-world challenges. Furthermore, as these infrastructures advance, they will eventually lower the barriers for startups to enter high-potential industries, fostering more agile, tech-driven companies and encouraging cross-sectoral innovation.

In the digital realm, infrastructure is the critical factor at stake. Robust and high-performing infrastructures form the foundation of technological progress.

While the potential impact on societies speaks for itself, it is all the more relevant when it comes to startups and scaleups. Indeed, reliable digital networks are paramount to these highly innovative companies.

Timeline

- On 23 February 2023, the Commission launched a broad exploratory consultation on the future of the connectivity sector and its infrastructure, whose results were published in October 2023.
- Together with the consultation, the Commission also presented the Gigabit Infrastructure Act (GIA), for which a political agreement was found on 5 February 2024, one year after the proposal. The GIA introduces a set of actions to simplify and speed up the deployment of very high-capacity networks reducing the administrative burden and the cost of deployment.
- The agreement came at the same time as the adoption of the recommendation on the regulatory promotion of gigabit connectivity (Gigabit Recommendation), which provides to National Regulatory Authorities guidance on how to design wholesale access remedy obligations for operators with significant market power.
- Furthermore, the EU has taken measures to strengthen our backbone connectivity through, for example, Global Gateway Partnerships, which ensure high-quality connectivity with all parts of the Union, including the outermost regions, islands, Member States with coastlines, and overseas countries and territories. The Global Gateways partnership, funded through the Connecting Europe Facility, supports key infrastructures such as submarine cables.

Main takeaways:

1.Simplification and efficiency focus: Ursula von der Leyen's political guidelines emphasise reducing bureaucracy, particularly for SMEs, with a target of cutting reporting obligations by 25% overall and 35% for SMEs.

2. Competitiveness and innovation: the EU Competitive Compass sets a roadmap for economic dynamism, focusing on closing the innovation gap, decarbonisation, and reducing dependencies.

3. Harmonisation across Member States: A dedicated strategy is in development, aiming to create a cohesive regulatory and financial framework for startups and scaleups, beyond the traditional SME approach.

4. The 28th Regime: This initiative will simplify company establishment rules across the EU, making it easier for startups to operate under a single set of regulations across all Member States.

5. Public and private funding support: While Horizon Europe, InvestEU, and the European Investment Bank continue to fund innovation, private investors (VCs, angel investors, and PE funds) should be adding up to startups scaling up.

III. Advisory Board's input: proposals for the new Startup and Scaleup Strategy

Key themes

- Understanding Europe's needs
- Deep dive on each suggested action
  - List of evidence
  - Benchmarking
  - Importance of the action
  - Summary of arguments

1. Understanding what Europe needs through the 28th regime and public procurement

As startups often have much more limited resources - whether personnel or financial - than their larger counterparts, dedicated measures should be adopted. These initiatives would ideally tackle barriers they may face due to their limited track-record, funds or manpower. Practically speaking this can include:

- Tax Incentives: Governments offer tax relief to startups to reduce financial burdens and encourage investment. As part of the BOOST Blended Finance Programme, Cyprus provides incentives that aim to stimulate investments by providing significant tax reliefs to individuals and corporations that invest in recognised innovative enterprises.
- Regulatory Sandboxes are "a tool allowing businesses to explore and experiment with new and innovative products, services or businesses under a regulator's supervision" [18]. Article 57 of the EU AI Act covers regulatory sandboxes and notably established that Member States are expected to establish at least one AI regulatory sandbox at national level, being operational by summer 2026.

In this instance, the idea is to create a framework that takes the specificities of small, innovative companies into account. It is to make up for the limitations they experience due to their structure, and ensure that they have the same opportunities as any other larger company would. It therefore excludes any favouritism. These companies require support to grow and may not fit within traditional configurations and supporting tools.

Previous examples make it clear that this type of approach is relevant at various levels. When it comes to both topics covered, it becomes all the more evident. The 28th regime in itself will create a framework that is likely to benefit startups – as confirmed

[18] Artificial intelligence act and regulatory sandboxes, Think Tank European Parliament (2022, June)

by the establishment of a Task Force by the EC to focus on the 28th Regime for startups and scaleups. As per public procurement, Member States have a broad variety of reasons to work with startups – their innovative solutions being the most obvious one. Ensuring that procedures are also suited to their needs is crucial to make the most of public-private partnerships.

2. Deep dive on each suggested action

Action #1 28th Regime

List of evidence

- “SMEs estimate an average spending of €10,000 for the full administrative procedure to set up their business.”
- “It is possible to set up a company both online and in the commercial registers in only 1/3 of European countries.”
- “19 European countries accept legal documents issued by another EU country when establishing/expanding a business.” [19]

While the Single Market is well enforced in some areas at the EU level, startup founders still face significant barriers when trying to grow beyond their borders. Understanding the subtleties of a foreign legal system - often in a different language - is not a realistic option for most of them. A recent study carried out by the European Commission indicates that SMEs estimate an average spending of €10,000 for the full administrative procedure. This is a clear deterrent as it results in only gaining access to one additional market, and moving to a bigger country (typically the US) may be more cost-efficient. In addition to the financial burden of cross-border scaling, these processes are typically lengthy and complex. As per the SNS Report 2024, it is possible to set up a company both online and in the commercial registers in only 1/3 of the surveyed countries. With limited knowledge of the local rules and market, it may turn into an actual headache for business owners. This is when the 28th regime comes into play, by offering an optional pan-EU corporate law framework. By providing this alternative, it removes hurdles related to local regulations while also incentivising the harmonisation of national rules. As of today, this potentially game-changing framework is being defined by European Commissioner for Democracy, Justice and the Rule of Law Michael McGrath, and a task force focusing on the 28th Regime specifically for startups and scaleups.

The 28th regime has been strongly mentioned and highlighted in the past 12 months, from the Letta Report to the Draghi Report, and later in Ursula von der Leyen’s Political Guidelines. Having a single market goes hand in hand with the ease to set up a company in Europe, and to add new capital flows. A single point of entry that would remove the typical barriers founders encounter is an urgent matter to address. Given international complexity and current

[19] New study shows how Once-Only can reduce administrative burden for EU SMEs and self-employed workers - European Commission ; SNS Report 2024, ESNA

geopolitical challenges, the EU must be more coordinated than ever. This why national realities must also be taken into account. ESNA's thorough understanding of the diverse environments across Member States is crucial to building consensus when selecting policies, instruments or even drafting further legislation that can facilitate cooperation between countries. It is time to adopt a practical approach to the actions needed to cut existing red tape.

The importance of considering taxonomy

In order to set up a startup/scaleup-specific framework, the entities must first be defined. While some countries have their own definitions for startups, such as Spain and Portugal[20], there is none at the continent level. Defining this concept would be an excellent first step to develop further policies in this area. ESNA has also been leveraging initiatives on this topic to harmonise the EU taxonomy and define comparable indicators. The primary challenge lies in reaching consensus. However, the EU recommendation 2003/361 succeeded to set up an SME definition at the EU level. While not legally binding, SMEs typically are defined through these rules on the continent. This constitutes a positive sign for a potential startup definition. Similar to SMEs, the creation of a European startup definition would also enable a seal of protection to ensure that the right companies apply as startups. This would therefore make it easier to automatise processes, thereby reducing bureaucracy and solving current fragmentation issues.

The SME test – which assesses potential effects of legislation on SMEs - is an excellent example of how a startup definition would be particularly useful. This method could potentially be replicated and applied to startups, thereby taking their specific needs into consideration. It is worth noting that while definitions would be significant, they also create some limitation by default. Once a framework is set, it automatically excludes companies that do not meet the requirements. This could potentially be a deterrent for growth, for example in a scenario where a company would benefit from specific incentives as a startup, however it would lose them if it grows. A potential solution would be to include a definition for scaleups as well, which would align with the EC's forthcoming Startup and Scaleup Strategy.

- Out of the EU Members, 21 have a startup definition of some extent.
- Out of the 21 countries with a startup definition, 15 of them have a legal framework.
- In general, they have similar criteria when referring to key values such as years of existence, revenue and employees. The following factors are the usual common denominators; less than 10 years, less than €15 million revenues and less than 250 employees. [21]

[20] Note: Startup Laws of Spain and Portugal require a specific definition to identify companies defined as "startup", so they can gain access to specific benefits, such as tax incentives, among others.

[21] Note: This information comes from ESNA's desk research on Taxonomy carried out in 2023 and 2024.

Action #2 Public procurement: streamlining collaboration between startups and public authorities

List of evidence

- "Public procurement accounts for about 15% of the EU's GDP."
- "SMEs only make up 1/3 of aggregated contract value through public procurement.
- "10 European countries have incentives in place for public buyers and procurement services to procure innovation from startups." [22]

Drafting and reviewing contracts – along with the associated back-and-forth - requires significant effort, time and financial resources. The European Commission has stated that SMEs account for only 1/3 of the total value of public procurement contracts, further highlighting these limitations. This underscores the limited trust often placed in startups due to their lower level of maturity. Contract standardisation is fairly common in countries such as the US but remain rare in the EU. These templates consist in foundational contractual terms, and they can generally be amended beyond the standard clauses with provisions specific to a given situation. Standardised contracts enable greater trust between both parties - as these templates would be based on previous experiences - thereby avoiding pitfalls related to new clauses. Additionally, having templates in place would provide more time to legal experts to focus on high-value activities. This idea has been making headway, with initiatives such as OneNDA (global standard for the NDA). Startup Estonia - home to one of the most digitally efficient countries in the world with a 100% score in ESNA's SNS #8 "Digital First"[23] - also made a variety of templates available on their websites. More recently, the EU-funded initiative ESIL shared legal templates for pan-European angel investments.

Standardisation in the area of public procurement has been in the pipeline for a while, as attested by the public procurement Directives 2004/17/EC and 2004/18/EC dating back from 2004. Further to this foundational framework for the use of electronic public procurement in the EU, the Directive 2014/24/EU took a more SME-friendly turn ten years later. However, there is still a long way to go: 69% of startups that have no experience in public procurement believe that public procurement is relevant for their business[24].

While the number of published tenders in Europe continues to increase - in 2023, 293 000 were published, almost double the number 10 years ago[25] – the shortfalls grow greater for startups as they rarely

[22] Single Market and Competitiveness Scoreboard, European Commission (2024, September) ; Analysis of the SMEs' participation in public procurement and the measures to support it : final report, European Commission, DG GROW, Bas, P. d., Hausemer, P., Kruger, T. et al. (2019) ; SNS Report 2024

[23] SNS Report 2024, Europe Startup Nations Alliance (2025, February)

[24] An analysis of SMEs' needs in public procurement, DG GROW (2021, July)

[25] Single Market and Competitiveness Scoreboard, European Commission (2024, September)

engage in such tenders. This shortcoming has been identified for a while by public authorities that attempt to bridge this gap by launching a variety of initiatives. Among them, la Mission French Tech created a short, free online course for startups to get acquainted with national public procurement.[26] The city of Amsterdam through Innovatie Partners[27] created a six-month programme for entrepreneurs to test their solutions, with the ultimate goal to scale if a pilot is successful. GovTech Lab Lithuania[28] also embodies the best of both worlds by giving startups an opportunity to test out their products, and public authorities may find tailored solutions to their specific challenges. At the European level, SPIN4EIC supports EIC innovators in accessing procurement markets through trainings, matchmaking and free hands-on assistance.[29] The EU-funded Living-in.eu movement – which aims to promote digital transformation of local governments – also recently created digitalisation procurement templates for its public buyers community.[30] These initiatives are highly relevant, as innovation procurement in the EU is essential for driving technological advancement, improving public services, addressing global challenges, and ensuring that the EU remains a competitive and sustainable region.

[26] Start-up: décrochez des marchés publics

[27] Innovatiepartners (Innovation partners) involves entrepreneurs in solving the challenges of public organisations.

[28] "What is GovTech Lab?" (n.d.)

[29] SPIN4EIC: An initiative powered by the EIC BAS Innovation Procurement Programme - European Commission

[30] Discover and have your say: Templates for digital and ICT solutions from the Living-in.eu community | Public Buyers Community

By default, public procurement processes are quite rigid, when startups tend to favour flexibility to accommodate their ambitions to grow. The pace at which public authorities and startups operate differ greatly, including in terms of payment schedule. Startups' level of maturity often does not reflect the experience the founders and/or their employees have. Startups that choose to participate in public procurement calls typically overcome track record requirements by: 1) acting as subcontractors for bigger companies that are part of a tender, 2) targeting smaller tenders, which tend to attract less interest from larger companies. ESNA's SNS Report 2024 highlights significant discrepancies across Europe through its Standard 5: Innovation in Procurement, as countries' scores span from 1 to 94% level of implementation. While it states that "67% of the surveyed nations reported not having legal or administrative impediments that may disadvantage startups and scaleups in procurement tenders", only ten countries are implementing incentives for public buyers to procure from these companies. In the recent Investment report 2024/2025[31], the European Investment bank highlights that "about 86% of EU firms employ staff specifically to deal with regulatory compliance, at an average cost of 1.8% of turnover. The cost increases to 2.5% of turnover for small and medium-sized enterprises (SMEs)." Also, only 29.1% of startups claim to have some experience with public procurement. This strikingly low number contrasts with their

[31] Investment Report 2024/2025, European Investment Bank (2025, March)

success rate, amounting to 91.3%. In addition, a mere 19% of startups admitted to knowing the (Tenders Electronic Daily) TED platform.[32]

These figures corroborate von der Leyen's Political Guidelines, in which she states that "a 1% efficiency gain in public procurement could save EUR 20 billion a year". As the impact of public procurement on smaller companies – including startups – is undeniable, it is essential to dive deeper into opportunities for more adapted processes, which would eventually be part of a more competitive Europe. The idea is not to remove created regulation, rather to make sure it is properly implemented, benefits all parties involved, as well as serves as an efficient use of public money.

State Aid and the de Minimis

State aid is any kind of subsidy granted by a State to a company that is considered to harm competition in the internal market. Article 107 of the Treaty on the Functioning of the European Union therefore prohibits State aid unless justified to avoid any potential preferential treatment. The European Union is responsible for monitoring and enforcing the implementation of the state aid rules. Considering certain types of incentives benefitting startups therefore entails a risk to go against state aid measures. A clear definition of startups in this case would be crucial to set a coherent framework, and avoid any potential law being thrown out. In this instance, it may be worth looking at startup laws that are being implemented in various European countries. State aid and public procurement share one main underlying objective, which is to avoid any potential distortion to competition. Both the State and the company are expected to comply with the requirements of public procurement, and also with the provisions of state aid law, putting heavier weight on smaller companies' shoulders. While these rules are important to safeguard competition in the internal market, they may cause a ripple effect on the whole startup ecosystem. Aid of lower value such as de minimis is therefore typically favoured, for example in Portugal where vouchers tailored to promising startups' need are offered under the umbrella of the Commission Regulation (EU) 2023/2831.

Why public procurement reforms for startups matter in the EU

Unlocking a major untapped market for startups

Public procurement in the EU accounts for approximately 14% of GDP (~€2 trillion annually).

Yet, startups are vastly underrepresented in this market due to complex procedures and legacy barriers.

Opening this market can create immediate demand and revenue streams for startups, reducing their reliance on grants or early-stage equity.

[32] An analysis of SMEs' needs in public procurement, DG GROW, (2021, July)

Driving innovation in the public sector

Startups often offer cutting-edge, flexible, and digital-first solutions in areas such as climate tech, health, cybersecurity and digital services.

By procuring from startups, governments benefit from faster, more innovative and cost-efficient services.

Reducing fragmentation and creating a true Single Market

Currently, startups struggle to bid beyond their home countries due to linguistic, bureaucratic, and legal inconsistencies.

Reforming and standardising procurement across Member States contributes to a more integrated, competitive and innovation-driven Single Market – a core EU policy goal.

Strengthening European technological sovereignty

By intentionally channelling public demand toward local startups, the EU can:

- scale up homegrown tech firms;
- reduce dependency on foreign suppliers;
- retain strategic digital capabilities within Europe.

Supporting SME and startup inclusion in public spending

The EU has made commitments under Directive 2014/24/EU to improve SME access to procurement – but implementation remains patchy.

A coordinated EU-wide effort, supported by digital tools and AI, can translate policy into practice.

Geopolitical & economic resilience

In times of crisis (e.g. pandemics, war, supply chain shocks), governments need agile, responsive providers.

Startups can provide decentralised, quick-to-adapt solutions in ways large incumbents may not.

Public procurement reform is part of a resilience strategy for future crises.

Summary of arguments: Why the EU must modernise public procurement for startups

Massive untapped market potential

Public procurement represents ~€2 trillion annually across the EU. Startups currently access only a tiny fraction of it due to structural and procedural barriers.

Innovation in public services

Startups offer agile and digital solutions. Making procurement more startup-friendly fosters innovation in public services.

A more integrated Single Market

Standardising procurement rules, platforms, and languages reduces fragmentation and improves cross-border startup participation in public tenders.

Boosting startup growth and investment readiness

Winning public contracts gives startups predictable revenue, strengthens their financials, and builds investor confidence – attracting more private capital.

European technological sovereignty

Procuring from European startups helps the EU scale its own tech champions, reduce foreign dependency, and retain critical digital capabilities.

Policy implementation of SME access commitments

EU law (e.g. Directive 2014/24/EU) mandates better SME access to public procurement. Reforming platforms and processes turns that legal intent into real opportunity.

Resilience and crisis readiness

Startups bring speed and adaptability – crucial in times of crisis. Engaging them through procurement enhances the EU's flexibility and response capacity.

Mapping policy at a national level for the two actions

Key themes

- **National policies for each action**
- **Countries' examples and comparisons**
- **Best practices and expected impact on the startup ecosystem**

From stress-testing current legislation to a new SME and Competitiveness Check, the EC President anticipates a series of new tools to support her ambitions for a better Europe. Startups and scaleups have been increasingly gaining importance with the creation of a working group focused on the 28th Regime for startup and scaleups, a novelty that was first mentioned in the Political Guidelines. The concept of small midcaps is also particularly relevant for startups encountering a steady growth, and scaleups. This commitment conveys an important message that is translated into new projects, and stems from past efforts that will be developed in this chapter and in the next pages of this volume.

The Draghi report certainly inspired these Political Guidelines, as startups and scaleups are an essential component of Europe's growth and competitiveness. Their creation and development are intrinsically bound to innovation, the common denominator of all sectoral policies analysed in the report. It emphasises startups' difficulties to scale up in Europe, which is translated in a lower number of unicorns – an overwhelming majority (66%)[33] being currently based in the US, and a low 8% in the EU. Among the eight root causes of EU's modest innovation performance mentioned in the report, "multiple regulatory, legal, and bureaucratic barriers" are listed. This includes the variety of legal systems across Member States and regulations set at the EU level.

While the European Union is a solid entity that has been strengthening its position over the past decades, the EU is also made up of 27 States. When looking at various national regulatory frameworks, sizes, government types, and even cultural influences, it is clear that each Member State has a unique way of operating. This is why – in addition to the European landscape – this chapter also explores national realities. To achieve this, the identification of national best practices, especially at a European level, becomes a fundamental tool to understand what is already in place, how different countries have moved forward to solve an EU concern, and what can be learnt from the implementation of these practices at a local level.

This chapter dives into a variety of policies, whether they can be replicable to develop the 28th regime or focusing on specific initiatives at a national level. It encompasses ease of business setup and management, which are key in supporting in innovators and their small pool of employees. Smart models or incentives, aimed at making their lives easier and streamline processes are also listed.

Setting up and managing a company – EU27 overview

The table below analyses the main elements related to company establishment and management in the EU27. Key friction points include time to register a company, minimum capital requirements, employment regulations (ESOP taxation and labour laws), and insolvency procedures. The 28th Regime could standardise digital business registration, simplify ESOP taxation across all Member States, and ensure that corporate tax structures remain competitive while facilitating startup mobility within the EU.

[33] Pitchbook. Accessed 2024

Country	Time to register in the commercial registers	Minimum capital (€) for private limited company	Option to register a company online & in English	Corporate tax rate (%)	Insolvency rules (closure time, in years)
Austria	Within 1 week	N.A.	Partially	23	1,1
Belgium	Within 1 day	No minimum capital	Yes	25	0,9
Bulgaria	Within 1 week	N.A.	Unclear	10	3,3
Croatia	Within 1 week	2 500	Partially	18	3,1
Cyprus	Within 1 week	N.A.	Partially	12,5	1,5
Czechia	Within 1 week	0.4 (CZK1)	Unclear	19	2,1
Denmark	Within 1 week	26,800 (DKK 20,000)	Yes	22	1
Estonia	Within 1 day	N.A.	Yes	20	3
Finland	N.A.	N.A.	N.A.	20	0,9
France	Within 1 week	1	Partially	25,8	1,9
Germany	Within 1 week	25 000	Partially	29,9	1,2
Greece	N.A.	N.A.	N.A.	22	3,5
Hungary	N.A.	7,400 (HUF3,000,000)	N.A.	9	2
Ireland	Within 1 week	25 000	Yes	12,5	0,4
Italy	More than 4 weeks	10 000	Unclear	27,8	1,8
Latvia	N.A.	N.A.	N.A.	20	1,5
Lithuania	Within 1 day	N.A.	Unclear	15	2,3
Luxembourg	Within 1 day	N.A.	Yes	24,9	2
Malta	Within 1 day	N.A.	Yes	35	3
Netherlands	Within 1 day	No minimum capital	Partially	25,8	1,1
Poland	N.A.	1100 (PLN 5,000)	Yes	19	3
Portugal	Within 1 day	1	Yes	31,5	2
Romania	Within 1 day	No minimum capital	Partially	16	3,3
Slovakia	Within 1 week	5 000	Yes	21	4
Slovenia	Within 1 week	N.A.	Partially	19	0,8
Spain	Within 1 day	3 000	Unclear	25	1,5
Sweden	More than 4 weeks	3,000 (SEK 25,000)	Yes	20,6	2

Figure 12. **Comparison best practices table. ESNA analysis.**

As already highlighted, main bottlenecks when opening or operating a business for startups and scaleups notably include: costs of incorporation, administrative hurdles, difficulties in opening bank accounts, burdensome KYC and AML procedures, lack of digitalisation, notarial procedures, lack of uniformization of the corporate legal and administrative frameworks, different, lengthy and burdensome commercial registrations procedures, in some cases even with lack of harmonisation within the same country.

It should be possible to tackle these obstacles by creating a tailored legal form that incorporates all the relevant characteristics and objectives of the Societas Europaea (SE) while addressing the fragilities that

Foreign (EU) documentation allowed	ESOP taxation & non-voting rights
No	Taxes at the moment of sale only, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
No	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, no possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, possibility to grant SO with no voting rights
No	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, possibility to grant SO with no voting rights
N.A.	N.A.
Yes	Taxes at the moment of sale only, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
N.A.	N.A.
N.A.	N.A.
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
No	Taxes at the moment of sale only, possibility to grant SO with no voting rights
N.A.	N.A.
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, no possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, no possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale plus other option, possibility to grant SO with no voting rights
Partially	Taxes at the moment of sale plus other option, no possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, possibility to grant SO with no voting rights
Yes	Taxes at the moment of sale only, possibility to grant SO with no voting rights

Sources: SNS Report 2024, ESNA; DLA Piper; Study on a new approach to business failure and insolvency, European Commission; Corporate Income Tax Rates in Europe, 2024, Tax Foundation Europe.

hinder its adoption by startups and (small) scaleups, by having:

- A European Identity with a unified legal framework applicable in all Member States, possible to adopt from the very start, i.e., a startup should be able to begin with this legal form, preventing any regulatory inconsistencies;
- A lower minimum share capital;
- Flexibility on the governance model and in the creation of several classes of shares in order to accommodate venture backed companies' specificities;
- An EU commercial registry, with specialised and exclusive competence on the registrations for the companies incorporated under the 28th regime legal framework that is synchronised with the national commer-

cial registries, in order to have only one set of rules that prevents any inconsistencies and expedites the processes.

Setting up and managing a company – targeted best practices

The best practices outlined in this table highlight key approaches to reducing red tape. Notably, Luxembourg's simplified limited liability company (SARL-S) offer regulatory flexibility, allowing startups to experiment with business models and reducing entry barriers. Estonia's e-Residency and e-Governance initiatives significantly cut administrative burdens, enabling faster and more efficient business operations across borders. Similarly, Belgium's tax shelter and payroll withholding tax credit incentivise startup growth by simplifying financial procedures.

Belgium	**Practice:** Tax shelter for startups & scaleups
	Description: Tax shelter startup & scaleup are applicable private investment in a company that is eligible for tax-shelter. One can deduct 25% or 45% of their investment on income taxes. The tax advantage is limited to € 100.000 of eligible investments per investor. The company must qualify as an SME or micro-enterprise, operating and having its registered office in Belgium, and it must be no more than 4 years old as of the date of the investment. This tax incentive is limited to a total share capital of €250,000 in a micro-enterprise or SME. Other specific conditions apply. The same mechanism exists for scaleup companies, with a deduction rate of 25% and for companies aged between 4 years and 10 years old as of the date of the investment.
	(Expected) impact on the startup ecosystem: Tax shelter startup & scaleup have increased the investment in more than 2,600 startups & scaleups by €245 million. Has involved more than 30,000 investors.
	Practice: Payroll Withholding Tax Credit
	Description: In Young Innovative Companies, the exemption from deposit of the withholding tax (80% pro rata of R&D activities) is granted to companies that pay or award remuneration to researchers employed in research or development projects or programmes, and who have a qualifying doctoral or master's degree. A similar exemption may be applied to researchers with qualifying bachelor's degrees. The total amount of the exemption for bachelors is limited to 25% (50% for small companies) of the exemption from payment of withholding tax for the researchers with a qualifying doctoral or master's degree. A derogation of the diploma level is allowed for "Young Innovative Companies" (YIC) and for companies collaborating on a project basis with universities and other recognised scientific institutions.
	(Expected) impact on the startup ecosystem: The Young Innovative Companies have enabled up to 80% tax exemption to companies that employ researchers, which incentivises the hiring of researchers with PhD, Master's, and/or bachelor's degrees.

Cyprus	**Practice:** Boost Blended Finance schemes, CY Government Tax Incentives & Expert Support Services
	Description: The combined initiative of the BOOST Blended Finance Programme, Tax Incentives for Innovative Companies, and Knowledge Transfer Office (KTO) services in Cyprus forms a comprehensive framework aimed at fostering innovation and entrepreneurship. Here's an enhanced description of what they do: 1) BOOST Blended Finance Programme: This programme blends grants with equity or loan financing to support the development of innovative startups and small businesses. It targets high-potential companies in need of financial resources to scale their operations and advance research-driven projects. By combining different types of funding, it reduces financial risks and attracts private-sector co-investment.

Cyprus

2) Tax Incentives for Innovative Companies: These incentives aim to stimulate investments by providing significant tax reliefs to individuals and corporations that invest in recognised innovative enterprises. The measures are designed to enhance the appeal of Cyprus as an investment destination and encourage the growth of startups by facilitating access to critical funding.
3) Knowledge Transfer Office Services: The KTO acts as a bridge between research institutions, startups, and the business sector, promoting the practical application of scientific discoveries. It provides expert advice on intellectual property management, licensing, and commercialisation strategies, helping researchers and companies bring innovative products and services to market.

(Expected) impact on the startup ecosystem: There is currently no official impact data related to Bundling beyond the expected data from the first blended finance scheme that was announced, DISRUPT. The total public funding amounts to nearly €23 million, with €10.46 million from RIF and €12.5 million as a result of private investments from 6 different investment funds. As a result of the investment, 60 new positions are expected to be created in the 7 enterprises that secured funding.

Estonia

Practice: Labour mobility regulation and incentives

Description: E-Residency of Estonia is a government-issued digital identity which provides global entrepreneurs with remote access to the world's most digital country. It allows the user to securely authenticate themselves online and sign documents using the most secure and efficient electronic signatures. Plus, the ability to start a company 100% online from anywhere. Estonia was the first country to offer e-residency, beginning in 2014.

(Expected) impact on the startup ecosystem: The e-Residency has enabled online and secure registrations, resulting in over 117,000 e-residents from more than 170 countries. This led to more than 32,000 companies created via e-residencies in diverse sectors, making €12B in combined revenue.

Practice: Strategic initiatives

Description: Estonia's e-Governance system is built to modernise public services through cloud technology, making 99% of services available online 24/7. This system fosters a seamless environment for business and entrepreneurship.
It aggregates services for startups such as e-Tax, e-Banking, e-Business Register and e-Residency.

(Expected) impact on the startup ecosystem: The e-Governance has saved over 1,400 years of working time annually, reducing administration burden for first time entrepreneurs.

Luxembourg

Practice: Guidelines, Regulation or Law

Description: The simplified limited liability company (SARL-S) is a form of commercial company that is subject to rules that are somewhat different to those that apply to a conventional private limited liability company (SARL). One of the main features of the SARL-S is that it reduces the burden of some of the requirements for forming an SARL. For example, the minimum share capital required to form an SARL-S is EUR 1, and the company can be formed by private deed, without the need for a notary.
For this reason, the SARL-S provides first-time entrepreneurs with a vehicle that allows them to commence trading immediately.

(Expected) impact on the startup ecosystem: The SARL-S has facilitated market entry for different startups, with minimal reduced costs.

Poland

Practice: Startup Platforms for New Ideas

Description: The "Startup Platforms" programme focuses on assisting young innovative companies through:

1. Easier access to initial capital:
- support for new enterprises at the pre-incubation and business development stages.
- the opportunity to receive up to PLN 1 million in non-repayable funding for startup development.

2. Mentoring and business advisory services: new companies can benefit from expert support in business modeling, market strategy, and commercialisation of ideas.
3. Simplified procedures: startups do not need to go through complex bureaucratic procedures –

Poland

acceleration institutions provide support.
4. Collaboration with investors and large enterprises: the programme helps startups establish relationships with venture capital funds and business angels.
5. Special conditions for SMEs.

The programme is exclusively dedicated to new, innovative businesses, ensuring that support is tailored to their specific needs.

(Expected) impact on the startup ecosystem:
- Over 1,000 startups have benefited from the programme since 2015.
- Many of these companies secured additional private funding after completing acceleration and expanded internationally.

Practice: Polish Investment Zone (PSI) – Preferences for startups and SMEs

Description: The PSI is a government initiative aimed at supporting businesses by providing tax incentives and investment-friendly conditions. The programme is particularly beneficial for startups and SMEs, offering them preferential treatment to encourage growth and competitiveness.

(Expected) impact on the startup ecosystem: Thousands of startups and SMEs have already benefited from tax reliefs under PSI. The programme has attracted over PLN 30B in new investments since its launch. It has stimulated job creation and economic growth, especially in less-developed regions.

Practice: A New legal form supporting innovative startups and SMEs

Description: The Simple Joint-Stock Company (Prosta Spółka Akcyjna – PSA), introduced in Poland on July 1, 2021, is a new legal form designed specifically for startups and innovative SMEs. It aligns with the EU's efforts to create flexible legal frameworks that foster innovation, simplify business operations, and attract investors.

The PSA is modeled after similar successful business structures in the EU, such as France's Société par Actions Simplifiée (SAS) and Germany's Unternehmergesellschaft (UG), providing an agile and scalable legal status for high-growth businesses.

(Expected) impact on the startup ecosystem: Over 5,000 companies have registered as PSAs since 2021. Many Polish fintech, AI, biotech, and e-commerce startups have adopted this legal form. Increased access to private investments for early-stage businesses.

Spain

Practice: Startup Law - Fiscal Incentives. Taxation of Emerging Companies

Description: Taxation of emerging companies at a reduced rate of 15%. Reduction in corporate tax, decreasing from 25% to 15% for the first four years. That is, the first year with a positive taxable base and the following three years, as long as the company maintains the status of an emerging enterprise.
Deferral of tax debt. The payment of corporate tax debt for the first two years may be deferred for twelve and six months, respectively, without the need to provide guarantees and without accruing late payment interest.
Elimination of installment payments. During the first two taxable periods with a positive taxable base, emerging companies will also be exempt from the obligation to submit installment payments.

(Expected) impact on the startup ecosystem: The Startup Law has enabled, in 2022, a 35% increase in startup funding, and the law is expected to further boost this growth.

Ukraine

Practice: Networking and collaborative platforms

Description: The overall objective is to strengthen and extend the existing network of European Digital Innovation Hubs (EDIH), covering underrepresented regions of the Associated Countries, particularly Northern and Central Ukraine.
Complementary to the key objective, WIN2EDIH is focused on achieving specific objectives as follows:
1) Providing tailored services for deep-tech sectors & technologies;
2) Ensure availability of the infrastructure facilities related to deep-tech specialisation;
3) Establishing upskilling support to the target audience to increase the level of their literacy & digital opportunities;
4) Becoming the info centre for grant opportunities and source of knowledge on how to attract investors;

Ukraine	
	5) Boosting integration of the Ukrainian innovation ecosystem to the European ones by interacting with the EDIHs, sharing best practices and specific knowledge in the deep tech sphere; 6) WIN2EDIH will serve as an access point to the European network of EDIHs, facilitating collaboration and knowledge exchange among local companies seeking expertise beyond their region.
	(Expected) impact on the startup ecosystem: Engaging the startup ecosystem with the EDIHs network is intended to have a transformative impact on local startups, in particular by expanding resources, access to expertise and market integration: 1) Increased access to funding and investment opportunities; 2) Access to advanced infrastructure and technology; 3) Skills and knowledge transfer; 4) Facilitated market entry and expansion; 5) Improved international competitiveness; 6) Networking and collaboration opportunities.

Figure 13. Best Practices Catalogue. ESNA analysis

Regulatory sandboxes – national implementation

Bureaucracy and red tape hinder processes for private entities including startups. These procedures often rely on interactions between these companies and private authorities on the basis of a set of established rules. Regulatory sandboxes stand out by offering a designated physical and/or digital space with special legal frameworks for testing innovative solutions. Considering the relative novelty of regulatory sandboxes, there is no established legal definition of this practice yet. However, the definition below was framed with the OECD.[34]

"A regulatory sandbox refers to a limited form of regulatory waiver or flexibility for firms, enabling them to test new business models with reduced regulatory requirements. Sandboxes often include mechanisms intended to ensure overarching regulatory objectives, including consumer protection. Regulatory sandboxes are typically organised and administered on a case-by-case basis by the relevant regulatory authorities."

Regulatory sandboxes therefore play a crucial role in reducing red tape by allowing startups to test innovative financial and digital services within a controlled, supervised environment, while mitigating usual regulatory constraints. As per ESNA's SNS Report 2024, 15 European nations currently have these tools in place. Among them, countries such as Austria, France, Germany and Spain have established FinTech-focused sandboxes that provide startups with regulatory guidance while ensuring compliance. These sandboxes help emerging companies experiment with AI, blockchain, and digital finance solutions without facing immediate regulatory barriers. The French ACPR FinTech Innovation Hub, established in 2016, is another strong example of how sandboxes can support InsurTech and RegTech startups in navigating compliance while fostering financial innovation. Estonia's Regulatory Sandbox, launched in 2021, highlights how digital services and blockchain can enhance e-Governance and public-sector

[34] The role of sandboxes in promoting flexibility and innovation in the digital age - Attrey, A., M. Lesher and C. Lomax (2020)

innovation. By focusing on GovTech, Estonia's approach enables startups to develop cutting-edge solutions that could modernise public service delivery.

The existence of these sandboxes show-cases the willingness of the Member States to simplify innovation. The recent AI Act proves that it is also a concern at the European level, as Article 57 focuses specifically on Regulatory sandboxes. It notably urges Members to "establish at least one AI regulatory sandbox at national level". The first one was set up by Spain in 2023 and launched in 2025. It intends to support SMEs and startups to comply with AI-related compliance requirements through knowledge transfer.

	RS name	Sector	Year established	Key features	Regulatory authority
Austria	Austrian FMA Regulatory Sandbox	FinTech	2020	Allows innovative financial services to operate under supervision with regulatory guidance.	Austrian Financial Market Authority (FMA)
Estonia	Estonia's Regulatory Sandbox	Digital services, blockchain	2021	Focuses on digital governance, e-residency, blockchain-based financial services, and GovTech.	Ministry of Economic Affairs and Commmuni-cations
France	ACPR FinTech Innovation Hub	FinTech, InsurTech, RegTech	2016	Helps startups navigate financial regulations while developing new products and services.	Autorité de Contrôle et de Résolution (ACPR)
Germany	Digital Finance Sandbox	FinTech, AI, blockchain	2021	Enables controlled testing of financial innovations, with a focus on AI and digital assets.	Federal Financial Supervisory Authority (BaFin)
Spain	Spanish Financial Sandbox	FinTech	2020	Provides a controlled environment for testing financial innovations with supervisory support	Banco de España, CNMV (Securities Market Commission), DGFSP (Insurance and Pension Funds Directorate)
Spain	AI Sandbox	Unspeci-fied	2025	Provides clarity on the requirements set out in the regulation and validate the applicability of the technical implementation guides.	Secretaría de Estado de Digitalización e Inteligen-cia Artificial

Figure 14. Comparison Regulatory Sandboxes features table. ESNA analysis.

IV. Suggested solutions and KPIs

Key themes

- 28th Regime structure proposal
- Enhancing public procurement for startups

Actions proposed to overcome challenges

28th Regime structure proposal

The 28th Regime: A legal infrastructure for scaling European innovation

The **28th Regime** is a pan-European, optional legal framework designed for startups and scaleups. Unlike harmonisation efforts such as the *Societas Europaea* (SE), this approach prioritises digital-first integration, simplicity, and scalability, ultimately aiming to strengthen Europe's internal market and innovation capacity, perpetuating ESNA's vision, which is to allocate a European structure that truly supports startups and scaleups.

Regarding the main recommendations for a possible implementation process, the following are proposed:

a. Dividing the steps into immediate actions for the short, medium and long term, following a gradual approach to the implementation process.

b. Each implementation process can be monitored by tracking recent updates by country, using a similar approach to ESNA's SNS Report.

c. ESNA's Standards can serve as a catalyst for ensuring the process is effectively communicated and fully understood by Member States.

Revisiting the Societas Europaea (SE)

Constraints have made the SE underutilised — less than 10,000 SEs registered as of 2023[35] — and is currently used mostly by large corporations. Hence, a new model is needed for fast, lean, and cross-border-ready startup creation.

Following this logic, the suggestion is not to start from scratch, but to build on what is already in place and improve it. A clear example of this would be the increased awareness, implementation and use of mechanisms such as the Blue Card (further detailed in figure 15).

[35] LETS 2023, 135 Leading European Tech Scaleups, France Digitale (2023, September)

Blue Card Adaptation

Labour mobility regulation and incentives

Labour mobility refers to the movement of individuals across regions or countries for employment opportunities. It aims to address skills shortages, enhance productivity, and support innovation by ensuring talent flows where it is most needed. Governments often facilitate this mobility through various schemes, visas, and residency regimes. Schemes are structured programmes designed to align talent with specific sectors, visas provide legal entry and work rights for professionals, and residency regimes create broader frameworks for ongoing mobility.

Among the practices analysed in Europe, several directly target the startup ecosystem, such as the Startup Visa Scheme (Cyprus), Digital Nomad Visa (Estonia), E-residency Digital ID (Estonia), French Tech Visa (France), Startup Residence Programme (Malta), Startup Visa (Portugal), and the EU Blue card (European Union) in which a critical deep-dive will be made. Indirectly, practices like the Digital Nomad Visa Scheme (Cyprus) and Startup Law's Digital Nomads (Spain) support the ecosystem by facilitating skilled professionals who may contribute to the creation or growth of startups in those countries.

EU Blue card (28th regime action)

The EU Blue Card, governed by the Directive 2009/50/EC and updated through Directive 2021/1883, serves as a work and residence permit specifically for highly qualified non-EU/EEA nationals. Created to attract skilled talent to fill labour shortages within the EU, the Blue Card framework facilitates a streamlined, attractive path for qualified third-country nationals to live and work in EU Member States. Applicants must present a valid work contract, or a binding job offer of at least one year's duration in the relevant Member State, ensuring alignment with the high-skill employment criteria.

The directive offers extensive socio-economic rights to Blue Card holders, including comprehensive residence rights and potential pathways to long-term residency and mobility within the EU. Although the directive is mandatory for all EU Member States, implementation can vary significantly based on each country's labour market needs and immigration policies. While some Member States have integrated the Blue Card framework robustly to attract skilled workers, others apply it selectively, reflecting national priorities and demand in specific high-skill sectors. 25 out of the 27 Member States have incorporated, to some extent, the directive, excluding Denmark and Ireland.

Figure 15. EU Blue Cards by type of decision, occupation and citizenship.
Source: EUROSTAT

A short assessment of the SE can be found below:

Strengths

- Offers **cross-border mobility** of registered offices (SE Regulation, Art. 8).
- Establishes a **European legal personality**, creating brand and legal uniformity.
- Supports large-scale entities in regulated sectors (e.g., finance, transport).

Weaknesses

- Complex incorporation procedures, especially when merging existing companies (Arts. 19–24) and it is completely impossible for an entity to start with this legal form.
- High costs and legal advisory needs, discouraging small companies.
- Mandatory employee participation rules (Dir. 2001/86/EC) are rigid and not suitable for early-stage firms.
- Lack of digital infrastructure in SE setup.

The 28th Regime: under startups and scaleups' view

Pillar 1: A digital EU-wide legal framework

1.1. EU Registry with One Point of Contact

The EU Registry would serve as a single access point for founding and operating under the 28th Regime. It would:

- Be interoperable across all 24 EU languages;
- Align with eIDAS 2.0 for digital identity verification (Regulation (EU) 910/2014);
- Integrate with BRIS and national company registers (Directive (EU) 2019/1151);
- Use the Once-Only Principle (OOP), avoiding redundant data submissions.

Key benefit

Reduction of administrative burden and cross-border friction.

1.2. Simplified incorporation

Aligned with SNS #1 Fast Startup Creation and SNS #8 Digital First, incorporation should:

- Take less than 24 hours (real-time processing);
- Cost under €100;
- Be conducted fully online, without notaries or in-person bureaucracy.

Model example

Estonia's e-Residency + company registration system.

1.3. Exit and winding-up framework

To ensure lifecycle flexibility, the 28th Regime would offer:

- Standard winding-up procedure (voluntary and fast-track)
- Access to a fast-track European restructuring or insolvency process, consistent with Regulation (EU) 2015/848

KPI

Incorporation speed

- 95% registered in <24h

Cost control

- <€100 for basic information

Exit readiness

- % of firms using EU-wide exit tools

Pillar 2: EU-wide Employee Share Option Plan (EU-ESOP)

Challenge

Fragmented and tax-inefficient systems

Currently, stock options across Member States differ in:

- Taxation points (grant, vesting, exercise, sale)
- Recognition of fair value
- Voting/information rights of holders

This discourages cross-border scaling and talent retention.

Suggestion

A Pan-EU ESOP Framework

Inspired by best practices from France (BSPCE), the UK (EMI), and Estonia (founder shares):

- Only economic rights (no voting, information, or board rights)
- No taxation until a liquidity event (e.g., sale or IPO)
- Standard option plan templates integrated into the EU Registry
- Recognised under national tax regimes via an EU "pass-through" tax certificate

KPI

Adoption rate

- # of startups using EU-ESOP per Member States

Talent mobility

- % of ESOP holders using Blue Card adaptation

Economic impact

- Capital gains deferred under EU-ESOP

Blue Card adaptation

The *EU Blue Card* (Directive (EU) 2021/1883) currently applies to highly skilled workers but could be extended to **startup employees and co-founders** participating in ESOPs.

Feature	Current Blue Card	28th Regime proposal
Eligibility	Salary threshold	Include ESOP-based remuneration
Contractual proof	Formal job offer	ESOP agreement and founding contract
Talent retention	Limited	Extended residency tied to vesting

Pillar 3: Public procurement accessibility for startups

Challenge

Despite Directives 2014/24/EU and 2014/25/EU, startups often face:

- Complex tender requirements;
- Difficulty meeting turnover/experience thresholds;
- Low visibility of open calls.

Suggestion

- 28th Regime startups are automatically listed on a central EU procurement dashboard;
- Create a "startup track" with simplified pre-qualification;
- Recognise innovative procurement methods (e.g., design contests, sandbox trials).

KPI

Increase in the number of startups participating in EU tenders

- Number of startups registered on the central EU procurement dashboard (post-implementation).Year-over-year growth in startup tender submissions.
- Recognise innovative procurement methods (e.g., design contests, sandbox trials).

Reduction in average pre-qualification processing time for startups

- Average time from startup registration to qualification approval on the "startup track".

Adoption rate of innovative procurement methods

- Number of tenders using design contests, sandbox trials, or other innovative methods annually.

Pillar 4: Legal coexistence with national frameworks

The 28th Regime must be

- **Optional:** Does not override national legal systems
- **Recognised:** Member States accept its legal documents and tax statuses

Key components

- **Common language:** Legal documents available in all EU languages
- **Common company ID:** Standardised EU-level registration number
- **Standard templates:** For Articles of Association, ESOP plans, board appointments

Director responsibility

- Align with **Directive (EU) 2019 / 1023** (preventive restructuring)
- Introduce an **EU Safe Harbour Rule:** Directors are protected when

acting in good faith under 28th Regime rules

- **Digital signature traceability** (via eIDAS) to ensure compliance and transparency

Other concepts that are correlated to the 28th Regime

Simplification of the EU rulebook

To foster a more efficient and supportive legislative framework for startups and investors, the EU could benefit from a streamlined regulatory agenda that emphasises simplicity and accessibility in its laws. Developing standard contract templates and simplifying the EU rulebook would remove complexities in investment and compliance procedures, making it easier for startups to navigate regulatory requirements and for investors to engage confidently across borders, this principle connected with action.

In line with Simplification Agenda: prioritise SME test and streamline regulatory processes

To foster a more efficient and supportive legislative framework for startups and investors, the EU could benefit from a streamlined regulatory agenda that emphasises simplicity and accessibility in its laws. Developing standard contract templates and simplifying the EU rulebook would remove complexities in investment and compliance procedures, making it easier for startups to navigate regulatory requirements and for investors to engage confidently across borders, this principle connected with action.

Enhancing public procurement for startups

Description

Public procurement represents a significant market opportunity for startups, yet they remain largely underrepresented in the sector. Despite regulatory advancements such as Directives 2004/17/EC, 2004/18/EC, and the more SME-friendly Directive 2014/24/EU, structural barriers persist. [36]

Startups struggle to engage in public procurement due to complex procedures, rigid selection criteria, and slow payment processes. While 69% of startups see public procurement as relevant for their business, few actively participate.[37] Current initiatives – detailed in Chapter III Advisory Board's input: proposals for the new Start-up and Scaleup Strategy such as France's Mission French Tech, Amsterdam's Innovative Partners, and Lithuania's GovTech Lab, demonstrate promising approaches

[36] Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts & Directive 2014/24/EU of the European Parliament and of the Council of 26 February 2014 on public procurement and repealing Directive 2004/18/EC

[37] An analysis of SMEs' needs in public procurement, DG GROW (2021, July)

to bridging this gap. However, systemic improvements are needed to standardise and simplify public procurement, making it more accessible to startup and eventually set up a single market for procurement.

Recommended regulatory and policy action

Recommendation

Promote a European catalogue of suppliers

Explanation & rationale

- Create an EU-wide registry of SMEs and startups, providing a trusted, standardised platform for public authorities to identify potential suppliers.
- Ensure access to fully multilingual content to enhance cross-border collaboration.
- Align efforts with the Innovation Procurement Hubs Programme launched by DG GROW and EISMEA in March 2025 to ensure synergy with existing initiatives.

Recommendation

Enhance and standardise the Tenders Electronic Daily (TED) platform

Explanation & rationale

- Improve access to tenders by including lower-value contracts that are currently only published at the national or local level.
- Ensure full translation of tender details into all 24 EU languages to lower language barriers for providers, including startups.
- Further standardise submission requirements and/or integrate national procurement platforms via API connections to centralise data.
- Explore merging TED with the - not yet created - European Supplier Catalogue to create a comprehensive EU-wide procurement hub.

Recommendation

Modernise public procurement processes through automation and AI

Explanation & rationale

- Implement automated monitoring of procurement processes to streamline smaller companies' participation.
- Shift evaluation criteria from price-dominance to more balanced, innovation-driven metrics.
- Introduce AI-supported tools to facilitate procurement evaluations and improve fairness in supplier selection.
- Develop mechanisms to recognise a provider's potential beyond its track record - for example, through the employees' experience - facilitating greater startup participation.

Recommendation

Improve cross-border public procurement access for startups and set up a single market for procurement

Explanation & rationale

- Reduce bureaucratic barriers that

prevent startups from engaging in tenders outside their home countries.
- Provide structured support for startups applying to tenders from other EU countries, including legal and administrative guidance.
- Introduce flexibility in language requirements for project execution, ensuring that language constraints do not hinder cross-border opportunities.

Key Performance Indicators

1 Efficiency of public procurement processes

Reduction in procurement processing time, -20% within 5 years (average time from tender submission to contract signature)

Improved functionality of TED platform, annual audit & update cycle (completion and implementation UI/UX audits; satisfaction scores)

2 Startup participation in procurement

Increase in startup participation in public tenders, +10% within 3 years (count of startups applying to public procurement calls)

Startup success rate in tenders, annual growth (ratio of startup applicants to contract awardees)

Economic impact of startup participation, year-on-year tracking (aggregate contract value awarded to startups and their subsequent revenue/ job growth)

3 Cross-border procurement & market access

Increase in cross-border startup participation, +10% within 5 years (# of startups participating in public procurement in another EU country)

Deployment of European supplier catalogue, operational within 3 years (platform launched, # of profiles created, traffic and usage analytics)

Roadmap suggestion for implementation of public procurement (Action II)

Year 1: Foundation & alignement (2025)

Theme: Data infrastructure & stakeholder alignement

Sub-action: EU-wide Catalogue of startups/SMEs

Key deliverables:
- Launch feasibility study for a harmonised EU startup/SME registry.
- Define common criteria for inclusion (sector, TRL, ESG, innovation

- Align with national databases and EEN (Enterprise Europe Network).

Sub-action: Enhanced tenders platform

Key deliverables:

- Start revamp of TED (Tenders Electronic Daily) with startup-centric UX.
- Design multilingual filters for innovation-relevant tenders.
- Conduct stakeholder interviews with startups & contracting authorities.

Sub-action: Automation in procurement

Key deliverables:

- Launch pilot projects for AI use in tender matching & simplification.
- Form EU taskforce on AI for GovTech Procurement (EIC, DG GROW).

Sub-action: Cross-border procurement access

Key deliverables:

- Map legal/technical barriers in EU public procurement market.
- Develop guidelines for cross-border tender harmonisation.

Catalogue as an open API and searchable platform.

- Enable opt-in for matchmaking with public buyers.

Sub-action: Enhanced tenders platform

Key deliverables:

- Launch upgraded TED/ESP platform for SMEs & startups.
- Integrate keyword-based tender alerts + EU-wide dashboard

Sub-action: Automation in procurement

Key deliverables:

- Implement pilot in 5 Member States using AI for SME eligibility verification and automated feedback loops.
- Share results in Procurement Innovation Forum.

Sub-action: Cross-border procurement access

Key deliverables:

- Test joint cross-border procurement pilots (e.g., common challenge calls).
- Work with innovation procurement networks on transnational templates.

Year 2: Deployment & pilots (2026)

Theme: Digital pilots, market testing & cross-border scaling

Sub-action: EU-wide Catalogue

Key deliverables:

- Launch beta version of EU Startup

Year 3: Institutionalisation & scaleup (2027)

Theme: Mainstreaming startup access in EU procurement

Sub-action: EU-wide Catalogue

Key deliverables:

- Fully operational EU Startup Catalogue integrated with EIC and EEN services.
- Offer procurement-readiness scoring.

Sub-action: Enhanced tenders platform

Key deliverables:

- TED as innovation-ready platform with personalisation, SME-first features, and AI-powered search.
- Train public buyers on startup engagement.

Sub-action: Automation in procurement

Key deliverables:

- Scale AI-powered procurement assistant across 10+ Member States.
- Publish EU-wide guidelines and case studies.

Sub-action: Cross-border procurement access

Key deliverables:

- Formalise cross-border procurement pact with at least 7 Member States.
- Launch "Startup Challenge Calls" with EU co-funding.

Year 4: Final outcome (2028)

1. 25% increase in startup participation in public procurement (baseline 2024).

2. Fully interoperable platforms and catalogues for innovation sourcing.

3. Increased cross-border procurement volume involving startups via single market for procurement.

4. Model use cases for AI/ automation embedded into national procurement systems.

V. Final recommendations

This document intends to support the Startup and Scaleup Strategy by focusing on two main actions. From lessons learnt from the underutilised Societas Europaea to a 28th Regime proposal, this Volume presents a wide array of measures to simplify, accelerate, and offer more accessible legal processes. Whether aimed at enabling founders to incorporate a business online within 24 hours and for under €100, or at facilitating scaling by developing their track record through public procurement, these initiatives offer tangible benefits for European startups and scaleups. Flexibility is key for the ecosystem to progress, and easing legal burdens may offer the greatest potential impact.

Key features of the suggested 28th Regime include a centralised EU registry, interoperable across all Member States and aligned with existing digital identity and company information regulations, such as eIDAS 2.0 and BRIS. Along this foundational layer, the framework regime would offer a standardised set of tools including model Articles of Association, EU-wide ESOP templates, and digitally enabled board appointment protocols. Together, these instruments would significantly reduce legal and administrative complexity for high-growth companies and support their cross-border operations.

In addition to simplifying incorporation and corporate governance, the 28th Regime should serve as a lever to open up new market opportunities for startups through public procurement. Procurement processes in Europe remain heavily fragmented and often inaccessible to early-stage innovators due to complex eligibility criteria, limited visibility of calls, and insufficient cross-border opportunities. To address this, the 28th Regime should not only ensure that participating companies are automatically listed on a central EU procurement dashboard but also establish a dedicated 'Startup Track'—a streamlined route for innovative firms to engage in public tenders. This should be complemented by the development of a next-generation tenders platform with startup-centric design, multilingual support, and more automated matching between public sector needs and startup capabilities. Furthermore, a second phase of implementation should include pilot schemes for cross-border procurement, regulatory sandboxes, and the integration of automated tools to provide feedback and reduce red tape.

In parallel, Member States would benefit from a monitoring system inspired by the ESNA Startup Nation Standards, allowing them to track adoption, benchmark progress, and share best practices. As a result, the 28th Regime would go beyond company creation to become a powerful tool for embedding startups into Europe's institutional innovation fabric, ensuring that both public value and private opportunity are maximised.

Sources

"What is GovTech Lab?" (n.d.)

https://govtechlab.lt/about/

2024 Corporate Income Tax Rates in Europe | Tax Foundation

https://taxfoundation.org/data/all/eu/corporate-tax-rates-europe-2024/

Accelerating Europe – Part 1 of 3 – The State of European Innovation and Why It Matters. Innovation Radar Bridge. Created by Dealroom.co, Dealflow.eu. (2025, January).

An analysis of SMEs' needs in public procurement - European Commission

An analysis of SMEs' needs in public procurement, DG GROW, (2021, July)

An analysis of SMEs' needs in public procurement - European Commission - An analysis of SMEs' needs in public procurement, DG GROW (2021, July)

An analysis of SMEs' needs in public procurement, DG GROW (2021, July)

https://single-market-economy.ec.europa.eu/publications/analysis-smes-needs-public-procurement_en

Artificial intelligence act and regulatory sandboxes, Think Tank European Parliament (2022, June) - Artificial intelligence act and regulatory sandboxes | Think Tank | Parlamento Europeu

Carriages preview | Legislative Train Schedule

https://www.europarl.europa.eu/legislative-train/theme-connected-digital-single-market/file-common-european-sales-law

Common European Sales Law - 2011/0284(COD) | Subject files | Home | JURI | 7th parliamentary term (2009 - 2014) | Committees | European Parliament

https://www.europarl.europa.eu/committees/en/common-european-sales-law-2011-0284-cod-/product-details/20121023CDT54280#:~:text=On%2011%20October%202011%2C%20the%20Commission%20presented%20a,optional%20contract%20law%20regime%2C%20identical%20throughout%20the%20EU

Competitiveness compass - European Commission

https://commission.europa.eu/topics/eu-competitiveness/competitiveness-compass_en

Council Directive 2001/86/EC of 8 October 2001 supplementing the Statute for a European company with regard to the involvement of employees - Directive - 2001/86 - EN - EUR-Lex

COUNCIL REGULATION (EC) No 2157/2001 of 8 October 2001 on the Statute for a European company (SE)

https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02001R2157-20130701

Discover and have your say: Templates for digital and ICT solutions from the Living-in.eu community | Public Buyers Community

https://public-buyers-community.ec.europa.eu/news/discover-and-have-your-say-templates-digital-and-ict-solutions-living-ineu-community

Draghi, M. The future of European competitiveness. Part A and Part B. (2024).

ESNA Best Practices Catalogue (n.d.)

https://esnalliance.eu/en/explore

EU Startup Ecosystem: Driving change past, present and future How and Why we should all act together. ESNA. (2024, November).

EU Startup Nations Standards Report 2024. (2025, February). ESNA

https://backoffice.esnalliance.eu/multimedia/esna/sns-report-2024-5.pdf

European Civil Code

https://max-eup2012.mpipriv.de/index.php/European_Civil_Code

Innovatiepartners (Innovation partners) involves entrepreneurs in solving the challenges of public organisations

https://innovatiepartners.nl/en/info/about-innovatiepartners

Katsinis, A., Lagüera-González, J., Di Bella, L., Odenthal, L., Hell, M., Lozar, B. Annual Report on European SMEs 2023/2024, Publications Office of the European Union, Luxemburg, (2024)

https://single-market-economy.ec.europa.eu/document/download/2bef0eda-2f75-497d-982e-c0d1cea57c0e_en?filename=Annual%20Report%20on%20European%20SMEs%202024.pdf

LETS 2023, 135 Leading European Tech Scaleups, France Digitale (2023, September)

https://francedigitale.org/publications/lets-2023

LETS 2023, 135 Leading European Tech Scaleups, France Digitale (2023, September)

https://francedigitale.org/publications/lets-2023

Micro & small businesses make up 99% of enterprises in the EU, Eurostat (2024, October)

https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20241025-1#:~:text=In%202022%2C%20the%20EU%20had,employing%20up%20to%2049%20persons

Minimum capital around the world - DLA Piper REALWORLD

https://www.dlapiperrealworld.com/law/index.html?t=corporate-vehicles&s=setting-up-a-corporate-vehicle

New study shows how Once-Only can reduce administrative burden for EU SMEs and self-employed workers - European Commission

https://single-market-economy.ec.europa.eu/news/new-study-shows-how-once-only-can-reduce-administrative-burden-eu-smes-and-self-employed-workers-2024-10-02_en

Pitchbook data (accessed 2024).

Single Market and Competitiveness Scoreboard, European Commission (2024, September)

https://single-market-scoreboard.ec.europa.eu/business-framework-conditions/public-procurement_en

SPIN4EIC: An initiative powered by the EIC BAS Innovation Procurement Programme - European Commission

https://eic.ec.europa.eu/eic-funding-opportunities/bas/eic-innovation-procurement-programme/spin4eic-initiative-powered-eic-bas-innovation-procurement-programme_en

Start-up: décrochez des marchés publics

https://openclassrooms.com/fr/courses/8510326-start-up-decrochez-des-marches-publics?utm_source=french-tech&utm_medium=referrer&utm_campaign=referrer-french-tech_fr_fr_b2c_prospecting_free-courses-business_decrochez-des-marches-publics

Startups backed by the EU's Framework Programmes. Innovation Radar Bridge. Created by Dealroom.co, Dealflow.eu, EU Startups. Supported by ESNA. (2025, March).

Study on a new approach to business failure and insolvency

https://commission.europa.eu/document/download/ec2350c9-b7e2-4599-b9a6-eceeae7c2374_en?filename=insolvency_study_2016_final_en.pdf

The role of sandboxes in promoting flexibility and innovation in the digital age - Attrey, A., M. Lesher and C. Lomax (2020), "The role of sandboxes in promoting flexibility and innovation in the digital age", OECD Going Digital Toolkit Notes, No. 2, OECD Publishing, Paris

Acronyms

AB | Advisory Board
AI | Artificial Intelligence
AML | Anti-Money Laundering
API | Application Programming Interface
DG | Directorate General
EC | European Commission
EDIH | European Digital Innovation Hub
EEA | European Economic Area
EEN | Enterprise Europe Network
EIB | European Investment Bank
EIC | European Innovation Council
EIF | European Investment Fund
EIT | European Institute of Innovation & Technology
ERC | European Research
ESNA | Europe Startup Nations Alliance
ESOP | Employee Stock Option Plans
EU | European Union
FP | Framework Programme
GDP | Gross Domestic Product
IBAN | International Bank Account Number
ID | Identification
IP | Intellectual Property
KPI | Key Performance Indicator
KYC | Know Your Customer
NDA | Non-Disclosure Agreement
OECD | Organisation for Economic Co-operation and Development
PE | Private Equity
R&D | Research & Development
RRF | Recovery and Resilience Plan
SE | Societas Europaea
SME | Small and Medium Enterprise
SNS | Startup Nations Standards
STEM | Science, Technology, Engineering and Mathematics
TED | Tenders Electronic Daily
TRL | Technology Readiness Level
US | United States
VAT | Value Added Tax
VC | Venture Capital