SWEDISH INCUBATORS
& SCIENCE PARKS

Feedback on the EU Startup and Scaleup Strategy

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Introduction

Swedish Incubators & Science Parks (SISP) welcomes the opportunity to contribute to the European Commission's initiative to strengthen the EU Startup and Scaleup Strategy. This submission highlights key recommendations to improve Europe's ability to foster and scale innovative companies.

Startups and scaleups are key drivers of economic growth, innovation, and job creation. However, Europe continues to lag behind in key areas, including access to capital, regulatory alignment, talent retention, and procurement opportunities. To ensure Europe remains globally competitive, a robust, well-funded, and integrated approach is needed.

1. Do you agree that startups and/or scaleups face the hurdles identified in this document?

Yes, we strongly agree that startups and scaleups face challenges related to access to finance, regulatory and bureaucratic burdens, fragmented markets, access to talent, and access to infrastructure, knowledge, and services.

1.1 Access to finance

Europe lacks sufficient risk capital to scale startups, particularly in deep-tech and climate-focused industries. While venture capital investment has grown, it remains fragmented and overly reliant on public funding.

- Limited availability of early-stage funding creates a very long valley of death for many start-ups.
- Lack of private and public co-investment models limits scale-up opportunities.
- Concentration of capital in a few regions and larger cities creates geographic imbalances in access to finance.
- AI and deep-tech startups require long-term patient capital, at least 15-20 years. Today's VC-structure with their exits within 10 years is not adapted to deeptech. They are adapted to fast growing digital startups.
- Low pension fund investment in innovation, preventing significant capital flow into high-growth sectors.
- State aid and public funding mechanisms are not designed to effectively bridge the scaling gap. Many funding instruments focus on early-stage R&D,

leaving a lack of support for later-stage commercialization and industrial scaling. Unlike in the U.S., where private capital plays a more dominant role, European startups often struggle to attract large-scale, growth-stage investments without direct or indirect state support.
- European Innovation Council's (EIC) funding levels are insufficient to meet the growing capital demands of deep-tech ventures.

1.2 Regulatory and bureaucratic burdens

The regulatory landscape in Europe remains complex and inconsistent across member states. Entrepreneurs face:

- Complicated and time-consuming compliance requirements that hinder scaling efforts domestically, but more importantly on the single market. For example within cleantech, each country has their own processes for environmental permits, and also their own standards for various applications.
- Fragmented tax regimes and investment regulations that discourage cross-border expansion.
- Inconsistent implementation of EU regulations leading to legal uncertainty for startups.
- Lack of clarity on AI and digital regulations, creating additional uncertainty for cutting-edge technology companies.
- Administrative barriers for start-ups to access EU funding and complicated application processes for deep-tech and research-based ventures.

1.3 Access to markets

Public procurement is a significant hurdle for startups, as government contracts often favor large incumbents.

- Difficulties in meeting procurement criteria due to rigid administrative requirements.
- Lack of testbeds and pilot programs for new technologies in public sector projects.
- Limited support for scaling internationally, both in Europe but also outside Europe.
- Insufficient AI-focused procurement, preventing European AI startups from securing critical early customers.
- Public authorities struggle to procure innovative solutions from startups across different development stages, relying instead on traditional funding models that fail to drive adoption. Without procurement mechanisms,

startups—especially in climate tech—struggle to secure early customers, validate products, and scale.
- Germany's Sprind model offers an alternative by procuring innovations at different TRL levels rather than just funding R&D. This allows public entities to engage in development, ensuring tailored solutions while giving startups market validation. However, few countries follow this approach, creating a gap that slows innovation adoption, impact and scaling of new, promising technologies

1.4 Access to talent

The EU struggles to retain and attract global entrepreneurial talent. Challenges include:

- Restrictive visa and immigration policies that make it difficult to hire top global talent.
- Unfavorable tax treatment of stock options, discouraging skilled employees from joining startups.
- Brain drain of European entrepreneurs and engineers to more start-up-friendly ecosystems like the US.
- Need for AI and digital skills development, as emphasized in McKinsey's report on Europe's future competitiveness.
- SISP's Research and Innovation Bill input highlights that Sweden's new immigration rules are making it harder for international master's and PhD students to stay in the country, depriving the start-up ecosystem of critical talent.

1.6 Access to knowledge and services

Start-ups require access to mentorship, business networks, and R&D infrastructure.

- Limited structured mentorship and accelerator programs that support scale-ups.
- Lack of centralized platforms to connect start-ups with investors, partners, and customers.
- Insufficient integration between academia and industry, slowing commercialization of innovations.
- AI and deep-tech research lacks streamlined pathways to commercialization and market adoption.
- University-business collaboration to translate research into commercial ventures are lacking.

2. Are there any additional hurdles faced by startups and/or scaleups?

Yes, in addition to the above, we identify the following obstacles:

2.1 Limited institutional investment in innovation

- European pension funds invest significantly less in start-ups compared to their US counterparts.
- Restrictive investment rules prevent pension funds from allocating capital to venture and growth funds.
- Lack of secondary markets for private company shares, limiting liquidity options.

2.2 Unequal geographical distribution of innovation hubs

- Start-up ecosystems are concentrated in a few major cities (e.g., Berlin, Paris, Stockholm), leaving many regions underserved.
- Lack of regional investment incentives hinders local ecosystem growth.

2.3 Complexity of cross-border operations

- Start-ups struggle with differing tax policies and lack of harmonization in corporate structures across EU countries.
- Banking and payment challenges arise due to different financial regulations in member states.

2.4 Lack of growth-stage support

- Most funding and policy focus on early-stage startups, leaving scaleups without adequate resources.
- Deep-tech start-ups require patient capital, which is not readily available under current EU funding structures.

2.5 Lack of targeted long-term funding

- Europe lacks dedicated funding for AI-focused start-ups, putting it behind global competitors.

- Slow adoption of AI regulations hinders early-stage companies from confidently scaling.
- Establish targeted funding mechanisms for deep-tech and AI to prevent further dependence on external investment.

2.6 Insufficient funding duration for deep-tech startups

Deep-tech startups in Europe face significant challenges in securing long-term funding, particularly during the critical early-stage development known as the "valley of death"—the phase where high R&D costs and long commercialization timelines increase the risk of failure. Currently, under the General Block Exemption Regulation (GBER) Article 22, EU member states can provide 100% public funding to startups for the first five years. However, this timeframe is insufficient for deep-tech ventures, which typically require longer development cycles due to complex technological advancements, regulatory approvals, and high capital intensity.

3. What actions should the EU and its member states take to address these hurdles?

3.1 Improve access to capital

- Expand EU pension fund regulations to allow a greater share of capital in venture and growth investments.
- Create a pan-European innovation fund.
- Introduce tax incentives for private investment in start-ups and scale-ups, modeled after Sweden's ISK framework.
- Create a long-term European deep-tech investment strategy to ensure financing from early R&D to scale-up.
- Increase the funding of EIC, to double the amount of deeptech startups receiving entering the program. Each member country should also implement domestic scaleup-programs for startups receiving Seal of Excellence (but not the full funding) from EIC.

For (GBER) Article 22, by extending the 100% funding eligibility from five to ten years, deep-tech startups would gain:

- A more secure financial runway to bridge the gap from innovation to market.
- A stronger foundation for scaling in Europe rather than relocating to markets with better funding conditions.

- Increased investor confidence, as prolonged state support can de-risk private capital involvement.

Without this regulatory adjustment, many deep-tech startups struggle to survive beyond their initial funding period, leading to missed opportunities for Europe to establish global leadership in strategic industries such as AI, quantum computing, and climate tech. Extending Article 22 would strengthen Europe's ability to scale deep-tech innovation and compete on the global stage.

3.2 Simplify regulations and reduce bureaucratic burdens

- Harmonize EU-wide financial and tax regulations to support cross-border scaling.
- Reduce gold-plating of EU directives at the national level, ensuring consistency across member states.
- Create a pan-european dedicated regulatory sandbox for startups, allowing innovative solutions to be tested without full regulatory burdens.

3.3 Leverage public procurement for startup growth

- Implement minimum procurement quotas for startups in public sector contracts
- Recommend that at least 5% of public procurement should be reserved to innovative startups and scaleups.
- Establish EU-wide procurement platforms for startups and SMEs.
- Expand public testbeds and pilot programs to integrate startups into government innovation projects.

3.4 Facilitate talent attraction and talent retention

- Create a standardized EU-wide Startup Visa to attract global entrepreneurial talent.
- Implement tax-friendly stock option schemes to encourage skilled employees to join startups.
- Foster stronger university-start-up collaboration through research commercialization initiatives.
- Recommend Entrepreneurship as a mandatory topic in all STEM-curricilums.

3.5 Strengthen knowledge networks and services

Establish a European startup platform to centralize data, funding, and networking opportunities.

- Expand mentorship and accelerator programs, connecting scaleups with experienced entrepreneurs.
- Encourage cross-border investment networks, facilitating collaboration between investors and startups.

Conclusion

To position Europe as a leader in innovation and entrepreneurship, the EU must take decisive steps to address the key hurdles facing startups and scaleups. By implementing these recommendations, the EU can:

- Enhance access to capital for start-ups and scale-ups.
- Reduce regulatory fragmentation and lower bureaucratic burdens.
- Leverage public procurement as a growth tool.
- Attract and retain top talent through improved visa and taxation policies.
- Strengthen connections between start-ups, investors, and corporates.
- Advance Europe's leadership in AI and deep-tech, ensuring global competitiveness.

We urge the European Commission to take bold and coordinated action to ensure that Europe becomes the best place in the world to start, scale, and sustain innovative businesses!