Increasing innovation, industrial and technological competitiveness through a favourable environment for start-ups and scale-ups

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The European Parliament adopted by 465 votes to 36, with 50 abstentions, a resolution on increasing innovation, industrial and technological competitiveness through a favourable environment for start-ups and scale-ups.

Members called on the Commission, in close cooperation with the Member States, to **propose harmonised and broad definitions** for a start-up and a scale-up respectively, based on scalability, while taking into account how they differ from one another and their particular status relative to SMEs. Although start-ups and SMEs have some overlapping interests, they differ substantially once they enter the fundraising, growth and maturity phases.

Members are convinced that dedicated definitions will increase the opportunities for support through measures that are tailored to the specific needs and features of start-ups and scale-ups by boosting their access to European capital markets and private investors.

Access to funding

Facing the challenges that European start-ups meet in accessing financing, Parliament urged governments, financial institutions and private investors to collaborate and develop strategies to cultivate a **more risk-tolerant investment culture**.

Highlighting the role of institutional investors, such as pension funds and insurance companies, Members called for them to be allowed to invest a larger portion of their portfolios in venture capital and early-stage investments, as this would provide a vital source of long-term funding for start-ups. They recalled the catalytic role played by **targeted public support**, in the form of grants, loans and loan guarantees, in bridging the funding gap for start-ups and scale-ups when private investment is insufficient or unavailable.

Parliament urged the completion of the Capital Markets Union to mobilise private capital and improve the cross-border movement of such capital within the Union. It also called on the Commission to support and facilitate the participation of innovative start-ups and scale-ups in EU funding programmes and to ensure easier access to and simpler application processes for **EU funding programmes** and tenders, as well as a better, faster and easier outflow of these funds.

The Commission is urged to:

- assess the barriers that start-ups and scale-ups face in accessing finance;

- enhance the funding mechanisms for start-ups and scale-ups, including public procurement and the provision of grants, loans, guarantees and crowd funding, while taking care not to crowd out private investment;

- reorient existing funds to target European start-ups and scale-ups more effectively, including through a special call for projects for deep tech and green tech;

- encourage the Member States to enhance incentives for early-stage investment by business angels and investors.

European Innovation Council

Parliament welcomed the creation of the European Innovation Council (EIC), which aims to support, through grants and financial instruments, innovative start-ups and scale-ups that, despite having a valid business case, have not been able to secure funding due to market failure. It called on the Commission to fully implement the actions recommended by the EIC Board in order to ensure that the EIC Fund has a truly European impact.

European Investment Bank

Members encouraged the EIB Group, including the European Investment Fund, and national development banks to equitably increase financial support to start-ups and scale-ups, including those operating in emerging and high-potential sectors. They support **dedicated EIB loan support** for start-ups and scale-ups engaged in the green and digital transitions.

Regulatory burdens

Parliament considered that the Commission should take into account the specific and structural constraints of start-ups and scale-ups in this regard in order to **decrease cost pressure** and promote competitiveness. They called for the consistent application of the 'think small first' principle in internal deliberations and across relevant legislative proposals and policy initiatives.

The resolution underlined the importance of **limiting compliance costs** for start-ups and scale-ups and called on the Commission to expand support for SMEs, start-ups and scale-ups in navigating regulatory complexity.

The resolution urged the Commission to develop and adopt a **'start-up test'**, along the same lines as the SME test that it adopted in 2021, in order to better assess the impact of legislation focusing on innovation, financing and competitiveness.

Talent acquisition

The resolution noted with concern that the EU as a whole has fewer undergraduate study programmes in **AI** than some much smaller countries. Members believe that there is a need for a targeted approach at EU level to rectify this. The Commission and the Member States are urged to support initiatives that **promote digital and industrial skills**, cooperation, knowledge sharing, entrepreneurship and mentorship at all levels of education to equip individuals with the necessary knowledge and skills to thrive in the digital age.

Members are convinced that creating the conditions for innovative businesses to operate in a **simple, clear and predictable environment** is key to securing their ability to grow and scale up in the single market, as the opportunity to access a wider market will increase their ability to attract investors.

The Commission is called on to:

- consider how additional initiatives could be put forward to increase the competitiveness of European start-ups and scale-ups involved in net-zero technology value chains and contribute to their position in the global playing field of net-zero technologies;

- assess how start-ups and scale-ups respectively can contribute to the EU’s decarbonisation objectives.