

**DECLARATION**

**on the EU Startup Nations Standard of Excellence**

Startups and scaleups are key to Europe's future economy and society. This was true before and during the Covid19 crisis and will even more be so in the post-Covid19 era. The role startups can play in the recovery from the ongoing crisis - and in accelerating the green and digital transformation - cannot be understated: they have a proven capacity to develop breakthrough innovations in response to real world needs, create new jobs and build synergies with Europe's strong traditional industries.

However, startup founders are facing considerable challenges linked directly to the COVID crisis. For example, nearly half of European founders<sup>1</sup> found it harder to raise funding in 2020, which was compounded for many by the challenge of declining sales due to the COVID crisis. Moreover, in 20 EU Member States the funding raised by startups in 2020 was lower than in 2019<sup>2</sup>. Addressing these challenges is particularly important for the growth and expansion stage where startups need much bigger investment tickets.

We need more startups that grow quickly into innovative small and medium-sized enterprises (SMEs) and then eventually scale up to large successful corporations that contribute to the EU's technological sovereignty and open strategic autonomy. To do so, startups in every corner of the EU need favourable and fair conditions to grow at every stage of their life cycle. Providing the best framework conditions can help the most promising and strategic startups stay and flourish in Europe, and grow to compete globally.

We also need to build on the results of research programmes that demonstrate disruptive potential (as identified by methodologies such as the Innovation Radar<sup>3</sup>) and ensure those breakthroughs are the basis of newly-created ventures. This would not only reinforce EU startup ecosystems but also act as a catalyst for European investors in deep tech who are seeking new investment opportunities.

Ultimately, targeted and meaningful support across the entire EU for startups and scaleups is key to capture the opportunities presented by technology trends, global transitions (in areas such as energy, food and logistics) in addition to reinforcing the longer-term resilience of the EU's economy to deal with future crises and challenges.

To this end, the European Commission together with Member States and stakeholders in an open and inclusive process have identified a number of best practices that are hallmarks of a growth-friendly environment. Such an environment is central to the EU's transition to a sustainable, resilient, open and digital economy, and unleashing the tremendous innovation and growth potential of its startups.

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<sup>1</sup> <https://2020.stateofeuropeantech.com/chapter/state-european-tech-2020/article/exec-sum/>

<sup>2</sup> <https://2020.stateofeuropeantech.com/chapter/investments/article/investments-geo-industry/>

<sup>3</sup> <https://ec.europa.eu/innovation-radar>

It is important to note that within the ever-changing world we live, new, more innovative best practices may appear, at which point a revision of the standards below may be necessary.

Each of these best practices has already been successfully implemented in at least some of our Member States, so we know they work. The immediate task ahead is to ensure best practices – ‘EU-made’ and third country - are shared across all Member States. A greater awareness and understanding of such best practices can then be a springboard to their uptake and implementation in all EU countries. If this were to happen, it would cause a sea change, effectively turning every Member State into a Startup Nation, and the EU as a whole into a Startup Continent capable of rapidly adjusting to, exploiting and co-setting global trends.

So what is needed to make this happen? Political will, a commitment to act and effective monitoring. **This is what this Digital Declaration provides:**

- We, the signatory countries, welcome and support the launch of the **EU Startup Nations Standard of Excellence**, to ensure that all startups and scaleups in EU countries benefit from the best practices underpinning Europe’s and the world’s most successful startup ecosystems.
- We recognise the importance of establishing a clear **EU-wide reference point** to define key features of a Startup that will be recognised by all Member States; which would make it easier to design common policies in support of startups. In this regard, we commit to working towards such a common reference point in the upcoming months.
- We recognise that sustainable **growth as well as an entrepreneurship friendly environment are** central to the future global success of startups and scaleups. With a favourable framework, many more startups will be able to achieve European and global success as they pass from ‘standup’ to ‘startup’ to ‘scaleup’ to ‘exit’ e.g. in the form of an initial public offering (IPO) or merger and acquisition (M&A).
- We commit to participate in the sharing of **best practices**, from Europe and other countries, and to take action at national level to implement best practices that support startups and scaleups at all stages of their development as set out below. We will designate a lead official to coordinate these efforts, and to work with the European Commission and other Member States.
- We welcome the establishment in 2021 of a Startup Nations’ hub which should promote and enable exchange of best practices among signatory countries and the creation of a common data platform for all Member States, that will provide valuable information across the EU. The platform will also facilitate measuring and **monitoring of progress** based on regular reporting from Member States in implementing best practices and so help each country become an ‘EU Startup Nation’. This will also involve working closely with EU startup ecosystems and stakeholder organisations (including the SME Envoys network and the EIC Forum).

All EU Member States and EEA countries are invited to join this cooperation. Additional signatories may adhere at any time.

### **THE STANDARDS / BEST PRACTICES**

Given the ever-changing world we live in, new, more innovative best practices can be expected to appear. As such, the list below will be reviewed and updated on an ongoing basis, in consultation with signatory countries.

#### **1. Fast startup creation, smooth market entry**

- An entrepreneur can establish a startup (legal entity) both online and offline in one day for a fee of no more than 100 EUR. In exceptional cases, to carry out appropriate checks, establishment should be possible within one week.
- Startup fast-lane (including Market Access Helpdesk):
  - o Aspiring startups and entrepreneurs can find all relevant information about national administrative requirements and funding opportunities in one place on the Internet – linking also to efforts under the Single Digital Gateway in this context.
  - o A Member State will provide a (virtual) helpdesk for startups and scaleups from other EU Member States who, when trying to enter its market, have come across regulatory issues and/or impediments.
- Legal documents from other EU jurisdictions can be submitted as proof for the incorporation of a startup (or creation of a subsidiary of an existing startup expanding in the single market).

#### **2. Attracting and retaining Talent**

- Visa applications, as a general rule, are processed **within a month** for:
  - a) founders from third countries supported by a trusted partner in the Member State; and
  - b) experienced staff from third countries, submitted by startups (which may also be pre-approved as a ‘trusted party’).
- Programmes and incentives are in place to encourage the return of EU tech-talent who emigrated to third countries.

#### **3. Stock options**

- Stock options are recognised and subject to capital gains tax at the moment of cash receipt and not before.
- Allow startups to issue stock options with non-voting rights, to avoid the excessive burden of having to consult large numbers of minority shareholders.

#### **4. Innovation in Regulation**

- Legal provisions and policies are in place explicitly targeting startups that promote a rigorous application of the ‘Think Small First’ principle in view of avoiding unnecessary administrative burden/red tape.
- Exemptions – or alternative ways of achieving compliance - are confirmed and in place for startups in areas such as, but not limited to, impact assessment.
- Experimentation and innovation for startups is promoted and enabled through regulatory sandboxes:





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- There is an agreed policy or programme (with rules and capacities, administrative support and guidance) and concrete examples for the use of regulatory sandboxes by sectors in which innovations can be tested in cooperation with supervisory authorities.

#### **5. Innovation procurement (including tech transfer policies)**

- There are no legal or administrative impediments that would put startups/scaleups at a disadvantage compared to other participants in innovation procurement opportunities. Public buyers and procurement services are officially encouraged to procure innovations from startups.
- Ownership of intellectual property rights (IPR) can normally be retained by the startup/scaleup participating in innovation procurement opportunities to enable further commercial exploitation (unless there are exceptional cases with overriding public interests that require the public sector to retain IPR ownership).
- Policies are in place to ensure technology developed at universities and research institutes can be transferred without obstacles leading to a new wave of venture-building activity (spinoffs / startups), opening up pathways to pursue – inter alia - innovation procurement opportunities.
- Startups are actively supported to contribute to and benefit from open source assets stimulating permission-less innovation and access to trustworthy and affordable technologies

#### **6. Access to Finance**

- Direct access to finance: Member States use part of their Recovery and Resilience Facility (RRF) funding to enhance access to venture capital for startups through the European Investment Bank (EIB), Promotional Banks or other dedicated vehicles, leveraging private investments, and distributing funds to established/professional VC firms to address the existing investment gap.
- Indirect access to finance: Member States introduce or improve policy initiatives that aim to increase the amount and diversity of private capital (for example from European Pension Funds) available for co-investing in high-growth startups.
- Tax relief measures aimed towards Business Angels are in place to stimulate and support early-stage funding.

#### **7. Social inclusion, diversity, and protecting democratic values**

- As the EU is not only about innovation and growth but also about values and opportunities, Member States need to give due attention and deploy actions to support diversity and inclusion in their startup policies, whilst protecting democratic values.
  - Promotion of role models (e.g. by giving awards that promote and recognise diversity in the startup community);
  - Provision of targeted incentives for Startups to hire on diversity of ethnicity, gender, religion, age and sexual orientation;
  - Provision of support to founders from under-privileged backgrounds to create companies;



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- Mobilisation of startups to address marginalisation and social exclusion linked to low income, limited education, location, culture, or disability.

#### **8. Digital-First**

- All day-to-day interactions between startups and authorities (such as company creation, filing of taxes, participation in public procurement opportunities, electronic ID and digital signatures) are designed to be carried out in a digital-first manner.
- Startups and scaleups are proactively approached and engaged for the sharing of knowledge and best practices regarding digitalisation.