

AECM response to Commission's call for evidence on EU Start-up and Scale-up Strategy

1. Introduction

The European Association of Guarantee Institutions (AECM) recognises the crucial role that start-ups and scale-ups play in driving innovation, economic growth, and job creation across the European Union. However, these businesses face significant challenges that hinder their ability to grow and compete globally. This document outlines AECM's response to the key obstacles identified and provides recommendations to support the start-up ecosystem effectively.

2. Challenges faced by start-ups and scale-ups

AECM agrees with the assessment that start-ups and scale-ups face the following major challenges:

- **Access to finance:** Despite the existing EU, national, and regional funding programmes, many start-ups struggle to secure the necessary financial support due to high-risk perceptions by investors and stringent lending conditions.
- **Regulatory and bureaucratic burdens and fragmentation:** Complex administrative procedures and regulatory inconsistencies across Member States create barriers to market entry and expansion.
- **Access to markets:** The fragmentation of the Single Market and limited support for internationalisation hinder start-ups from scaling beyond national borders. A clear example is the Lithuanian market. Due to its small size, venture capitalists (VCs) typically view the entire Baltic region as a single market rather than considering Lithuania, Latvia, or Estonia individually. However, even collectively, the Baltic market remains relatively small for both start-ups and investment funds. As a result, international expansion and stronger connections with other regions are essential for long-term growth.
- **Access to talent:** Skilled labour shortages, and difficulties in attracting top international talent impede growth.
- **Access to infrastructure, knowledge, and services:** Unequal distribution of innovation hubs, digital infrastructure, and business support services limit opportunities for start-ups in certain regions.

3. Additional challenges

In addition to the above, AECM identifies further obstacles faced by start-ups and scale-ups:

- **Digital and technological barriers:** Many start-ups struggle with the high cost and expertise required to adopt advanced technologies such as AI, blockchain, and cloud computing.
- **Risk-averse investment culture:** European investors, compared to their U.S. counterparts, tend to have a lower risk appetite, limiting funding for high-potential but early-stage businesses.
- **Slow public procurement processes:** Start-ups find it difficult to access government contracts due to lengthy and complex procurement procedures.
- **Limited support for deep-tech and hardware start-ups:** Unlike software businesses, deep-tech and hardware-focused start-ups require higher capital and longer development cycles, which often discourages investment.

4. Recommendations

To address these challenges, AECM proposes the following policy actions:

- **Enhance access to finance:**
 - Develop specialised funding programmes tailored to these enterprises, enabling them to grow, transform innovative ideas into reality, and successfully commercialise their products or services. Simplifying the information requirements for accessing these funds would be crucial to ensuring broader and more efficient participation.
 - Expand EU-backed guarantee schemes programmes to support more start-ups and scale-ups in a successful and on top budget efficient way.
 - Encourage public-private partnerships to provide blended finance solutions tailored to start-ups and scale-ups. Increasing private investment is essential to complement public funds, which often involve bureaucracy, slow decision-making, fragmentation, and strict regulations.
 - Increase funding for deep-tech and hardware-focused start-ups, recognising their long-term growth potential.
 - Allow for higher guarantee coverage for this particular group than the 80% envisaged in the guarantee notice.

- Reducing restrictions on State aid and territorial requirements would also be beneficial when promoting cross border activities.
- **Simplify regulatory and administrative procedures:**
 - Promote regulatory harmonisation across Member States to facilitate cross-border expansion. Additionally, eliminating redundant documentation requirements at both the EU and national levels would be essential to reduce administrative burdens.
 - Streamline start-up registration, licensing, and tax compliance processes to reduce administrative burdens.
 - Develop a European-wide digital one-stop shop for start-up related regulations and support services.
 - Establish a unified definition of a start-up to be consistently applied across all EU Member States.
 - At the national level, it is essential to adopt a "think small first" approach when legislating, creating measures that support the growth of SMEs. In this regard, steps should be taken to reduce bureaucratic burdens and ease regulatory requirements, removing the legislative barriers that hinder growth. Additionally, a flexible and stable labour framework should be established to minimise uncertainty, alongside a reduction in labour costs to encourage hiring and foster a more dynamic job market.
- **Strengthen market access and internationalisation:**
 - Enhance the Digital Single Market to remove digital trade barriers.
 - Create EU-wide programmes to help start-ups access global markets, including export support and investment matchmaking initiatives. Internationalisation and stronger relations with other regions are essential for further growth of these enterprises.
- **Improve talent mobility and access to skilled workers:**
 - Promote entrepreneurship education and vocational training in cutting-edge sectors.
 - Foster stronger collaboration between start-ups and universities to develop a skilled workforce.



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- Facilitate support for start-ups from established companies within their industry through mentorship, knowledge sharing, and collaborative initiatives.
- **Invest in infrastructure and innovation hubs:**
 - Expand funding for research and development (R&D) initiatives and technology transfer programs.
 - Support the development of innovation hubs and accelerators in underserved regions.

5. Conclusion

AECM firmly believes that addressing these obstacles through targeted policy measures will significantly enhance the European start-up ecosystem, fostering innovation, competitiveness, and sustainable growth. We encourage the European Commission and Member States to collaborate closely with financial institutions, investors, and industry stakeholders to implement these recommendations effectively.

AECM and its members remain committed to supporting start-ups and scale-ups by facilitating access to finance. Many members of AECM have dedicated programmes to support start-ups, whereas others cover them with their general activity. We need a business-friendly regulatory environment that enables their long-term success also by facilitating a mix of different financial products.

AECM thanks the European Commission for considering our position and remains available to further elaborate on the elements presented above.

Brussels, March 2025

About us

The 47 members of the **European Association of Guarantee Institutions (AECM)** are operating in 32 countries in Europe¹. They are either private / mutual sector guarantee schemes or public promotional institutions or banks. Their mission is to support SMEs in getting access to finance. They provide guarantees to SMEs that have an economically sound project but do not dispose of sufficient bankable collateral. This so-called SME financing gap is recognised as market failure. By guaranteeing for these enterprises, guarantee institutions help to address this market failure and facilitate SMEs' access to finance. At the end of 2023, 4.7 million SMEs were in the portfolios of AECM members.

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¹ <https://aecm.eu/members/our-members/>