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European initiatives to support entrepreneurship: *EU Startup Nations Alliance (ESNA)*

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| 00 | Introduction

Did you know that the European Union is designing specific programs and policies to support entrepreneurship in all member states? In this monograph we tell you in detail some of the most interesting European measures that are directly inspiring initiatives such as the startup law in Spain.

In a world where economies are increasingly competitive, global and digitalized, **the European Union is making a strong commitment to startups and scaleups as essential agents to promote the economic development** of each of its Member States and to consolidate Europe's technological and innovative leadership at a global level.

With objectives as specific as boosting the number of startups and helping them grow to become scaleups, improving their access to financing, extending the use of talent retention mechanisms such as stock options, or improving visas to attract To both investors, entrepreneurs and international talent, the European Union is setting the pace through different initiatives to turn each Member State into "entrepreneurial nations."

In this monograph you will be able to learn about some **key initiatives** such as:

- EU Startup Nations Standard of Declaration Excellence, starting point of the common European policy to promote entrepreneurship in the countries that form it.
- The EU Startup Nations Alliance (ESNA), the vehicle established to help Member States establish policies to support entrepreneurship.
- The good practices that Europe is focusing on when developing startup and scaleup ecosystems, and that will mark the public policies of the coming years in this matter.
- Other initiatives to support entrepreneurship launched in Europe.

Discover how the European Union and, by extension, Spain, are promoting the innovative entrepreneurship ecosystem through public policies and initiatives.

| 01 | Background

In recent years, **the important role that startups, and their high-growth versions, scaleups, are playing in driving the economy of regions has become evident.** Through them, the development and adoption of innovations are directly increased, the digitalization processes of SMEs are accelerated, and scalable growth systems are formulated that allow them to grow efficiently and exponentially. Furthermore, they foster a business context much more oriented towards the internationalization of economies. They are also essential to improve the productivity of countries, create jobs, and positively impact people's lives.

Europe as a whole is aware that startups and scaleups are **essential pieces to strengthen Europe's technological leadership,** as well as contribute to the resolution of the challenges and new global, regional and local needs that the world constantly faces. current.

Although Europe has improved significantly in the creation of emerging companies, after the pandemic a series of more favorable conditions were created for the birth and growth of these. Furthermore, the context of the European single market encourages sustained growth and expansion of emerging companies in the European territory.

Even so, there is still significant room for evolution and improvement: most public and private agents in the entrepreneurship sector agree on the need to have a stable and predictable regulatory framework that allows companies to create, scale, innovate and compete in All Europe.

In this way, startups and scaleups are already recognized as entities of vital importance in the context of an increasingly digitalized and global economy, **Europe has launched different initiatives that try to promote, transversally in all European territories, the acceleration of initiatives and programs aimed at promoting innovation entrepreneurship,** with the aim of growing the number and size of startups and scaleups that generate an increasingly greater impact on the socioeconomic context of the member countries, and that globally increase the competitiveness of Europe as a whole.

[Through the initiatives that we will see below, Europe makes a strong and determined commitment to the ecosystem of technology and innovation companies, turning them into a key and absolutely transformative lever for the economy of the member territories.](#)

| 02 | The first step: the *EU Startup Nations Standard of Declaration Excellence*

If we previously mentioned the recognition and commitment by the European Union to promote startups and scaleups as essential agents for change and the economic and social transformation of the member territories, the articulation of **this support has as its starting point the well-known Declaration as EU Startup Nations Standard of Excellence**, signed on March 19, 2021.

This Declaration defines the general guidelines and commitments of the Member States of the European Union for the development of a reference entrepreneurial ecosystem in each country, with the involvement of all signatory States, and with the intention of achieving common policies and progress. Its main mission is to contribute precisely to creating a favorable and conducive environment for the creation and development of startups and scaleups.

This Declaration thus becomes the starting point for various initiatives and common policies around the startup and scaleup ecosystem that the different Member States undertake to comply with.

But before entering into the specific initiatives, it is worth stopping at the **key commitments included in this Declaration** from a foundational point of view:



- The **actual launch of the EU Startup Nations Standard of Excellence**, so that startups and scaleups from all member countries benefit from common best practices and favorable national scenarios to develop.
- **future definition of the key characteristics that define a startup** is proposed, with the aim that this definition is recognized by all Member States and serves to develop common policies.
- It is recognized that a favorable environment for entrepreneurship and sustainable growth is **key for more startups to emerge and grow more both at a European and global level**, with the aim of generating more scaleups and exits through mechanisms such as IPOs (initial public offering) or M&As (merger and acquisition processes).
- A general commitment is established **to identify and share best practices to support startups and scaleups**. at all stages of its development, with the consequent commitment to implement national policies inspired by these best practices.
- Finally, the **creation of the Europe Startup Nations Alliance**, better known as ESNA, is proposed, which is articulated as the driving and coordinating entity of the commitments made in this Declaration, and which we will talk about in this same monograph, a little more forward.



Before delving deeper into the mission of the ESNA, it is essential to know another essential concept articulated by the EU Startup Nations Standard of Excellence Declaration: the **eight standards** that should govern the different initiatives that arise from the Declaration.

These standards are the eight best practices identified with the clear objective of supporting the startup and scaleup ecosystem transversally to all the Member States, and which should promote the implementation of common policies in the territories, as well as European initiatives of support for the entrepreneurial and innovation ecosystem.

WHAT ARE THESE EIGHT STANDARDS OR GOOD PRACTICES?

| 01 | Agile and simplified *startup* constitution process

The implementation of this standard is articulated through the following elements:

- Possibility of **establishing a startup through digitalized or offline systems** in a single day and for a cost of less than 100 euros. In cases where more controls are required, the constitution period should be less than one week.
- Entrepreneurs must be **able to find all the information related to administrative procedures and financing opportunities** in a digital reference point or web platform developed for this purpose.
- Each State undertakes to **offer a channel of attention and support** to all those entrepreneurs from other countries of the European Union who encounter administrative or other difficulties when accessing their market.
- The documents legally issued by each Member State **will be valid in the rest of the countries of the European Union** for the procedures that a startup requires, as well as for the establishment of subsidiaries.

| 02 | Talent attraction and retention

The implementation is carried out by:

- Encourage **international visas**, as well as expedite their processing to be granted within a month when requested by an entrepreneur from a third country who is supported by a trusted partner in the Member State where they want to establish themselves, or who have highly qualified profiles. introduced by startups from the member country where the profile is to be established.
- Carry out **programs, initiatives and incentive systems** aimed at achieving the return of highly qualified technology profiles that are currently in countries outside the European Union.



| 03 | Boost to *stock options*

The adoption of this standard is carried out through the following components:

- Stock options They will be subject to the relevant taxes **only when cash collections are generated** on them.
- Startups will be able to issue stock options without voting rights, to **avoid the potential difficulty of managing consultations with minority investors.**

| 04 | Improvements in regulation

The application is structured by these elements:

- **Implementation of legal and regulatory adjustments** that allow reducing the number of procedures and bureaucracy necessary for startups.
- **Creation of exemptions or simplified formulas** so that startups can achieve regulatory compliance in areas such as impact assessment.
- **Boost in the implementation of the so-called "regulatory sandbox"** by sectors, so that startups can test their innovations through spaces set up by local authorities with simplified or practically non-existent regulations for these companies, thus accelerating validation of their products and potential market entry.

| 05 | Promotion of the purchase of innovation and technology transfer initiatives

This standard is implemented using these factors:

- Implementation of **mechanisms that allow startups and scaleups to have the same opportunities in the Innovative Public Procurement** processes by Public Administrations, eliminating legal or administrative barriers that do not allow them to attend or place them in a disadvantageous position compared to other bidders.
- Systems that enable startups and scaleups **maintain the intellectual property of the technology or innovation developed** within the framework of Innovative Public Procurement processes, in order to be able to give it a greater commercial path.
- Implementation of **initiatives and programs** whose objective is to ensure that the technologies and innovations developed by **universities or research centers** can be easily transferred to companies, promoting the development of startups and spin-offs.
- Support for the **use and contribution of open source systems** by startups for the creation of technology and innovation, in order to accelerate the development of affordable innovative technologies.

| 06 | Improved access to finance

Compliance with this standard is achieved through the following elements:

- Promote **direct access to financing**, through funds from the MRR (Recovery and Resilience Mechanism), improving access to risk capital by startups, as well as supporting financing and risk capital vehicles established in each Member State.
- Promote indirect access to financing, encouraging Member States to **design initiatives that improve the amount and diversity of capital available** to invest in startups.
- Introduction of financial improvements for business angels, with the aim of **encouraging the financing of startups** in its initial stages.

| 07 | Promotion of social inclusion, diversity and the protection of democratic values through startups and scaleups

Compliance with this standard is achieved through the listed factors:

- Establishment of **policies and initiatives that improve these objectives and values through the work of scaleups and startups**. Although they may be articulated from different perspectives, some examples of these initiatives would be the promotion of success stories or models of good practices in

inclusion and diversity, the incentive for the creation of startups that have as their direct objective an improvement in terms of social inclusion and diversity, or the implementation of incentives for the hiring of profiles subject to inclusion and diversity policies by startups.

| 08 | “Digital First” Philosophy

This standard is applied through the following characteristics:

- The relationship between Public Administrations and startups must be carried out as **a priority through digital channels** ; for example, procedures related to the creation of companies, participation in Innovative Public Procurement processes, tax presentation, identification and electronic signature, etc.
- It is also intended to achieve **active involvement of startups and scaleups in the extension of digitalization** to the entire population and the business community.

With these defined standards or norms, the European Union creates the perfect strategic framework for Member States to develop policies and initiatives that allow them to converge with the global objectives of the European Union in terms of innovative entrepreneurship.

| 03 | The constitution of the Europe Startup Nations Alliance (ESNA)

Now that we have drawn the starting context for the development of initiatives and policies in favor of innovative and technological entrepreneurship in Europe, it is worth stopping at the Europe Startup Nations Alliance, better known as ESNA.

If we already advanced in the previous point that the constitution of the ESNA was one of the objectives of the EU Startup Nations Standard of Declaration Excellence, it is worth mentioning that the ESNA is the instrument created by Europe to **promote the implementation of policies and initiatives that achieve the achievement of the eight good practices** described in the previous section both by territory and at the European level.

The ESNA is responsible precisely for promoting and encouraging the exchange of best practices between the signatory countries, supporting the creation of national and common initiatives, and carrying out analysis and monitoring actions on the implementation of the best practices that are implemented. in the different countries. It also has the mission of actively and closely collaborating with the different startup ecosystems located in the different Member States, as well as other organizations and agents of interest, to achieve its general objectives.



Europe
Startup
Nations
Alliance

More precisely, ESNA, a pioneering organization in Europe, has the main focus on the following objectives:

- Support the **development of visa and residency applications for entrepreneurial and technological talent** from countries outside the European Union, including the development of a "single window".
- Promote the use of stock options to **retain talent**.
- Promote **technology transfer** from universities.
- Increase **access to financing** for startups and scaleups.



While the EU Startup Nations Standard of Excellence has been adopted by all member countries of the European Union, the ESNA is currently made up of Austria, Bulgaria, Belgium, Czech Republic, Cyprus, Estonia, France, Germany, Greece, Malta, Lithuania, Luxembourg, Poland, Portugal, Slovakia, Slovenia, Spain and Sweden, although it is expected that there will continue to be new accessions from other European countries progressively

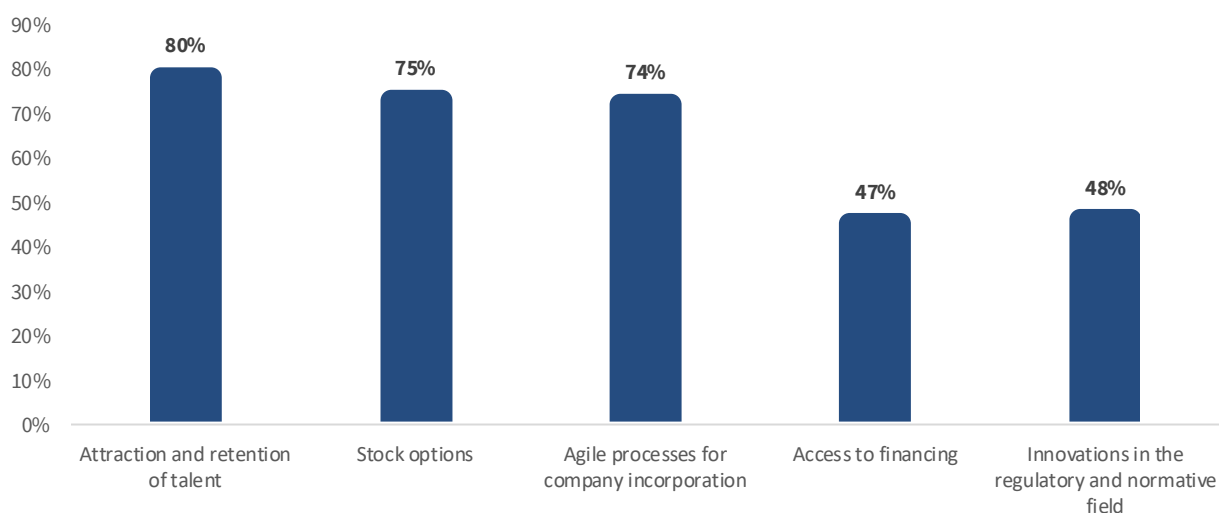
The ESNA currently has a General Board made up of representatives of entities such as CzechInvest, Startup Portugal, Startup Slovenia, BusinessFrance or INCIBE (the latter on behalf of Spain). In addition, it has an Advisory Board that incorporates prominent members of the European entrepreneurial ecosystem, such as Thijs Povel (Managing Partner at Dealflow), Sacha Michaud (cofounder of Glovo), or Omar Kandil (head of public policy at Stripe for EMEA).

Despite its still short history (it was founded in 2021), the **Europe Startup Nations Alliance has had the opportunity to hold several meetings**, among which we highlight the third and most recent one to take place in October 2023 in the city de León, with Spain as its host country within the framework of the Spanish Presidency of the Council of the European Union.

This meeting, chaired by the Secretary of State for Digitalization and Artificial Intelligence of the Ministry of Economic Affairs and Digital Transformation, Carme Artigas, had as its main milestone the **approval and publication of the statement An EU approach to startups and scaleups**. This text reinforces the commitment of the European Union to promoting entrepreneurship and the essential focus on the transformation of startups into scaleups, as well as the need to have common and coordinated policies between member countries. As novelties, this declaration proposes the establishment of links with startup ecosystems from other regions (with special attention to ties with Latin America and the Caribbean), as well as the exploration of additional mechanisms to avoid the gender gap in entrepreneurial projects. and financing thereof.

Furthermore, one of the first actions carried out by ESNA has been the **publication of the Startup Nations Standards Scoreboards 2022, a preliminary evaluation of the level of implementation of the eight standards** mentioned in the previous section in European countries, and for whose preparation it has been necessary to identify existing and comparable statistical sources that could help establish the level of implementation of good practices in each territory.

In this sense, it is worth noting that, according to this study, Europe shows a general average compliance with standards of 63%. Below, the degree of compliance is specified for standards with the highest and lowest degree of compliance.



Source: ESNA. Data collected from the Startup Nations study Standards Scoreboards 2022. Own preparation.

As can be seen from the previous graph, it is observed that the maximum level of compliance is held by the standard related to attracting and retaining talent, with a degree of compliance of 80%. As for other standards with significant levels of compliance, they include the use of stock options (75%) and agile business incorporation processes (74%). On the other hand, standards related to access to financing (47%), as well as innovations in the regulatory and regulatory field (48%) present the lowest levels of compliance.

The information and data collected in this reference study will also allow the design of a uniform survey for each annual scoreboard, being an **essential analytical tool to measure the impact of European projects and initiatives around entrepreneurship**, and measuring the evolution of implementation of good practices identified through the eight standards in each territory.

| 04 | Other European initiatives to promote the entrepreneurial ecosystem

From Europe, in addition to the ESNA, various initiatives are being developed whose purpose is to support emerging companies, promoting their growth, access to resources and financing to promote innovation, as well as the general strengthening of the entrepreneurial ecosystem:

- **StartupEurope.** An initiative designed to facilitate the connection between startups, investors, accelerators, business networks, universities and the media. Its aim is to catalyze the growth of the European startup scene, encouraging collaboration, investment and development of startups across the European Union.
- **Enterprise Europe Network.** Initiative supported by the European Commission that acts as a comprehensive support network for businesses, providing advice, strategic connections and valuable resources to foster collaboration, growth and business success at European level.
- **Innovation Radar.** Initiative that seeks to highlight the results of European Union innovation funding, providing key opportunities to identify and support innovators who can carry out these projects.
- **Digital innovation and initiative expansion (DISC).** Initiative to promote innovation and growth of startups through resources and financing, promoting digital solutions as well as collaboration in the entrepreneurial ecosystem.



| 05 | Spain with innovative entrepreneurship

In addition to being one of the Member States most involved in the different initiatives proposed by the ESNA, and a direct promoter of the An EU approach declaration to startups and scaleups, Spain is putting on the table an **important commitment to innovative entrepreneurship through different measures** that incorporate good practices or standards defined by the European Union in the Declaration EU Startup Nations Standard of Excellence.

Along these lines, the approval in Spain at the end of 2022 of the startup law has been fundamental to incorporate high-impact measures for innovative entrepreneurship such as tax incentives for startups, among others. Furthermore, it is worth highlighting the creation of the **ONE Platform (National Entrepreneurship Office)** as a key element of the application of this law.

The main measures adopted to date in Spain to comply with the principles included in the EU Startup Nation Declaration Standards are as follows:

🔗 Facilities for creating startups

- **Possibility of creating a limited company through the internet.** The entrepreneur only has to complete the Single Electronic Document (DUE) and, from that moment on, the system manages the entire procedure transparently.
- **Agility in the company certification process.** The procedures can be carried out online through the ENISA portal

(certification entity), and the application is resolved within a maximum period of 3 months. Additionally, the company certification process is free of charge.

- **Creation of the ONE Platform (one.gob.es).** Virtual platform that centralizes all information and services related to digital and innovative entrepreneurship.

🔗 Talent attraction and retention

- **Improvement of the tax regime for expatriates.** Individuals who have not been tax residents in Spain during the five years prior to the year in which they arrived in Spain can benefit from the regime.

However, it is required that the move to Spain be to carry out an economic activity classified as a business activity of an **innovative nature and of economic interest** or to be a **highly qualified professional** who provides services to startups.

This regime allows them to acquire tax residence and pay taxes on their work income at a **general rate of 24% up to 600,000 euros**.

- **Creation of a Digital Nomad visa.** It allows entry and residence in Spain for international teleworkers who carry out a remote work or professional activity for companies located outside the national territory.

🔗 Improvement in stock option compensation plans

Stock options generate taxes at the moment a liquidity event occurs, and not before. Additionally, although stock options are considered employment income (and not capital income), the first 50,000 euros per year are exempt from taxation under the personal income tax (IRPF).

🔗 Promotes the implementation of regulatory sandboxes

The startup law encourages public authorities to promote, by regulation, the creation of controlled test environments.

🔗 Innovation in contracting (including technology transfer policies)

The startup law urges public authorities to take into account the characteristics of startups when specifying the economic and technical solvency requirements of companies. Likewise, the obligation is established for the Administration to make partial payments whenever the execution of the contract can be divided into several execution phases.

🔗 Access to financing

- **Next Tech Fund.** The Government has promoted this fund to support other privately managed venture capital funds that invest mainly in growth companies or scaleups, or to participate directly in the capital of said companies.
- **Tax deductions.** The startup law introduces improvements in the deduction in the Personal Income Tax (IRPF) for the subscription of shares in new or recently created companies:

- Increase in the maximum annual deduction from 60,000 to 100,000 euros.
- Increase in the deduction percentage from 30% to 50%.

🔗 Promotion of social inclusion, diversity and protection of democratic values

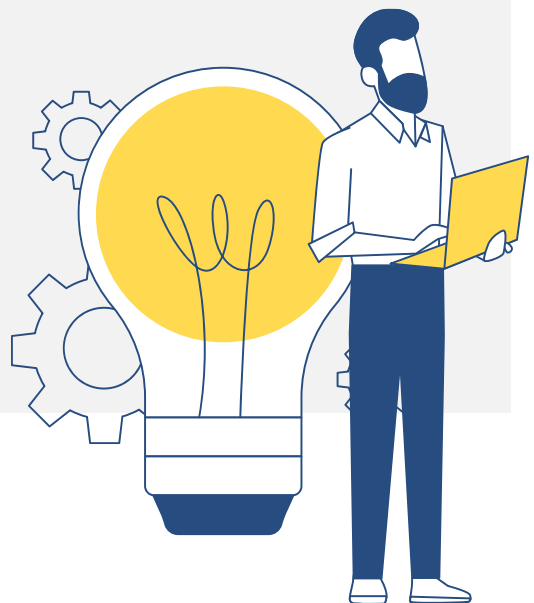
- **National Emerging Business Forum.** The startup law creates this forum in order for it to operate as a consultative and collaborative body between the Administration and the agents of the entrepreneurial ecosystem.
- **Lines of support for entrepreneurship.** The Government has launched various financial support programs to reduce gaps in the ecosystem, such as the Digital Entrepreneurs Line for women.

Startup law is part of a more complete regulatory set, among which is the so-called 'Create and Grow' law approved at the end of 2022, whose objective is precisely to simplify and lower the cost of establishing a company, promoting thus the growth of startups in Spain.

It is to be expected that this commitment will continue to be accentuated in the coming years, as European initiatives move together in their development and Spain further consolidates its commitment to innovative entrepreneurship, startups and scaleups as essential agents of change. for the development of a highly competitive business fabric.

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