A Manifesto for Change and Empowerment in the Digital Age

ScaleUp Europe

www.scaleupeuropemanifesto.eu

For more information on the methodology and origin of **Scale Up Europe: A Manifesto for Change and Empowerment in the Digital Age**, see the acknowledgements on page 53.

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Making the 'Next Big Thing' in Europe

Europe has no shortage of successful entrepreneurs and innovative ideas. In fact, contrary to the *clichés* bandied about, Europe boasts more entrepreneurs per capita than the United States, a country generally taken as a benchmark for entrepreneurial excellence.[1] The problem, however, is that European companies seldom grow to scale. Far too many remain two-person, three-person, or quite often just one-person companies. Their innovative ideas remain the exclusive domain of local economies, sometimes confined to a single European Union member state, sometimes even to a single region within them. They fail to take on the global heft and job-generating scale of well-known U.S. startups, such as Apple (founded in 1976), Amazon (1994), Google (1998), Tesla (2003), Facebook (2004) or more recently Uber (2009).

This is why Europe urgently needs a new initiative – a Scale Up Europe movement. We must create a better, more fertile environment where our undoubtedly brilliant, creative entrepreneurs can build the global champions, create the jobs, develop the "next big thing" and deliver the prosperity our society will demand in years to come. Arguments that Europe lacks an entrepreneurial spirit or has some DNA-rooted fear of risk are categorically wrong. To the contrary, Europeans have shown that we are outstanding entrepreneurs – capable of thriving even in policy environments that sometimes do little to incentivise growth or encourage innovation. And, while policymakers have undoubtedly made progress in creating ecosystems to help people with ideas to turn them into companies, there remains an evident gap in the next steps of development: the growth phase, where imaginary visions grow into large, powerful, multinationals – with sales in many markets, and products that define the cutting edge of the economy of tomorrow.[2] Put simply, policymakers and stakeholders urgently need to improve the conditions not just for launching startups, but for growing companies, and ultimately for "internationalising" their activities as the most successful enterprises eventually do. We urgently need to rally around a broadly-held consensus – a trackable roadmap – uniting startups, policymakers, entrepreneurs, think tankers and citizens alike around a set of concrete, actionable items. This roadmap should be drawn up (as this manifesto has been) based on best practice throughout the 28-member European Union – and beyond. And it should be philosophically based and emotionally rooted on a two-part strategy: embrace the future – and deliver. Much as startups do on a daily basis.

The manifesto has six chapters, each of them built around a verb: 1) *complete* the single market, 2) *mobilise* capital, 3) *activate* talent, 4) *power* innovation, 5) *broaden* education and 6) *monitor*, *measure* and *evaluate*. Each chapter contains a list of concrete deliverables. In total, there are 49 actions where we think progress is both desirable and possible. At the end, we re-group these deliverables into a concrete list of tasks, each assigned directly to one or more participants in the scale-up ecosystem. What should policymakers do? What should startups do? What should bankers and venture capitalists do? And what can you do if you want to join our cause and support our movement?

And we don't stop there. The manifesto comes with a built-in monitoring service, through which we will track outcomes and issue regular progress reports in coming years. The goal is to make this a living document – one where improvement is actively sought and shortcomings openly discussed. We hope you will like it. And we hope you will join us in our quest to make Europe not only the best place in the world to start a company, but the best place to grow one to scale as well.

1 OECD, *Entrepreneurship at a Glance 2016* (Paris: OECD, 2016). http://www.oecd-ilibrary.org/industry-and-services/entrepreneurship-at-a-glance-2016_entrepreneur_aag-2016-en

2 David Osimo, Sergey Filippov, Paul Hofheinz, Katarzyna Jakimowicz and The Startup Manifesto Policy Tracker Crowdsourcing Community, *The 2016 Startup Nation Scoreboard: How European Union Countries are Improving Policy Frameworks and Developing Powerful Ecosystems for Entrepreneurs* (Brussels and London: the Lisbon Council and Nesta, 2016). http://www.lisboncouncil.net/publication/publication/132-the-2016-startup-nation-scoreboard.html

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01 Complete the Single Market

Startups are not like other companies. To be sure, most of them aim not so much at long-term survival in a local market – the success metric for a small- and medium-sized business. Rather, they are typically built around an arguable proposition, usually an idea, often no more than a feeling or thesis. Most of them fail, as the landscape of natural history tells us has happened already to so many promising species. But the ones that succeed – the Spotifys of this world – often brought life-changing ideas and new patterns of development in their wake. This is what makes startups unique – the fact that their success is not simply a good day for Wall Street, but a habit-altering occurrence that brings new ways of seeing the world, new ways of interacting with each other, previously unthinkable products, new services, in a word, innovation. Their success rate may be low and precarious. But when they succeed, they succeed spectacularly. The policies they need must recognise that. Many startups – including the famous ones – still don't make much profit (too much of their revenue is reinvested in driving further growth and developing new markets). And, unlike many old-school European businesses, they typically don't use debt to expand – the model is built much more around equity investments, small and large, which help them through the key phases of growth and development. But what they do – when they do it well – is change the world.

Access to large domestic and even larger international markets is key to this – that's why Step 1 in any programme intended to help startups must focus on facilitating access to markets and removing barriers to growth. In that context, there are few things policymakers could do that would help startups more than complete the so-called "single market" – the now 24-year old programme for uniting Europe in one seamless economy of 508 million consumers, stitched together around common rules with no barriers to sale or establishment within or without the individual countries of the European Union member states. The importance of this point cannot be overstated. Ask any of the thousands of Europeans who have gone to Silicon Valley to make it big, and they will answer the same: the principal advantage the American ecosystem enjoys is not a lighter regulatory regime – or a particularly successful growth-funding model.[3] In fact, it's the size and openness of the American market that makes business in Silicon Valley so appealing. If you make it big in one part of the U.S., you make it big everywhere – and can use the success built there as a springboard to global markets. If you make it big in, say, Sweden, you must then look to incorporate, and re-incorporate and re-incorporate again in 27 additional member states – a situation which led Spotify, an early Swedish digital-age champion (founded in 2006), to move to the U.S. to find the growth it needed – before coming back to Europe once it was large enough to cope with the regulatory complexity of 28 different markets.

But the internal market is not a simple entity. To the contrary, it's a maze of complex, overlapping product standards and legal decisions, many of them negotiated painstakingly in Brussels at the Council of the European Union. We call on startups to become vocal advocates of completing the European single market, standing up for the European right of access and open markets at all times. Policymakers need the startups' support on this, as there is quite often pushback from powerful economic incumbents – who offer lip service to the internal market, but lobby for moves that block commerce. To put it bluntly, support

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3 See, especially, the recent discussion of shortcomings in the U.S. venture capital model in William D. Cohan, "Silicon Valley's $585 Billion Problem," *Fortune*, 01 February 2016. http://www.fortune.com/silicon-valley-tech-ipo-market/

' The process for VAT reporting and recovery throughout Europe should be transparent, uniform and easy for SMEs to use.'

for Europe is not a woolly cause for dreamy-eyed visionaries; it's a vital part of any successful European entrepreneurs' tool kit. This needs to be much better understood at the grassroots level – and much more keenly felt at the highest level of European policymaking as well.

Concretely, there are seven areas where single market policy could be more successfully aligned with the goals, needs and dreams of European startups. They are value-added tax, copyright, data protection, digital identity, patent law and the all-important SME test, a European Commission initiative, by which all proposed laws are evaluated based on their attractiveness (or unattractiveness) to helping small businesses and startups to grow and internationalise.[4] To this, we would add a new element: a "scale-up" test, under which all new policies – local, national and European – would be evaluated through structured dialogue with the startup and broader business community to assess the proposed policy's impact on growth, productivity gains and company scaling.

1.1. Develop a seamless, easy-to-use pan-European clearing house for recovery of VAT

Any product you sell is subject to value-added tax – or is it? European rules have flopped around on this over the years, caught up in the legal fact that Europe enjoys no jurisdiction in the field of tax policy (it is what's known in European jargon as a "member-state competence") and has no universal system for netting VAT in or out once you have crossed a border with a sale, service or customer. Most recently, European Union member states jointly agreed to require all sales in Europe to apply the VAT rate at the point of sale – regardless of whether the product was sold over the Internet or not. This is a defensible policy, perhaps, if the goal is to slow down tax dumping from member state to member state. But the initiative was catastrophic from the point of view of startups, which must now labour under the administrative complexity of reporting, paying and/or recovering VAT in countries other than the one in which they are based, with different rules, rates and laws. This has had a devastating effect on creating the economy of scale which the single market was intended to bring about; many startups have simply stayed at home, preferring not to sell in far-away markets if it triggers VAT reporting requirements that they cannot meet.

The good news is there is a solution for this. The European Commission should put out a tender to create an online European VAT clearing house – a one-stop shop, located online, where VAT can be declared and recovered in all 28 EU member states. This would solve the problem neatly – EU member states could avoid adopting tax regimes that seem to favour merchants based in other countries. And the entrepreneurs themselves could compete based on the quality and price of their products, not the relative weight of their home-country VAT. We believe the European initiative should come in the form of a tender, so several consortia could compete for the right to develop the best, most user-friendly online VAT clearing house. The key is that the system be easy to use; this initiative is to solve problems in the VAT field, not create new ones. So it's important that the outcome be strong and powerful from the consumer/user's perspective. The process for VAT reporting and recovery throughout Europe should be transparent, uniform and easy for SMEs to use.

4 Visit https://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/sme-test_en for more on this key initiative.

'The SME test should become a routine part of policymaking at all levels of government. It should be applied systematically across all 28 EU member states.'

1.2. Apply the SME test systematically at all levels of government

Regulation has a disproportionate effect on companies depending on their size. For large companies, it is easy to hire a phalanx of lawyers or take valuable time off to educate policymakers and others about a sector's or company's specific problems. But for startups, this kind of meat-and-potatoes dialogue is often a bridge too far to cross. The European Commission has sought to ease this by proposing and (within its own domain adopting) an "SME test," which encourages policymakers to "think small first" and ensures that all proposed laws are evaluated based on the potential impact on small- and medium-sized businesses (this is done through a combination of impact assessment and structured dialogue directly with the SME community). This is a helpful first step. However, as this manifesto is being written, only 11 of the 28 EU member states routinely apply the SME test (Austria, Belgium, Denmark, Estonia, France, Germany, Greece, the Netherlands, Romania, Sweden and the United Kingdom).[5] The SME test should become a routine part of policymaking at all levels of government. It should be applied systematically across all 28 EU member states. And it should be given an important new component: a "scale-up" test, which further evaluates all proposed measures based on their potential effect on small, high-growth companies' growth, jobs and internationalisation.

1.3. Make copyright an instrument for innovation

Europe needs an intellectual property regime fit for the digital age. On that, we can all agree. But few areas have generated more heated lobbying – and more overt clashes between incumbents and challengers – than intellectual property. The ubiquitous presence of the digital economy is the reason. Consumer expectations have changed profoundly, as have the incentive structures for creators, as well as for the large agencies and companies whose role used to be indispensable in the generation and spread of creative content (the Internet makes this a much more direct, peer-to-peer process, with less need for intermediaries, vastly hungrier consumers and greater opportunities for startups and niche services). To be sure, companies that have embraced this new reality – developing innovative products around consumer expectations – have thrived. But others remain caught in a rear-guard action, which is doing much to hamper the development of the digital single market. It is also harming consumers and throwing a damper on innovation as well. In order to develop a clear vision for a copyright framework that fosters creativity and innovation, policymakers have to recognise independent creators of all sorts, as well as new platform providers connecting artists and fans and innovative small businesses, as stakeholders in the process.

5 Osimo, Filippov, Hofheinz, Jakimowicz and the Startup Manifesto Policy Tracker Crowdsourcing Community, *op.cit.* http://lisboncouncil.net/publication/publication/132-the-2016-startup-nation-scoreboard.html

'When startups succeed, they succeed spectacularly. The policies they need must recognise that.'

In a few words, we believe Europe needs four reforms in the intellectual property field:

1.3a. Widening and harmonising exceptions and limitations in copyright

Europe has a peculiar intellectual property system. Back in 2001, Europeans set the idea that all copyright exceptions should be listed in legislation – a cumbersome process, which may have made sense at the time but held the very real threat that Internet-age developments would easily overtake the rules as written, leading to confusion about the law. But there isn't time (or will) to put European law on a different basis. Instead, we should urgently move to build more Internet-friendly flexibility into the existing framework. This could be done by more expansively defining "exceptions and limitations" in copyright as was recently introduced in Japan and the United Kingdom, or moving towards a system of "fair use" as occurred recently in Israel, South Korea and Singapore. Either way, the European system should allow for better, easier use of copyrighted works in innovative businesses, and remove the legal threat that comes from starting companies in areas where incumbent companies have more lawyers than programmers. There should be no "snippet tax" – a move which excites rights holders with the prospect of extracting greater rents, but which threatens to gum up the Internet in ways that Europe will eventually come to find embarrassing and counterproductive. Let us be clear: A snippet tax is poison to European entrepreneurs. It is important that startups not become hostages or collateral damage.

1.3b. A broad copyright exception for text and data mining, covering commercial and non-commercial activities

What is data? Is it the new currency? The new oil? The rails on which the knowledge economy transmits goods? Or is it perhaps all of these things, occupying a central but yet to be defined role in the modern knowledge-based economy?

"The right to mine is the right to read," as many say these days. This reflects a growing paradox in European copyright law. Human beings are free to form judgments and detect patterns in the books we read; but machines are not. Put differently, human beings and companies can own data sets. But they are not always free to scan or "mine" those data sets without purchasing additional licences from the data-set copyright owner. This hampers innovation, particularly among digital startups, which are often forced to spend more of their time consulting lawyers on the limits of what they can legally do than developing new insights from the data they already have access to.

This practice flies in the face of evolving rules elsewhere in the world, where data-mining regimes have been relaxed to allow these increasingly routine research practices to flourish. Notably, Japan adopted a blanket exception (2009) for text and data mining. And the United Kingdom (2014) adopted a limited, non-commercial exception. European researchers and entrepreneurs need a blanket exception for data mining in copyright law, granting them the right to "mine" material for which they already own legal copyrights or which is freely available on the internet. This is not an effort to make information be free. To the contrary, it is the need for a clear right to extract knowledge from the information to which they already have legal access. Europe will struggle in the Internet age until it adopts a broader, more welcoming regulatory regime for text and data mining. North America and Asia have already done so. It is time for Europe to follow suit.

‘What they do – when they do it well – is change the world.’

1.3c. European licences

Ultimately, startups would benefit most from a licensing system that allowed them to take the fullest advantage of legal content, breaking down the intellectual-property silos they now face and allowing them to focus on delivering value to customers and consumers alike. We believe the only way to solve this problem for all time is with a European solution – one that is both bold and effective. Put simply, opening up the European Union to a truly digital single market will only happen with the creation of pan-European licences, making all goods in one member state legally available in all 28 EU member states, no "if's," no "but's," and no cumbersome mechanisms for ensuring "content portability" in the absence of relatively-easy-to-achieve-and-deliver European licensing. These licences should take the form of a regulation taking immediate effect in EU member states and avoiding the very real possibility of "gold-plating," the process by which some EU countries render market-opening regulations unusable by piling on local requirements.

1.4. Make data protection simpler to follow and more coherent

It is no longer correct to distinguish between the Internet economy and the real economy; the entire economy is digital. And this has a special meaning and implication for one especially important economic input: data. All modern businesses use and run off of data. Large multinationals manage complex international supply chains, as well as small SMEs, which also have the newcomer's advantage of building their business around state-of-the-art processes, including modern data-management systems, often based on the cloud and providing important business services at a fraction of brick-and-mortar era costs.

Obviously, this brave new world needs one important thing: a data-policy framework that allows businesses to exchange the information they need, to focus on delivering the core value they add and to scale up internationally when the moment arrives. And here – despite the best intentions of many – European policies have become unusually unworkable, even chaotic. The EU General Data Protection Regulation – adopted in early 2016 – provided a useful first step: it offered the possibility of a single, pan-European set of rules in the data-protection area. But recent European Court of Justice rulings have sent legal certainty reeling in the opposite direction, encouraging and enabling an array of confusing local initiatives, which oddly put the content of vital European initiatives in the hands of a handful of German regions. Europe urgently needs to re-group here, taking a moment to assess the appropriateness and desirability of a host of recent data-protection regulations and making sure that – in the effort to outregulate other regions and score points against our competitors – we don't leave Europeans and European businesses at a distinct disadvantage. Seen from the vantage point of European startups, we propose four urgent measures: restore European authority in the data-protection area, increase consultation (applying an SME test to all proposed data rulings), stop counterproductive talk about enforced data localisation and take steps to make sure cross-border data exchange is both secure and effective.

'It is no longer correct to distinguish between the Internet economy and the real economy; the entire economy is digital.'

1.4a. Restore European policy in data protection

The biggest problem experienced by European companies – multinationals as well as startups – is uncertainty. No one seems to know what the European policy will be in this area. Will it be set in Brussels? Or Dublin? Or perhaps in Hamburg? European regulators urgently need to work with the European courts to restore a coherent European policymaking process in the data-protection field – one that is valid across all jurisdictions. It should be a helpful, enabling policy, which provides consumers with appropriate levels of data protection but leaves clear and open pathways for the development of data-driven businesses and the use of data in routine cross-border transactions. The *Schrems v. Data Protection Commissioner* ruling was a major blow to the European project which urgently needs to be addressed with a new, coherent, joined-up approach.

1.4b. Initiate a structured dialogue between national data protection regulators and startup associations

One thing to know about data protection supervisors – most of them are lawyers. And while legal studies may be a vital prerequisite in a field where complex judgments are to be made, a knowledge of – and intimate acquaintance with – the needs and desires of the startup community will be vital to getting European policy right in this key area. In fact, many business-relevant decisions post 2018 will be done by data protection authorities (DPAs). They should cultivate and develop specific expertise on the practices of data-driven startups and scale ups. And they should avoid making flagrant use of so-called "opening clauses" in local data protection rules, which allow national governments to gold plate local requirements with additional measures and restrictions. To date, most attention in this debate has been focused on data-gathering practices at large multinationals; but the true victims of confused or misguided policy in this area will be Europe's 22.3 million small- and medium-sized enterprises. Therefore, it is vital that European data protection supervisors who have not already done so urgently set up a structured dialogue with local SMEs, startups and scale ups. The dialogue should be enhanced through evidence-based policymaking and credible, pre-ruling impact assessment.

1.4c. No forced data localisation

Data localisation is a tricky subject. Many national businesses have rallied behind the flag on this one, seeing European concerns with sometimes lax U.S. standards as a way of driving business to local suppliers. While this may have a certain short-term benefit to some, it is a damaging, long-term approach to the many. The real interest of startups – and of the European economy in general – is in reliable, safe and affordable data storage. Enforced data localisation will mean higher costs for the cloud-driven services upon which so many startups rely. And it will add further uncertainty and immensely greater regulatory burden on fast-growing enterprises, which would rather focus on developing their business than minutely parsing their data-storage policies based on an artificial European standard. To be clear: localised data is not necessarily safer data. Policymakers should focus on raising data security standards rather than imposing national storage requirements.

> 'Uncertainty in the legal ways to transfer data translates directly to uncertainty for businesses and strikes the smallest first.'

1.4d. Safe and reliable rules for international data flows

Which leads us to point four, the need for safe and reliable data protection rules. The law must be much more clear here. Europe and the U.S. should both make pro-active and best use of the additional safeguards provided by the privacy shield framework to preserve it as a safe, reliable and affordable instrument for transferring data across the Atlantic. Uncertainty in the legal ways to transfer data translates directly to uncertainty for businesses and strikes the smallest first. The economy is digital. We need rules to empower that, and guarantee that the modern-day flow of commerce is not impeded or curtailed.

1.5. Strengthen e-Identity to improve cross-border commerce

New forms of commerce often need new infrastructure to sustain them. And where cash and cash registers played a vital function in the Industrial Age economy, e-Identity is destined to play a similar role in the new one. Europe has an excellent e-Identity system in the making – the regulation on electronic identification and trust services for electronic transactions in the internal market, or eIDAS, which seeks to give Europe a single, unified e-Identity system by 2018 (built around the important principle of interoperability rather than harmonisation).[6] This is one of those areas where a technical reform can have immense political consequences: opening up Europe to the kind of cross-border e-commerce and out-of-state access to national public services. We welcome this initiative and encourage EU governments to fast-track adoption.

1.5a. Accelerate adoption of eID as a legal form of identification and online authentication

To date, only seven EU countries have expressed the intention to move quickly towards full compliance with this ground-breaking regulation (and none have yet completed it). The official deadline is 2018, but countries would reap even greater benefits – in the form of bringing in consumers from other member states and allowing local consumers to purchase more goods and services elsewhere – should they move towards early adoption. E-Identity is not simply an "administrative reform." This is a method for providing good, strong and effective plumbing for e-commerce – giving confidence to consumers, making inner-member state commerce more attractive and allowing producers to more easily trade across borders.

1.5b. Offer eIDAS to the private sector

For now, the eIDAS system is mandatory for government services. But, if it proves to be effective, the protocols and standards could be licensed freely to the private sector for broader public use. Europe – and not least European startups – need a good, effective, trustworthy identification and authentication service – one that is as user-friendly as Facebook or LinkedIn, but which contains the more robust authentication standards that will be needed for high-end services, like online banking and other types of e-commerce. The key will be to offer cheap but effective solutions at low cost, and to use the system as a genuine enabler of commerce.

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6 Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on electronic identification and trust services for electronic transactions in the internal market. http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.257.01.0073.01.ENG; European Commission. Trust Services and eID. https://ec.europa.eu/digital-single-market/en/trust-services-and-eid

'The costs of patenting at EU and national level should be calculated in order to maximise innovation, not to ensure financial income to the patent offices.'

1.6. Ratify the Unified Patent Court agreement and make European Unitary Patents a reality

Because of fragmentation, patenting in Europe is more than 10 times more expensive than in the U.S., and litigation costs can be twice the fee for maintaining a patent for 20 years.[7] To reduce cost and difficulty of use, it should be possible to file a patent in one language (without the need for translation) via the European Patent Office, as was agreed in 2012. However, the reform requires the entry into force of the Agreement on a Unified Patent Court (not enough EU member states have yet ratified the 2013 treaty for it to take effect). We call on all EU signatories to ratify the Agreement, thereby launching the long-overdue European unitary patent. The costs of patenting at EU and national level should be calculated in order to maximise innovation, not to ensure financial income to the patent offices. The EU Unitary Patent should become a reality for European entrepreneurs in months rather than years.

1.7. Better administration

Few reforms would do more to remove barriers to cross-border trade than a concerted, Europe-led initiative to ease the path of entry – and growth – to European startups and entrepreneurs. This means first and foremost cutting back on harmful practices so small and deeply embedded that they hardly even get noticed – unless, of course you're an entrepreneur trying to reach across a border to set up or expand.

1.7a. Publish all official forms and documents online in certified translation

European governments should be required to publish all documents necessary for registering and/or doing business in their country in a readily accessible online format, and in certified translation to other EU languages.

1.7b. Digital by default

Governments should think of registration and all other administration as first and foremost a digital process. There should be a conscious and ongoing effort to take administration off paper and onto online processes, where it will be much more readily accessible to the rest of Europe – and the world beyond.[8]

1.8. Invest in Europe's digital infrastructure

Internet connections are the heart of every digital business. And just as highways and railways once provided the crucial seams for continental commerce, today broadband and high-speed mobile Internet

7 Ángel Sánchez, Pablo Hortal and David Cuesta, *Patent Costs and Impact on Innovation: International Comparison and Analysis of the Impact on the Exploitation of R&D Results by SMEs, Universities and Public Research Organisations* (Brussels: European Commission, 2014). http://ec.europa.eu/research/innovation-union/pdf/patent_cost_impact_2015.pdf

8 This principle is already enshrined in the European Commission's e-Government Action Plan 2016-2020. Visit http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52016DC0179

> ‘Broadband and high-speed mobile Internet are the key to taking our products to the world – and bringing our orders to us.’

are the key to taking our products to the world – and bringing our orders to us. European governments should renew their commitment to making Europe's digital infrastructure the best that technology will support, benchmarking Internet access and even more importantly access to high-speed mobile Internet access with the world's best (in this case, Japan and South Korea). The goal should be 100% penetration of high-speed broadband – supporting Internet speeds of 1 gigabit per second for leading institutions and businesses – and widespread rollout of best-in-class 5G mobile Internet access. Recent European efforts to open up spectrum auctions and actively promote spectrum sharing should be supported as well.

1.9. Harmonise consumer rules through speedy approval of the proposed European Union reform

Consumer law – and the thorny question of whose rules apply on which transaction – is an area where European governments sometimes seem more ready to fight than settle. But this is hampering the movement towards a unified European digital single market, and preventing growth in cross-border commerce at a corresponding rate. One way around it would be to adopt a voluntary “single European commercial contract,” which companies and customers could use – on a voluntary basis – for all cross-border transactions. The contract would elaborate the consumer rights involved, eliminating a frequent source of conflict and an often unobserved (but hard to surmount) barrier to a pan-European market for digital goods and trade. The European Commission has made a similar proposal as part of its flagship digital single market initiative – proposing that key points such as liability, burden of proof, the right to terminate a contract and the sale of second-hand goods online be harmonised across all 28 EU member states. This is a crucial first step which should be expedited and supported.

' E-Identity is not simply an "administrative reform." This is a method for providing good, strong and effective plumbing for e-commerce.'

Summary of Actions

Area		Action
VAT simplification	1.1	Create an online pan-European VAT clearing house. The product should be created through PPP by competitive tender and meet a maximal ease-of-use standard. The resulting VAT recovery process should be transparent and uniform throughout the EU
SME test	1.2	Enforce the SME test in all 28 member states. Add a "scale up" component to include potential effect of new regulation on high-growth companies and scaling
Copyright	1.3a	Widening and harmonising exceptions and limitations in copyright
	1.3b	TDM exception / Unified rules across Europe for innovative ways to generate value with data, e.g. text and data mining
	1.3c	Pan-European licences for content
Data	1.4a	Restore European policy in the data-protection area
	1.4b	Structured dialogue between regulators and the startup community around impact assessments and guidelines by the European Data Protection Supervisor
	1.4c	No forced data localisation
	1.4d	Safe and reliable legal basis for data transfer
e-Identity	1.5a	Accelerate member-state acceptance of national eIDs
	1.5b	Open the European eIDAS system to the private sector
Patents	1.6	Ratify the EU patent proposal. Make patent filing cheaper and easier in one language via European Patent Office
Better administration	1.7a	Require EU member states to publish all official documents online in certified translations (multi-language). All documents necessary for doing business in another member state should be readily and easily available in other EU member states in usable, certified translations.
	1.7b	Digital by default. No exception
Infrastructure	1.8	Invest in Europe's digital infrastructure
Common consumer law	1.9	Harmonise consumer rules through speedy approval of the proposed European Commission initiative

02 Mobilise Capital

There are few places where Europe so palpably lags as mobilising finance for growth. To be sure, governments have made a major effort to address the problem in recent years. But the fact is, the European ecosystem is still routinely underpowered in the key area where startups find sustenance in the hard years – and rocket fuel in the good ones. Ninety percent of all European venture capital is found in just eight EU members states (Denmark, Finland, France, Germany, the Netherlands, Spain, Sweden and the United Kingdom), and most of the funds that do exist are fractured along national lines.[9] The average European venture capital fund is only €60 million, about half the size of a typical U.S. fund. The European Commission estimates that if European venture capital markets were as deep and rationally structured as those in the U.S., entrepreneurs would have access to around €90 billion more funds than they can reach today.[10]

The good news is that awareness is growing here, and several big players have begun to take steps. The European Commission has floated the idea of a "fund of funds," which would invest alongside European venture capital and bring more money to innovative ideas. The key will be to make sure that these initiatives reach the right people. State-funded investment must never become a "pro-cyclical" initiative, in which the high and mighty gain subsidy in good times at the expense of the challengers whom these funds were set up to help. This will involve good, effective oversight, as well as a clear mandate to keep the focus on correcting genuine market failure – and to adjust if and when capital markets do find the right way forward. But those are tasks for the future. The aim today is to attract more capital to European startups, to make sure it is effectively deployed and to find ways of guiding it more fruitfully towards breakthrough technologies and innovative business models. We propose major initiatives in three areas: complete the capital markets union, improve tax incentives and take measures to "crowd in" capital with better use of public resources.

2.1. Complete the capital markets union

The European Commission published its Capital Markets Union (CMU) Action Plan on 30 September 2015. It set out 33 measures – ranging from stock-market reform to insolvency legislation. Few steps would be more fruitful for scaling up businesses than completing the capital markets union, which would open a pan-European market for capital – with or without the United Kingdom in it.[11]

9 European Commission, *Building a Capital Markets Union*, Green Paper, COM(2015) 63 final, 18 February 2015. http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52015DC0063

10 Ibid.

11 The scale up manifesto takes no position on the controversial issue of Brexit. Except to say that the signatories would rather see a dynamic, entrepreneurial country like the UK in the EU than out, and that Britain surely has a role to play in making sure that Europe remains competitive and open.

'If European venture capital markets were as deep and rationally structured as those in the U.S., entrepreneurs would have access to around €90 billion more funds than they can reach today.'

Concretely, European governments should focus on the following measures, already contained in the capital markets union proposal:

2.1a. National governments should adopt and implement the 2014 insolvency recommendation

More and more, companies and individuals are doing cross-border business in the EU. However, divergence of insolvency frameworks make it very hard for potential investors to assess credit risk, particularly in cross-border investment. Confused standards – and diverging rules for forcing liquidation or wrapping up unsuccessful ventures – mean that European balance sheets often contain hidden risk which even armies of accountants struggle to explain and understand. In 2014, the European Commission issued an "insolvency recommendation," which, while falling short of actual legislation, aims at establishing minimum standards for preventive restructuring procedures (enabling debtors in financial difficulty to restructure at an early stage with the objective of avoiding insolvency). It also proposes discharge periods for honest bankrupt entrepreneurs (debt discharge being one of the necessary steps in providing them with a second chance). All 28 EU member states were invited to implement the recommendation by March 2015, although few did. And now the European Commission is preparing a meatier, toothier version as part of the proposed capital markets union. As a first step, EU member states are encouraged to implement the insolvency recommendation in full, bringing transparency and cross-border cohesion to national insolvency laws. As a second step, the European Commission should strengthen the law here with greater cross-border harmonisation, allowing quick bankruptcy, making it easier for those in need to "fail fast" and offering a second chance for honest, hardworking and experienced entrepreneurs.

2.1b. Startup/entrepreneur visa, with appropriate safeguards and community input

Europe should be open and attractive to innovators and founders, especially at a moment when many non-EU countries are talking about erecting new barriers. Half of the Silicon Valley startups have at least one immigrant founders, against 10% of European ones.[12] Many EU countries have already put in place schemes to facilitate immigration of entrepreneurs (startup visas).[13] These schemes usually target a limited number of people and are specifically designed to identify innovative scalable ideas while avoiding abuses and misuse of this route. The process is administered by competent authorities in the EU member states, usually the interior ministry or immigration office, together with the research and innovation departments. In many cases, a community of incubators makes sure beneficiaries and their business plans are vetted thoroughly. The French Tech Ticket is a good example.[14] There, 41 designated incubators choose who can (and should) receive one of 70 visas allocated for this purpose. The process ensures effective private-sector input – and gives incubators a stake in a positive outcome. And it helps keep the system transparent and closely monitored. The European Union could provide a harmonised framework covering the criteria (including procedure and fees), create a single point of contact for interested founders and take steps to ensure intra-European Union mobility for these innovators, where appropriate. Schemes like this could also be expanded to attract investors and early scale-up employees.

12 The U.S. figures are from Vivek Wadhwa, AnnaLee Saxenian and F. Daniel Siciliano, *Then and Now: America's New Immigrant Entrepreneurs*, Part VII (Kansas City: Kauffman Foundation, 2012). http://www.kauffman.org/what-we-do/research/immigration-and-the-american-economy/americas-new-immigrant-entrepreneurs-then-and-now. The European figures are from Tobias Kollmann, Christoph Stöckmann, Jana Linstaedt and Julia Kensbock, *European Startup Monitor* (Berlin: German Startup Association, 2015). http://europeanstartupmonitor.com/fileadmin/presse/download/esm_2015.pdf

13 Other good examples of successful schemes can be found in Denmark, France, Ireland, Italy and the Netherlands.

14 http://www.frenchtechticket.com/

‘The variety of national regulatory regimes puts a question mark around the legal certainty for crowdfunding investments.’

2.1c. Increase access to alternative sources of finance and cross-border crowdfunding

Sensing a huge opportunity, innovative startups and scale ups are turning increasingly to alternative ways of financing such as crowdfunding, which is growing quickly and starting to play an important role in equity investment. In 2015, European crowdfunding platforms raised €422 million, representing more than 10% of all venture capital raised that year (€3.8 billion).[15] Yet, the variety of national regulatory regimes puts a question mark around the legal certainty for crowdfunding investments: only nine countries have adapted their law to provide full legal certainty to this novel fund-raising arena. The so-called "MiFID passport" has been interpreted differently in different countries, so not all crowdfunding platforms are able to carry out equity crowdfunding across borders. As a result, many crowdfunding platforms choose to operate locally (with no protection for cross-border investors) or are forced to find their way around local rules to allow cross-border expansion at all. Invesdor, a crowdfunding platform based in Helsinki, became the first platform to receive a MiFID passport in April 2015. The EU should foster transparency of cross-border crowdfunding by setting up a simple and transparent cross-border framework favouring mutual recognition of nationally-regulated crowdfunding platforms.

2.2. Adopt tax incentives for growth

Policymakers hold few levers more powerful than tax. Which makes it even more strange that they seem so reluctant to use it. Put simply, European policy often seems geared towards maximising tax intake – an understandable position given the precarious finances of so many EU member states. But short of measures that might actually affect a nation's bottom line, there are many small incentives that could be introduced – incentives which would have minimal effect on the national purse and maximum effect on the growth of companies within their national borders.

2.2a. Stock options should be taxed as income upon execution and not upon granting

The taxation of stock options is a sore subject among European entrepreneurs, and it isn't hard to see why.[16] U.S.-based startups routinely grant stock options – in which employees and others are given the right to purchase company shares at a low price – as a means of attracting and retaining talent. In Europe, this is nearly impossible. The options are taxed as if they were current income, meaning the recipient has to pay an often heavy tax on an illiquid asset, making stock options an actual disincentive – and a talent-retaining tool that is hardly ever used (by contrast, European tax structures favour the granting of company cars, and have made this a common request among new hires and talented employees).

2.2b. End tax bias favouring debt over equity

Many European companies still rely heavily on debt finance. There is a very good reason for this: in most countries, debt is treated as a cost in tax terms, meaning it can be written off against revenues, ultimately

15 Figures on crowdfunding come from European Commission, *"Crowdfunding in the EU Capital Markets Union"* SWD(2016) 154. http://ec.europa.eu/finance/general-policy/docs/crowdfunding/160428-crowdfunding-study_en.pdf . Figures on venture capital come from InvestEurope, *2015 European Private Equity Activity* (Brussels: InvestEurope, 2016). http://www.investeurope.eu/media/476271/2015-european-private-equity-activity.pdf

16 See especially Daniel Ek and Martin Lorentzon, "We Must Act or Be Overtaken: An Open Letter," *Medium*, 11 April 2016. http://medium.com/@SpotifySE/vi-m%C3%A5ste-agera-eller-bli-omsprungna-383bb0b808eb

'To improve this situation, several European governments have implemented tax incentives intended to neutralise the decision of debt versus equity financing.'

leading to lower taxes. Meanwhile, equity is treated as profit, meaning it is taxable as revenue. This leads to a common phenomenon: despite the vital role of equity finance in fueling scale ups, many European companies still prefer to raise money through loans rather than flotations on the equity market. But that, in turn, leaves European startups at a distinct disadvantage. The path of using equity markets to bring in money – and gain useful advice and mentorship – is not always open to them.

To improve this situation, several European governments (notably Belgium, Cyprus, Italy and soon Luxembourg) have implemented tax incentives intended to neutralise the decision of debt versus equity financing. Known as "notional interest deductions," these schemes allow companies to deduct a notional amount of equity-raised funding from their revenue (the amount is calculated based on a formula derived from total shareholders' equity). Effectively implemented, these schemes can open vast avenues of additional finance to successful entrepreneurs. They should be adopted in all 28 EU member states.

2.2c. Fiscal incentives for angel investors

Despite EU efforts, the amounts invested by European business angels continue to be small and concentrated in only a few member states.[17] But Belgium has taken action to address this. In 2015, the 11-million citizen country granted a tax reduction of 45% for investment in new shares of a startup (or micro-company) and a 30% for investments in new shares of an SME or startup fund.[18] Similar initiatives should be promoted in all EU member states to facilitate and encourage business angel investments in Europe. EU member states could also develop more co-investment schemes, encouraging business angels to get involved in startups early on, where their expertise and mentoring can often make a crucial difference. After all, the OECD reports that around 150,000 firms in the EU are classified as "high-growth," with an average annualised increase in the number of employees of more than 10% for at least three years (and at least 10 employees at the start of the period). These firms account for less than 10% of the economy, but they generate a huge proportion of the new jobs created each year. And they employ, on aggregate, 13 million people in Europe. Policymakers should find ways of prioritising and incentivising the moment when an organisation moves from a good idea to a great company, often generating many good, new jobs in the process. Encouragement of angel investment – where Europe lags – would be a good place to begin.

2.3. Crowd in capital

The public and private sector need to work more closely together to expand and deepen European capital markets. State-funded venture-capital funds are now the single largest source of capital in Europe's venture-capital market, accounting for fully 31% of available European venture capital in 2015, up from 7.9% in 2007. Expanding the state's footprint in this key area was the correct policy response after the dramatic collapse of financial markets in 2008, but as Europe moves forward, it needs to lessen its dependence on public funding in equity markets. And it needs to find ways to bring the knowledge of the private sector more to bear on the investment decisions that Europe will take.

17 EBAN: The European Trade Association for Business Angels, Seed Funds and Early Stage Market Players, Statistics Compendium 2014 (Brussels: EBAN, 2014). http://www.eban.org/wp-content/uploads/2014/09/13.-Statistics-Compendium-2014.pdf

18 Visit http://www.businessangelseurope.com/News/Documents/2015_COMPENDIUM_OF_FISCAL_INCENTIVES.pdf

‘ Europe should be open and attractive to innovators and founders.’

Against that backdrop, the European Commission and the European Investment Fund have created an innovative project – the European Fund for Strategic Investments (EFSI). On its surface, the fund was built upon a ridiculous premise – the €21 billion of capital actually committed was intended to “unlock” €315 billion of matching capital. This allowed the European Commission to announce that it had a plan that would unlock €315 billion, which was a palpable exaggeration. But it also had an interesting side effect. The effort to beef up the fund through public-private partnership created an important vehicle for steering much-needed capital into innovative investment areas which public-funded-only initiatives could easily have been missed. Today, the EFSI has committed €6.8 billion to 192 agreements benefiting more than 200,000 startups, SMEs and mid-caps (an additional €13.6 billion is committed to 97 large-scale infrastructure and innovation projects). And it has helped Europe develop important strategic positions in sectors as diverse as innovation, energy, digital, transportation, environment and resource efficiency.[19]

The “to-do” list for policymakers is relatively easy.

2.3a. Make the EFSI permanent, as has been proposed

2.3b. Develop a “fund of funds” vehicle to encourage more money to go into venture capital and early-stage investment

The European Commission – together with the European Investment Bank and the European Investment Fund – should form a vehicle intended to “co-invest” in innovative businesses. Member state-led projects like the High-Tech Gründerfonds in Germany and Bpifrance in France are good examples of what can be achieved in this way. Any European-led vehicle should rise above member-state barriers and help develop pan-European projects – or focus on national projects that show the promise of scaling up worldwide.

2.3c. Deepen and develop alternative markets on local stock exchanges

European entrepeneurs are still more likely to count on acquisitions for their exit strategy than initial public offerings. But this can and should change. The European IPO market should be made more accessible to promising, high-growth firms by creating focused growth markets on existing stock exchanges. Dedicated high-growth segments – like the Alternative Investment Market in London, Mercado Alternativo Bursátil in Madrid and Neuer Markt in Frankfurt – tailored to the needs of these firms could have great impact and become part of the solution. And the European institutions should move quickly to modernise the prospectus directive, giving startups and other relatively small organisations a better shot at successful equity-market flotation. Deeper, more developed secondary markets for shares in high-growth firms could help attract early investment, particularly from venture capitalists, who want to know there's a way out (as well as a way in) if they need it.

19 European Commission, *The Investment Plan for Europe: State of Play July 2016* (Brussels: European Commission, 2016). https://ec.europa.eu/priorities/publications/investment-plan-eu-wide-state-play-july-2016_en

'Late payments (from large companies and governments) routinely kill otherwise promising startups every day.'

2.3d. Enforce the late payments directive, particularly for cross-border transactions

Providing new sources of capital is important, but the reality is late payments (from large companies and governments) routinely kill otherwise promising startups every day, and this can have a profoundly deleterious impact on economic growth, productivity and competitiveness advantage.[20] The European Commission's late payments directive is an important tool, but its implementation has suffered from differing interpretations of the law within EU member states and limited enforcement, particularly across borders. Even when legal provisions are there, SMEs are reluctant to pursue their rights especially when dealing with large multinationals. Redress measures should be fast and easily available to all companies. Governments need to improve their own payment processes, and need to step up and improve the effectiveness of the hard/soft mix of measures.

Summary of Actions

Objective		Actions
Complete the capital markets union	2.1a	Make the 2014 insolvency recommendations mandatory in all 28 EU member states
	2.1b	Startup visa
	2.1c	Increase access to cross-border crowdfunding
Build incentives for growth within the tax system	2.2a	Stock options should be taxed when sold, not when received
	2.2b	Member states should adopt a notional interest deduction or similar measure to end discriminatory tax treatment of debt over equity
	2.2c	Use tax shelters for angel investments across Europe
Crowd in capital	2.3a	Greater use should be made of the European Fund for Strategic Investments. It should be made permanent and use of the "crowd in" model replicated for other risk-driven budgetary decisions
	2.3b	Europe should adopt a "fund of funds" to "crowd in" investment alongside the private sector
	2.3c	Deepen and develop alternative markets on local stock exchanges
	2.3d	Strengthen and enforce the late payments directive, particularly across borders

20 Siddharth Bannerjee, Simona Bielli and Christopher Haley, *Scaling Together: Overcoming Barriers in Corporate-Startup Collaborations* (London: Nesta, 2016). http://www.nesta.org.uk/publications/scaling-together-overcoming-barriers-corporate-startup-collaborations

03 Activate Talent

Business-led manifestos have often stumbled around the contentious area of European labour law and the effect it has on hiring. Put simply, the *cliché* is to tell policymakers that what they need to do is to make it easier for entrepreneurs to "fire" people, which precisely misses the point. Startups need to flourish so there are more companies to "hire" people. And while it would be false to tell policymakers that startups are a universal solution to mass unemployment in some EU member states, it would be equally wrong to avoid giving the advice that labour law in Europe is in some ways an impediment to hiring and scaling up of potentially successful enterprises.

Growth also requires the capacity to recruit talent wherever it is: in another member state or further afield. Startups need simple procedure to employ the best available talent, and Europe needs to become attractive for founders and skilled workers alike. This leads a need for action in two key areas: Increase the incentives to hire and do more to attract talent.

3.1. A coordinated cut across Europe in the tax on labour

Policymakers should look for ways to encourage companies to hire people. This could take the form not just of making labour cheaper and easier to hire, but of doing it in a way that would send a powerful signal to the world that Europe is open for business and ready to do what it takes to get Europe working again.[21] As is, European companies pay on average 41.8% more in non-wage labour costs – the difference between the labour cost paid by the employer and the corresponding net take-home pay of the employee due to income tax and social contributions – than the OECD average, with some countries (Belgium, at 55.3%) taxing labour twice as much as the U.S. (31.7%). OECD economists believe that a 10% cut in the tax wedge could lead to a drop in structural unemployment of as much as 2.8% in Europe (with every one percentage point cut costing the national treasury around 0.3% of GDP in foregone taxes, according to an IMF estimate).[22] A coordinated cut in all 28 EU member states would send a powerful signal to capital and labour markets alike. This, in turn, could boost confidence, and ultimately make it easier for companies to do what we'd all like them to do – hire more people. A good place to begin is by expanding incentives to hire first employees as many governments have done already. Those that don't have these incentives in place should adopt them.

21 Alessandro Leipold, "Two Steps to Avert Another Eurozone Crisis: A Coordinated Cut in the Tax Wedge and Smart Implementation of the Stability and Growth Pact," *Economic Intelligence* 06/2014 (Brussels: The Lisbon Council, 2014). http://www.lisboncouncil.net/publication/publication/114-economic-intelligence-two-steps-to-avert-eurozone-crisis.html

22 Organisation for Economic Co-Operation and Development, *Taxing Wages 2016* (Paris: OECD Publishing, 2016) http://www.oecd.org/ctp/tax-policy/taxing-wages-20725124.htm; International Monetary Fund, "Back to Work: How Fiscal Policy Can Help," *Fiscal Monitor* October 2014 (Washington: IMF, 2014). https://www.imf.org/external/pubs/ft/fm/2014/02/pdf/fm1402.pdf

'OECD economists believe that a 10% cut in the tax wedge could lead to a drop in structural unemployment of as much as 2.8% in Europe.'

3.2. Startups, in turn, as part of their pledge to this manifesto, should pledge to hire or train at least one employee in the next 12 months

Employment is a precarious area for startups – many struggle to meet their payroll even in the best of times. But, with an estimated 1,600,000 startups active in Europe, a pledge to hire an additional employee or to train a few existing ones could have enormous knock-on benefits for society at large.[23] On the hiring front, if just half of the 26 million enterprises in Europe could be convinced to take on one additional employee, it would lead to the creation of more than 13 million jobs. A coordinated cut in the tax wedge would be a good way to incentivise this. As would national schemes to make it easier for scale ups to train more workers on the job or take on more trainees. This would have the advantage of increasing skills within the work force, and seeding the human capital pool with talent that could grow to scale itself some day.

3.3. Make it easy for companies to hire outside their home countries

This proposal may sound familiar; it first appeared in the 2013 Startup Manifesto, which served as the inspiration for this document. Sadly, it appears here again, as no progress on this front has been made in the intervening period. Within the European Union, it is still impossible to hire workers in another country without setting up a subsidiary. As a result, the only option is through a consultancy contract, even if the employee is working solely for one company. The EU should recognise that free movement of workers doesn´t just mean physical movement, but rather the freedom to work in Europe from wherever you live. In this respect, EU and member states should facilitate new, flexible cross-border working provisions. One possibility is a "knowledge-worker work permit," which could be available to EU citizens based on the same criteria defined for non-European knowledge workers in the blue card directive. Key issues of labour law and income-tax payment could be split: workers would be subject to labour-law terms and social-security payments in the country where the service is provided, but would pay income tax in the country of residence. The advantage is the hiring entity would not have to set up a subsidiary in another country just to engage a locally resident employee there. European restrictions were written to protect workers at the bottom of the employment ladder – and this is fair and appropriate; those protections should be respected and perhaps even extended. But it is unfair to bind all workers – and employers – in a vice of legal complexity that robs the European single market of much of its power. And it is particularly unfair – and counterproductive – to do this in an age when more and more work is mobile and cross-border. The posting of workers directive should be revised again with an eye towards splitting it off into two tiers: there should be strong protection for those who need it and greater flexibility for those (at the high end of the employment ladder) who need that instead.

23 Eurostat reports there are 1,629,240 companies born every year who survive at least two years (2013). See Eurostat business demography data at http://ec.europa.eu/eurostat/web/structural-business-statistics/overview

'EU and member states should facilitate new, flexible cross-border working provisions.'

3.4. Make it easier to hire skilled non-EU workers

In order to grow, high-growth companies need to be able to recruit fast the best talent available. According to the OECD, highly educated third-country migrants are much more likely to live in North America (57%) than in Europe (31%).[24] Current immigration restrictions make it difficult for scale ups to recruit non-EU nationals. The exceptions already introduced in many countries for highly skilled workers (including entrepreneurs) remain fragmented, cumbersome and restrictive. We need to make it easier and quicker for scale ups to recruit foreign talent. The proposed revised blue card directive is a positive step in the right direction, but it needs to accomodate the specific needs of startups and scale ups such as recognising stock options instead of cash salaries and recognising self-taught skills, e.g. coding.

Summary of Actions

Objective	Actions
Improve incentives to hire	3.1 Coordinated cut in non-wage labour costs
Hire or train one additional employee in next 12 months	3.2 Startups, as part of their manifesto pledge, should hire or train at least one additional employee in the next 12 months
Mobilise European talent	3.3 Make it easier to hire European workers
Attract talent	3.4 Easier to hire skilled non-EU workers

24 Jonathan Chaloff, *Recruiting Immigrant Workers: Europe 2016* (Paris: OECD, 2016). http://dx.doi.org/10.1787/9789264257290-en

04 Power Innovation

Europe spends on average €272 billion on research and innovation each year – a figure large enough to make Europe one of the world's leading innovators, but not always enough to compete head-to-head with leading Asian and North American competitors. What's more, evidence shows that new technologies and innovations are often first commercialised through startup companies,[25] but government funding instruments sometimes struggle to involve them: only 6% of the EU's fast-growing firms participated in the flagship European Commission Framework Programme 7, for example.[26] Both government and large corporation have a fundamental role to play by partnering with startups to lead the demand for innovative products and services. However, public procurement remains a "forbidden fruit" for many startups, and many enterprises struggle to collaborate successfully with large corporations. Innovative business models are often met with resistance by national and local governments, which too often simply choose to ban services based on complex business models they don't yet understand, such as AirBnB, Inc. and Uber Technologies, Inc., which can affect a myriad of European companies that operate in the same sectors. Towards that end, we have nine proposals in five areas: open data, use sandboxes, open research and innovation funding to a wider community, don't ban new business models and deepen corporate-startup collaboration.

4.1. Open data

Governments should routinely make public data open and available for reuse – and always in formats that are anonymised and machine readable. In countries where this has been pursued most aggressively – such as the UK – it has led to an explosion of new and better-targeted services and user-friendly innovation.[27] And it has provided vital soil in which dozens of new businesses – many of them hard to have imagined before – have grown and prospered.

4.2. Use more experimental policy tools like sandboxes

These days, business models and services are developing faster than regulators' ability to understand them. Fortunately, regulation is itself evolving, with a host of new techniques for making sure that regulators grasp the impact of rules on new businesses before those rules are implemented. The most promising new development of this type is the so-called "sandbox," currently deployed in limited ways in countries as disparate as Australia, Singapore and the United Kingdom. Under this approach,

25 Paola Criscuolo, Nicos Nicolaou and Ammon Salter, "The Elixir (or Burden) of Youth? Exploring Differences in Innovation Between Start-ups and Established Firms," *Research Policy*, 41(2): 319–333, 2012. http://dx.doi.org/10.1016/j.respol.2011.12.001

26 Open Evidence and EY. *An Analysis of the Role and Impact of Industry Participation in the Framework Programmes* (Brussels: European Commission, 2016). http://bookshop.europa.eu/en/an-analysis-of-the-role-and-impact-of-industry-participation-in-the-framework-programmes-pbKI0416320/

27 Daniel Castro and Travis Korte, *Open Data in the G8: A Review of Progress on the Open Data Charter* (Washington, Center for Data Innovation, 2015). http://www.datainnovation.org/2015/03/open-data-in-the-g8/?gclid=CM_mhLjjic8CFbYy0wodu84E0g

‘ Evidence shows that new technologies and innovations are often first commercialised through startup companies.’

governments set up small, controlled experiments where new ways of doing things can be done (legally) while administrators gauge outcomes, consult constantly with consumers and market participants and store up knowledge for broader initiatives later. The technique is particularly promising in the area of FinTech, where regulators have a strong incentive in allowing untested innovation to flourish while making sure that any new developments do not unduly harm consumers or the overall financial system. European regulators should adopt and embrace the sandbox technique in as many areas as possible, providing incentives for startups to take part and adopting a “see-first” attitude before banning new practices. The result of sandbox evaluations should be included in regulatory impact assessments.

4.3. Open research and innovation funding to a wider community

Existing public funding programmes for research and innovation too often reward those who can play the funding game rather than genuine innovators. Public funding has created an industry of consultants for obtaining public funding. We need to bring top-class innovators, startups and scale ups back in the game. The European Commission has proposed a new European Innovation Council, patterned on the hugely successful European Research Council, whose mandate will be to support “disruptive market-creating innovation,” according to European Commissioner Carlos Moedas. Existing programmes – like the €24 billion InnovFin-EU Finance for Innovators – could be successfully rolled into the new initiative, so investments would get a closer look from independent expert panels and could be more carefully targeted at genuinely innovative projects involving new actors and disrupters.

4.3a. Involve startups and scale ups in key decisions, including allocation and programme evaluation

New players should be proactively scouted and involved in the different phases of innovation funding: from the definition of the funding priorities to proposal submission and evaluation. Too often the work-programmes of funding instruments are designed based on the input of large companies only. In innovation funding more than in other areas of public intervention, the stability of beneficiaries from year to year should be considered as a negative result. R&I funding agencies should report on the extent to which startups are involved, both as beneficiary and as contributors in the design of the programmes. Policymakers should replicate the success obtained by the European Research Council in funding excellent research.

4.3b. Fail fast in innovation funding

Failure is a necessary part of progress and learning. Are hypotheses that don’t work out really disasters to be avoided or are they actually steps towards deeper understanding of fundamental problems? In the end, if the majority of government funded research and innovation (R&I) projects are routinely declared a success, it probably means that the funding programme was not ambitious enough. How can it be that venture-capital funds have a one in 10 success rate, while almost all EU- and national-funded R&I projects come out a winner? Evaluators should take greater risks with their funding projects, and allow more scope for experimentation and exploration of bold, new ideas. Flexible measures that allow for radical changes in the course of the project should become the norm rather than the exception, such as multi-stage funding, project closure and reassignment of budget.

'Another way for governments to support innovation is by buying more from startups and encouraging large corporations to collaborate more with startups on public tenders.'

4.3c. Simplify and integrate funding across institutional levels and private-public funding

Innovation funding should be simple and accessible. Funding rules should be consistent between different funding instruments (e.g. Horizon 2020 and the EU structural funds) and between EU, national and regional funding. This would help tremendously as it would allow member-state managing authorities and agencies to simplify processes and reduce costs.

4.3d. Open public procurement

Another way for governments to support innovation is by buying more from startups and encouraging large corporations to collaborate more with startups on public tenders. Today, government procurement represents 18% of European gross domestic product. Despite the progress of new directives on public procurement, the process remains focused on rule compliance rather than on identifying the best solution. Policymakers have long tried to make procurement more innovation-oriented, flexible, interactive, focusing on the expected results rather than on process compliance, but this hasn't happened so far. The vast majority of government purchases are from large companies, which can afford dedicated staff to tendering processes. Government agencies should therefore set aside dedicated budget for procurement of innovative solutions from innovative companies and encourage consortia to reach out to more innovative partners. In the U.S., government agencies have to devote at least 3% of their overall annual budget to small business through the Small Business Innovation Research programme. We recommend a similar programme for Europe, with dual targets of 3% of spending devoted to pre-commercial procurement, which covers research and development, and 20% devoted to public procurement for innovation, which covers "bringing innovative end-solutions to market." The targeted funding should go to innovative SMEs and startups, and to consortia with innovative startups within them. Large companies providing goods and services to government should report to what extent they include startups and fast-growing companies in their value chain. Governments and think tanks should report and monitor the percentage of public procurement going to startups and innovative companies, drawing on publicly available data to produce regular surveys and using public discussion to drive change in the area. Governments should ensure that their outreach programmes such as hackathons and inducement prizes are systematically integrated with the procurement process.

4.4. Don't ban new business models

Business model innovation is one of the most important ways to create value. We need to stimulate it, not stifle it. The sharing economy is just one new example of innovation that challenges regulation: there will be more. Regulators oscillate between ignoring these developments and banning them. Startups can't grow with a constant uncertainty over regulation of their business models. Banning new services in order to protect incumbents is short-termist, but most importantly damaging for consumers and for the innovation system as a whole. New services should follow the rules, and comply with basic requirements such as taxation and local labour law. But we can't hide from technological change, we should welcome it and ensure that it turns into the advantage of all through dialogue and smart regulation. We need a European approach that stimulates innovation, rewards consumers and avoids fragmentation between national and local regulation. Banning innovative business models should always be a last resort.

> ‘We can’t hide from technological change, we should welcome it and ensure that it turns into the advantage of all through dialogue and smart regulation.’

4.5. Deepen corporate-startup collaboration

Looking at the headlines, it’s easy today to identify innovation with startups entering traditional markets and disrupting them. However, much of the innovation in traditional sectors often comes from the collaboration between incumbents and newcomers. Collaboration between startups and large corporations is crucial for the European ecosystem to deliver successful scale ups and compete internationally. Corporations need the innovative ideas that startups bring. Nevertheless successful cooperation is too rare, and too often limited to outreach mechanisms such as hackathons. We need to scale up collaboration at a pan-European level (and beyond merely national initiatives). But there are real, deeply ingrained challenges as startups and corporates have very different cultures and processes. Governments can help limit these challenges, by:

4.5a. Earmarking funding for corporate-startup collaboration within overall innovation funding

Successful outcomes might include co-development of procurement contracts, increased levels of investment, or eventually exit and/or acquisition opportunities.

4.5b. Providing data and matchmaking services to facilitate collaboration and exchange of experiences

The Startup Europe Partnership, led by the European Commission, provides a good example. Similar initiatives could be replicated at a national level.[28]

28 Alberto Onetti and Gené Teare, *Startup Transatlantic M&As: U.S. vs EU* (San Francisco: Mind the Bridge and CrunchBase, 2016) http://startupeuropepartnership.eu/wp-content/uploads/2016/09/Startup-Transatlantic-MAs_MTB-Crunchbase_2016.pdf

'We need to scale up collaboration at a pan-European level.'

Summary of Actions

Objective	Actions	
Open data	4.1	Open government data
Use sandboxes	4.2	Regulators should make greater use of so-called "sandboxes," where new models are tested in safe environments
Open research and innovation funding	4.3a	Research and innovation funding should be more open to a wider community, including scale ups
	4.3b	Research funding should be less risk averse with more turnover in successful applicants. Declared success rates are too high; failure in some areas should be considered as a sign that at least the bold was attempted
	4.3c	SMEs and scale ups should be included in key decisions, including programme goal setting and monitoring
	4.3d	Member states should open public procurement up to scale ups by setting and meeting monitorable targets for SME involvement (3% for pre-commercial procurement [R&D] and 20% for public procurement of innovation)
Allow innovation to flourish	4.4	Don't ban new business models
Startup-corporate collaboration	4.5a	Earmarking funding for corporate-startup collaboration within overall innovation funding
	4.5b	Governments can assist with data and matchmaking services

05 Broaden Education

European educational systems struggle to equip young people with the skills they need to succeed. Unemployment rates among young people reach 25% at EU level, and more than 50% in countries such as Greece and Spain, while at the same time European companies say they will need as many as 825,000 more skilled ICT workers by 2020[29] and one third of entrepreneurs report that lack of skills as a major business problem.[30] This paradox is unacceptable.[31] We need educational establishments to join forces with companies to do a better job in providing students with key skills such as ICT and entrepreneurship, as well as early work placements; and we need to fully exploit informal education opportunities outside institutional establishment.

5.1. Entrepreneurship education

5.1a. Teach entrepreneurship in schools

The economy is changing, and so are the demands on people who will live and work in it. The future may not be not a world where everyone is CEO of a startup; but it will be a world where founding a company will be considered a normal choice, not a unique destiny reserved to (mostly male) super-heroes. This will require a dramatic expansion and possibly even a paradigm shift in our educational institutions. Students should learn and start getting familiarised with what it means spot an opportunity, create a new product and run a company by the age of 12. Entrepreneurship should become part of the school curriculum, and mainstreamed across all secondary schools and universities. Programmes such as Erasmus for Entrepreneurs and Founders4Schools should be expanded to high school and university students to provide short internships in startups across Europe. There are many examples of carefully designed and engaging game-like programmes that get students familiarised with basic concepts of entrepreneurship without inducing them to a culture of extreme competition.

5.1b. Incentivise and celebrate academic entrepreneurship

Every university should provide students seeking to found a company, and particularly women, with adequate advice, support and peer-to-peer networks. University students can be supported through "protected" environments, which lower risk. Commercialisation of innovation and startups creation, not just publications, should count for university career progress and be taken into account during staff recruitment.

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29 Tobias Hüsing, Werner B Korte and Eriona Dasjha, *"E-Skills in Europe: Trends and Forecast for the European ICT Professional and Digital Leadership Labour Markets (2015-2020)"* 2015 (Bonn: Empirica, 2015). http://eskills-lead.eu/fileadmin/LEAD/Working_Paper_-_Supply_demand_forecast_2015_a.pdf

30 McKinsey, *Education to Employment: Getting Europe's Youth into Work 2014* (New York: McKinsey, 2014). http://www.mckinsey.com/industries/social-sector/our-insights/converting-education-to-employment-in-europe

31 On a UK level, a Confederation of British Industry/Accenture study reports that 46% of large UK-based businesses listed low levels of skills in the workforce as a major impediment to growth. A similar survey from the Scale Up Institute in the UK found that 82% of the 163 scale ups surveyed agreed they would be able to grow faster if university graduates had the skills needed. See CBI/Accenture, Employment Trends Survey 2015 (London: CBI/Accenture, 2015). http://www.cbi.org.uk/news/job-creation-up-but-skills-shortages-rising-labour-costs-start-to-bite-cbi-accenture-survey/the-path-ahead/ and Scale-Up Institute, Scale-Up Survey 2015 (London: Scale-Up Institute, 2016). http://www.slideshare.net/sherrycoutu1/scaleup-survey-2015-consolidated-deck

'We need educational establishments to join forces with companies to do a better job in providing students with key skills.'

5.2. Equip every student with Information and Communications Technology (ICT) skills

5.2a. Teach coding in schools and universities

Information technology and coding skills should be part of the core curriculum both in schools and universities. To be clear, we are not referring simply to using basic tools such as e-mail and productivity software: we need "360 degrees" competences adequate for the 21st century, from design thinking and content creation to communication and managing personal data. And universities and other lifelong learning institutions should mainstream digital components throughout every subject.[32]

5.2b. Teachers´ training for digital competences

Teachers should be equipped with the necessary skills, and e-learning and Massive Open Online Courses or MOOCs should become the primary lifelong training tools for teachers. Technology companies (large and small) should be systematically involved in designing and providing courses in schools and universities to ensure that the ICT skills remain relevant.

5.3. Open the educational path to lifelong learning

Today, the job market is organised around one linear model: skills are obtained by attending courses and they are certified through a degree delivered after a test. But the reality of learning is much more multifaceted.

5.3a. Recognise informal learning and degrees based on MOOC-coding programmes

MOOCs open up tremendous opportunities for educating with low costs and should be considered a core part of the educational system. Moreover, especially in ICT, much learning is taking place outside formal courses through exchanges of tacit knowledge and learning by doing. The certification of learning is no longer confined to experts assessing the competences, but can be based on the tangible products, such as software, and how it is assessed by the community of peers. However, these informal learning and certification are often community-specific and not widely recognised. We should develop interoperable, flexible forms of recognition for informal learning.

5.3b. Ensure educational institutions guarantee work placement in their curriculum

Practice in real-life work environment is a necessary part of education. Education institutions should ensure contacts between their students and local scale ups, and should include work placement in their curriculum. National and local governments should develop appropriate schemes to ensure this takes place systematically and not on a case-by-case basis.

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32 Anusca Ferrari, *DIGCOMP: A Framework for Developing and Understanding Digital Competence in Europe* (Seville: European Commission, 2013). http://ftp.jrc.es/EURdoc/JRC83167.pdf

'Entrepreneurship should become part of the school curriculum, and mainstreamed across all secondary schools and universities.'

5.4. Help startups develop skills for business growth

Businesses need dedicated training to manage and support their scaling up. And for all of our entrepreneurial talent, Europe still lacks a large corps of potential scale up leadership talent in terms of second generation entrepreneurs who can provide mentoring and act as role model. We need better training for companies to face the strategic and operational challenges of scaling up, such as capital requirements, supply chain, market access and management. And we need to focus more sharply in business education on the unique skills emerging in the digital economy: How do you take an app from 100 users to one million? How do you "monetise" a "software-as-a-service" product? How do you manage a sales team selling cloud or other "big data" services? All of these topics need greater study in European business schools – and greater scaling through the education system itself. We need to advance our effort to understand and define the unique skill set that startups need – and make sure our educational system can deliver.

We need to replicate and mainstream initiatives such as the ELITE programme (Italy and UK), supporting fast-growing companies by training and mentoring.[33] In particular, startups need to be equipped with the necessary skills to manage collaboration with corporates. We need to raise awareness among startups about the benefits of collaboration; and to equip them with adequate collaboration skills.[34]

Summary of Actions

Objective	Actions
Enterpreneurship education	5.1a Teach entrepreneurship in schools 5.1b Incentivise and celebrate academic entrepreneurship
ICT skills	5.2a Teach coding in schools 5.2b Teachers' training
Open the educational path	5.3a Open the educational path to lifelong learning. Recognise informal learning and degrees based on MOOCs 5.3b Ensure educational institutions guarantee students work placement in their curriculum
Education for business	5.4 Ensure adequate skills for business growth

33 Sherry Coutu, *The Scale-Up Report On UK Economic Growth* (London: Information Economy Council, 2014). http://www.scaleupreport.org/

34 Bannerjee, Bielli and Haley, op. cit.

06 Monitor, Measure and Evaluate

Thought leadership is a hard thing to define – let alone to develop. But Europe has several key and evident challenges in this area. First and foremost, startup leaders must learn to speak up and be heard. Without a stronger voice from European startups, there is no guarantee that the policy progress of recent years will be "scaled up," as it were. There is a particular responsibility for the CEOs and founders of Europe's 41 "unicorns," the companies whose market valuations have reached more than €1 billion. But it can't all be left to the unicorns. Put simply, startup leaders must learn to interact with policymakers, putting concrete and actionable policies on the table and sharing their wisdom about policymaking and the policies that work through constant, ongoing public outreach.

6.1. Track and evaluate all legislation, European and national

The tracking should be overseen by an independent annual survey on the European startup/scale up scene, combined with on-the-ground collaborative monitoring, and pulled together and distributed in a major annual publication. The publication should include scores for national governments based on a percentage of measures implemented – or ignored. It should include a breakdown of measures taken and not completed. At the European level, registry-based data should be harmonised from country to country to allow greater study and develop deeper insight. Data releases should be made quarterly. And there should be deeper, better figures on total funding and number of employees employed in the sector.

6.2. Set up an EU-level observatory for studying growth and growth-related policies at the European and national levels

The observatory should be independent. It should be adequately resourced and constitutionally independent. In its work, it should involve a wide range of stakeholders, but it should present views and assessments that are evidence based and independently verified. It should publish regular league tables tracking member state and EU-level progress in key areas such as adoption of insolvency legislation, avoidance of late payments, public procurement allocation and other similar areas mentioned throughout this manifesto. Transparency and monitoring in these key areas should be used to drive change and push all EU member states up to levels of best practice.

‘Benchmarking should be global, and not limited to inner-European comparisons.’

6.3. Convene an annual meeting of the European Startup Network and other startup community leaders with high-level patronage

This should include the European Commission as well as the High-Level Working Group of the Competitiveness Council, including its attached national experts and high-level member state representatives. The meeting should be used to review annual progress. Outside contributors, including CEOs and thought leaders from the global startup/scale up scene, should be encouraged to join so the sessions do not become inward-looking, self-referential discussions. Benchmarking should be global, and not limited to inner-European comparisons. And European ecosystems should use this pan-European umbrella to increase collaboration. Even today, most European initiatives remain national even as supply chains become lengthier and ever more global. European startups should sieze the moment, taking on heft, forming new and better alliances and working more directly together to make Europe not just a great place to start a company, but a great base from which to conquer the world and change life as we know it.

Summary of Actions

Objective	Actions
Track and evaluate all policies at local, national and European level	6.1 Track and evaluate all legislation, European and national. To be overseen by an annual survey and on-the-ground, open, collaborative monitoring, pulled together and distributed in a major publication. It should include scores for each national government and for the EU collectively, including a breakdown of actions not taken and areas not completed
Set up an observatory or think tank to monitor progress	6.2 Set up a think tank to continue exploring these issues, serving as a powerful platform for discussion of the future
Annual meeting of startups, unicorns, scale ups, innovators and policymakers with high-level patronage	6.3 Convene an annual meeting of the European Startup Network and other startup community representatives and leaders with high-level input and patronage

A 'To-Do' list: Who Does What When?

Every call to action should contain a clear, well-defined roadmap in which everyone's responsibility is clearly defined. We provide such a roadmap here, breaking down the 49 concrete actions outlined in this manifesto into a "to-do" list for each of the key players: European Union policymakers, member-state governments, startups and scale ups and other ecosystem players. In the end, we call for annual monitoring and performance appraisals.

01 Complete the Single Market

ACTION		European Union Policymakers	European Union Member State Governments
1.1	Develop a pan-European clearing house for recovery of VAT	Initiate work on a pan-European VAT clearing house. It should be online, effective and easy to use. And it should pass the SME test easily	Create an effective legal base for a European VAT clearing house to enable cross-border declarations and recovery
1.2	Apply the SME test	Enforce the usage of the SME test in EU legislative process Develop an adapted methodology for scale ups	Enforce usage of SME test mechanisms in the national legislative process
1.3	Make copyright an instrument for innovation	Widen and harmonise exceptions and limitations in copyright with innovation-driven businesses in mind; include inventors of new business models in impact assessment and structured dialogue	Widen and harmonise exceptions and limitations in copyright with innovation-driven businesses in mind; include inventors of new business models in impact assessment and structured dialogue
		Adopt a new text and data mining exception, commercial and non-commercial, when content has been rightfully obtained	Introduce text and data mining exception, commercial and non-commercial use, when content has been rightfully obtained
		Introduce a European regulation creating a single European copyright licence	Ensure national recognition and enforcement of pan-European copyright licences
1.4	Make data work	Restore coherence at the European level in the data-protection field	Limit use of so-called "opening clauses" in GDPR to preserve a single ruleset
		Initiate a structured dialogue with SMEs, startups and scale ups on the effect of data rulings on small entities and cross-border businesses. The dialogue should be supplemented with impact assessments and evidence	Data protection regulators to establish a structured dialogue with the startup community
		Drop all data localisation requirements	Remove national storage requirements
		Work to keep transatlantic data flows secure and open and to make the new privacy shield a success	Encourage and support full use of improved privacy shield framework

Startups and Scale Ups	Ecosystem Players
Endorse, accept and quickly take up the new cross-border system	The new system should be developed through PPP based on consortia and competitive tenders
Participate systematically in the legislative consultations under the think small first principle	Private-sector participants are politely invited to "think small first" as well
Recognise "fair use" in copyrighted material by other entities	Recognise "fair use" in copyrighted material by other entities
Use text and data mining to build better, stronger, more customer-driven businesses	Use text and data mining to build better, stronger, more customer-driven businesses
Use the licenced content to build great, innovative, cross-border businesses	Use the licenced content to build great, innovative, cross-border businesses
Build a climate of trust around data	
Participate in local startup/data protection supervisor dialogue constructively	Associations initiate dialogue and ensure exchange of best practise
Sign up and fully implement provisions of improved privacy shield where necessary	Companies to use and promote privacy shield framework and respect its provisions

	ACTION	European Union Policymakers	European Union Member State Governments
1.5	Strengthen e-Identity to improve cross-border commerce	Encourage eID interoperability standards adoption today; don't let others stall	Ensure that the system of eID is interoperable by following EU technical specifications for eIDAS interoperability correctly
		Offer the eIDAS standards to the private sector for the development of robust, pan-European authentication systems	Recognise eID from other member states and ensure that their online services accept your citizens'
1.6	Launch new EU Patent Courts and Unitary (single-language) Patent		Provide adequate information for startups on Unitary Patent Protection
		Ensure that the Unified Patent Court starts to function	Ratify Agreement on Unitary Patent Court (at least 13 member states)
1.7	Better administration		Publish all official documents online in certified translations (multi-language)
		Adopt a "digital by default" principle	Adopt a "digital by default" principle
1.8	Make Europe's digital infrastructure best in the world	Adopt a target of widespread 1 gbps access by 2025 and roll out the networks	Adopt a target of widespread 1 gbps access by 2025 and roll out the networks
1.9	Harmonise consumer rules	Develop a single cross-border commercial contract including agreed definitions on dispute resolution, consumer protection, cross-border sales and other relevant points	Adopt and implement the single cross-border commercial contract including agreed definitions on dispute resolution, consumer protection, cross-border sales and other relevant points

Startups and Scale Ups	Ecosystem Players
Adopt and encourage the use of robust e-Identity protocols including eID	
Use emerging e-Identity standards to facilitate and expand cross-border commerce	Lead by example and adopt eID technologies
Ensure uptake of unitary patent by startups and scale ups	
Ensure uptake of online government by startups and scale ups	Adopt "digital by default" principle for startup clients and vendors
Use the unified contract, once it is available	

02 Mobilise Capital

	ACTION	European Union Policymakers	European Union Member State Governments
2.1	**Complete the capital markets union**	Propose a legislative initiative to harmonise the regulatory framework on business insolvency and allow for quick bankruptcy	Adopt the 2014 Insolvency Recommendation, which would bring much needed transparency to balance sheets and make it easy for honest entrepreneurs to get a second start
		Set up a simple and transparent cross-border framework for crowdfunding Coordinate the alignment of national crowdfunding policies	Mutually recognise crowdfunding platforms, in particular if MiFID compliant
		Provide guidelines on criteria, procedures and fees for "startup visas," which will remain member-state competence; create a single point of contact for all EU member states	Launch and/ harmonise existing startup visa programmes to facilitate investments in startups and scale ups
2.2	**Build incentives for growth into the tax system**	Use European Commission "bully pulpit" to encourage national tax systems to allow more effective "attraction of talent" measures	Introduce a tax regime allowing taxation of stock options upon execution
		Use European Commission "bully pulpit" to encourage national tax systems to neutralise the decision of debt v. equity	Implement notional interest deductions
		Use European Commission "bully pulpit" to encourage national governments to provide incentives for angel investment	Adopt tax incentives to promote angel investment. The private sector should be encouraged to invest in promising businesses

Startups and Scale Ups	Ecosystem Players
Promote second chance entrepreneurship	
National startup and business communities should use crowdfunding as an alternative financing tool and promote awareness through trainings and best-practice promotion	
Hire the best you can get. Keep an eye out for talent	
Use a stock/share option as an effective way to attract talent and reimburse top-performing employees	
Take advantage of new measures (when they come) to make better, smarter scale up decisions.	
Encourage and inform potential investors about possible tax advantage in angel investing	Angel investors should be active and engaged, providing funding and mentorship at all stages of company life

ACTION	European Union Policymakers	European Union Member State Governments
2.3 Crowd in capital	Make European Fund for Strategic Investments (EFSI) permanent	
	Develop the proposal for a pan-European venture capital fund of funds supported by EU funds Develop multi-country funds supported by the EU budget to mobilise private capital	Participate in multi-country funds and facilitate partnerships with banks and investors
	Encourage pan-European high growth stock markets	Establish dedicated high growth segments on national stock market or alternative investment markets Reduce entry costs and administrative requirements to a stock exchange entry for scale ups
	Monitor payments in member states and provide benchmarking services Support member states in developing prompt payment policies	Improve the public payment – an average time to pay an invoice in business to government transactions to be below 30 days in the country Ensure full implementation of Late Payments directive, in particular by making redress measures easier and more accessible

Startups and Scale Ups	Ecosystem Players
	Banks and accelerators to educate startups and scale ups on stock market possibilities. Provide support and help to go public
Pay suppliers promptly	Large companies should set a good example and try to reach an average time to pay an invoice in business to business transactions below 30 days

03 Activate Talent

	ACTION	European Union Policymakers	European Union Member State Governments
3.1	**Incentives to hire**	Support a coordinated tax wedge cut in all 28 EU member states	Implement a coordinated tax-wedge cut on labour costs and bring it in line with OECD average. Countries that don't have them should adopt first-hire incentives
3.2	**Hire or train one additional employee**		Member state governments should fund or subsidise training vouchers, facilitating the training of young people in successful scale ups without creating additional financial burden for the startups
3.3	**Mobilise European talent**	Recognise the concept of remote hiring and set up a framework to facilitate European legislation changes	Introduce a "knowledge worker visa" with the same eligibility requirement as the EU blue card
3.4	**Attract foreign talent**	Adopt the new blue card scheme	Implement the blue card directive effectively in the country

	Startups and Scale Ups	Ecosystem Players
	Startups and scale ups should hire or train at least one additional employee in the next 12 months	

04 Power Innovation

	ACTION	European Union Policymakers	European Union Member State Governments
4.1	Open Data	Make all public data available for innovative new businesses and services	Make all public data available for innovative new businesses and services
4.2	Use sandboxes	Provide guidelines on sandboxes and other experimental policymaking tools; include sandbox evaluations in impact assessments	Use sandboxes and other experimental policymaking tools
4.3	Open up innovation policy	Involve startups throughout the funding cycle Adopt a percentage of new beneficiaries for R&I funding instruments	Report startups involvement throughout the funding cycle. Adopt a percentage of new beneficiaries for R&I funding instruments
		Adopt multi-stage and fail-fast measures in funding programmes	Adopt multi-stage and fail-fast measures in the funding programmes
		Simplify procedures and make them consistent across different instruments (Horizon 2020 and Structural Funds)	Simplify procedures and make them consistent across different instruments (Horizon 2020 and Structural Funds)
		Initiate new European public procurement monitoring tool Report percent of procurement from startups and scale ups on a yearly basis	Devote 3% of the budget to procurement of R&D and 20% of innovative products and services Report percent of procurement from startups and scale ups on a yearly basis
4.4	Innovative business models	Develop a common EU approach to innovative business model, based on "banning as last resort"	Adopt a "banning as last resort" approach, with full justification
4.5	Corporate-startup collaboration	Devote funding quota to corporate-startup collaboration	Devote funding quota to corporate-startup collaboration
		Continue to support and expand EU-wide initiatives such as Startup Europe Partnership that facilitate collaboration between corporates and startups Support national adaptation of Startup Europe Partnership-like organisations	Replicate and adopt startup Europe partnerships on the national level. Encourage the participation of leading large and medium-sized corporations in matchmaking initiatives

Startups and Scale Ups	Ecosystem Players
Develop innovative new businesses and services with open data	
Take an active role in sandbox experiments and consultations	
Educate yourselves on all of the options available to you and participate as and where appropriate	Large companies to invite startups and SMEs to consortia for public funding
Participate in public procurement	Large companies to invite startups and SMEs to consortia for public tendering
Take part in dialogue with EU and national regulators	Associations and stakeholders support and engage in policy dialogue
Take part in matchmaking initiatives	Large and medium-sized companies should take part in matchmaking initiatives

05 Broaden Education

	ACTION	European Union Policymakers	European Union Member State Governments
5.1	**Teach entrepreneurship in schools and universities**	Develop European framework for practical entrepreneurial education (Erasmus for Entrepreneurs version for students)	Introduce courses / activities aimed at enhancing entrepreneurship skills as a part of the core curriculum in a primary and a secondary education system (e.g. willingness to take risks, ability and willingness to take initiative) Launch initiatives connecting teachers with business leaders such as Founders4Schools in the UK Launch initiatives to promote and recognise entrepreneurial activity by researchers, including career mechanisms
5.2	**ICT skills**	Support and coordinate national member state efforts	ICT as a part of the core curriculum National initiatives to teach coding in school National initiatives to train teachers in ICT
5.3	**Open the educational pathway**	Develop a European Framework for inter-operablity and recognition of informal learning, and professional certifications	Put in place national arrangements for validation of informal and informal learning in line with The 2012 Council recommendation and revised guidelines of 2015
5.4	**Education for business**	Establish EU networks for training for scale ups	Establish national networks for training for scale ups

Startups and Scale Ups	Ecosystem Players
Participate in initiatives such as Founders4Schools	Schools to introduce entrepreneurship education activities in connection with existing initiatives Universities to promote and support entrepreneurship by researchers
Participate in teaching coding in schools	Schools to organise collaboration with startups
	Universities to provide dedicated training for scale ups

06 Monitor, Measure and Evaluate

	ACTION	European Union Policymakers	European Union Member State Governments
6.1	**Track and evaluate all scale up/startup/company-growth related policies at local, national and European level**	Launch an annual survey and on-the-ground, open, collaborative monitoring, providing scores for each national government and for the EU	Provide input in the annual monitoring
6.2	**Set up an observatory or think tank to monitor progress**	Set up an observatory or think tank to continue exploring scale-up issues	Contribute to the think tank activities
6.3	**Annual meeting**	Convene an annual meeting of the European Startup Network and other startup leaders with high-level input and patronage	Send high-level delegations of policymakers and decision makers to the meeting (director-general level).

Startups and Scale Ups	Ecosystem Players
Provide input in the annual monitoring	
Contribute to the think tank activities	
Send CEOs and other senior representatives (not just marketing managers or lobbyists)	Come with an open mind, to speak and to listen

Acknowledgements

The Scale Up Manifesto would not be possible were it not for the patronage and encouragement of Günther Oettinger, European commissioner for digital economy and society, who encouraged us to write it – and gave us the freedom to bring powerful, disruptive ideas into the highest levels of European policymaking, with no effort to control or dictate where we might go or what we might say. "Tell me what I need to do to help startups to scale up in Europe and together we will do it," Commissioner Oettinger told startups in the European Digital Forum-sponsored track at CeBIT 2016 in Hanover, Germany. The resulting manifesto is our answer. All views and recommendations are those of the authors and signatories alone.

A special thanks as well to Commissioner Elżbieta Bieńkowska and Director Kristen Schreiber of the European Commission's DG internal market, industry, entrepreneurship and SMEs (DG-GROW), who have done so much over the years for startups and SMEs. Their patronage and encouragement have been essential. And we look forward to working with them to make sure Europe and European legislation continue getting "A's" on the all-important SME test.

A special thanks as well to Sherry Coutu, whose inspirational *The Scale Up Report on UK Economic Growth,* brought out in 2014, showed how far a first-rate analysis could take you and what could be achieved through brilliant outreach and genuine thought leadership. And to Simon Schaefer, founder of Factory in Berlin, and Alberto Onetti, chairman and president of Mind the Bridge, who shared their generous wisdom with us, setting us right on a few key points, and offering innumerable moments of insight and inspiration. Thanks as well to the Expert Group on Startups and Scale Ups of the High-Level Working Group on Competitiveness at the Council of the European Union, whose encouragement and input were also crucial. And to the Slovak Presidency of the Council of the European Union (July-December 2016) and to Zuzana Nehajová and Juraj Hošták, in particular.

Thanks as well to members of the European Startup Network and Allied for Startups, who so brilliantly crowdsourced and actively debated the recommendations and conclusions. As you read these words, this is not a passive document but a living roadmap. The European Startup Network has agreed to take an active role in monitoring national startup ecosystems and promoting research on startups. As we move forward, some organisations will take a leading role in the monitoring and evaluation of national and European progress on this 49-point manifesto.

Finally, if you'd like to add your name, visit www.scaleupeuropemanifesto.eu, where you can sign the Scale Up Manifesto, and leave your comments for future iterations and editions. Our intention was never to have the final word. To the contrary, if what we have done here inspires more debate and leads towards better policy outcomes, it will have been a success. Your role in that process is crucial. Please add your name and tell your friends. And check back at www.scaleupeuropemanifesto.eu for ongoing updates and reports on progress and outcomes.

Additional reading

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Design by karakas

Published by the Lisbon Council, Nesta and Open Evidence © 2016

Responsible editor: Paul Hofheinz, president, the Lisbon Council asbl

The project received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 645099.

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The Lisbon Council asbl
IPC-Residence Palace
155 rue de la Loi
1040 Brussels, Belgium

Nesta
1 Plough Place
London EC4A 1DE
United Kingdom

Open Evidence sl
156 Rambla del Poblenou
08018 Barcelona
Spain