Anitec-Assinform

The EU Start-up and Scale-up Strategy
Reply to the call for evidence – Anitec-Assinform

INTRODUCTION

Anitec-Assinform is the business association representing the Information and Communication Technology industry in Italy. As such, we present the unique perspective of the Italian digital ecosystem, comprised of major global players, national champions, fast-growing SMEs, startups and scaleups.

We believe the Potential of the EU Single market untapped due to persistent barriers, regulatory fragmentation, and the increasing innovation gap between the EU and global partners. This unreleased potential affects the whole digital value chain as startups and scaleups operate within a broader ecosystem that affects their ability to grow, compete and generate industrial innovation.

This document outlines insights and recommendations for the upcoming strategy. We provide extremely recent data on the ICT startups and innovative SMEs and we outline our position on two key issues we believe should be crucial in the forthcoming strategy:

1. **Completing an Innovation-Friendly Single EU Market**: address the regulatory complexity and cross-border fragmentation that currently hinder digital companies from scaling across Europe. This includes harmonization of the Digital Single Market's regulatory framework and establishment of a "28th regime" to provide a unified legal status for innovative European companies, and complementary policy initiatives to foster corporate-startup collaboration, support global expansion, and strengthen innovation infrastructure.
2. **Strengthening Growth Enablers – Talent, Data, Computing**: ensure that innovative companies have access to the fundamental resources needed to scale - particularly to address the ICT skills mismatch and secure adequate access to data and computing infrastructure.

Associazione Italiana per l'Information and Communication Technology (ICT)
Milano, Via San Maurilio 21, 20123
Telefono 02 0063281
segreteria@anitec-assinform.it – anitec-assinform@pec.it – www.anitec-assinform.it
P.IVA: 10053550967 C.F.: 10053550967

Anitec-Assinform

Insights on Startups and Innovative SMEs in the Italian ICT Sector

Based on the "**Registro delle imprese dataset**" from InfoCamere updated in February 2025, **Italy hosts 10,600 ICT companies classified as Startups and Innovative SMEs, collectively employing 50,400 individuals.**

Within this ecosystem, **8,653 startups operate in the ICT sector, with approximately 25% (2,938) specializing in "digital enabler" technologies** such as Artificial Intelligence, Cybersecurity, and Blockchain. More in detail, the data shows that 527 companies focus on Artificial Intelligence, 189 on Big Data & Data Science, 148 on Blockchain, and 112 on Cloud technologies.

Regarding innovation metrics, **68.8% of these ICT Startups and Innovative SMEs have significant R&D spending** (>15% of total spending for startups, >3% for ISMEs). Additionally, **26.3% of the ICT startups and ISMEs have already registered at least one patent or software**.

From a financial perspective, **only 10% of these startups and innovative SMEs report production values exceeding €1,000,000, while 40% generate less than €100,000 in total production value**.

Concerning demographics, we observe that between Q1 2020 and Q4 2024, **Innovative SMEs and Startups in the ICT sector experienced cumulative growth of 57%, while their non-ICT counterparts declined by 25.7% during the same period.** Most notably, enterprises specializing in digital enablers exhibited remarkable expansion, with 248% cumulative growth from Q1 2020 to Q4 2024.

Workforce dynamics present interesting patterns. **Startups and Innovative SMEs in the ICT sector recorded 126% cumulative employment growth between Q1 2020 and Q4 2024**, but this increase is predominantly attributable to newly established enterprises. **When analyzing established companies using a constant perimeter approach, the workforce growth rate appears modest**

Recommendations

1. Completing an Innovation-Friendly Single EU Market

Despite being one of the world's largest unified markets, the EU still operates as 27 fragmented markets for startups, each with its own legislation, administrative requirements, and compliance frameworks. This fragmentation represents the most significant barrier to European startup growth and competitiveness. As the Letta and Draghi reports emphasize, Europe must address this fragmentation to unleash innovation potential and foster EU tech champions.

The regulatory complexity disproportionately affects digital startups, who must navigate inconsistent implementations of EU regulations across member states. Meanwhile, the absence of a unified legal framework for innovative companies forces entrepreneurs to spend time, workforce, and financial resources navigating national legislations rather than focusing on growth and innovation. The proposed "28th regime" would create an EU-wide company status that could help innovative businesses operate seamlessly throughout the Single Market without these barriers.

This fragmentation extends to capital markets and combines with structural issues like a limited VC ecosystem development and limited pension fund participation, creating a financing environment that restricts scaling. To address these capital market challenges, the Commission should implement targeted measures such as tax incentives for private investors and venture capitalists, establish an EU VC Fund, and harmonize EU Stock Exchanges to facilitate IPOs. These financial measures, alongside regulatory harmonization of the Digital Single Market and a unified legal framework for startups, are essential for removing barriers to growth.

The Digital Single Market itself faces immediate fragmentation issues that compound these challenges. Privacy regulations vary across member states, cybersecurity certification requirements differ substantially, and data protection frameworks lack consistency. For startups operating in the digital sector, these variations create significant compliance burdens that divert resources away from innovation and growth. Addressing these sector-specific regulatory inconsistencies is crucial for creating a truly unified digital environment where European startups can thrive.

As the association representing Italy's ICT industry, we will give special attention to the specific challenges of Digital Single Market fragmentation in the next section. Following that, we will address how the 28th regime could provide a unified legal framework for startups, and then outline complementary policy initiatives needed to create a comprehensive ecosystem where European startups can thrive through enhanced corporate-startup collaboration, global expansion support, and strengthened innovation infrastructure.

1.1. Harmonising the Digital Single Market

Success in the digital sector is vital for the future of the EU economy, and this can only come from further integration in the Single Market.

EU startups need harmonization and simplification of the digital regulations – after skilled workforce, and effective legal frameworks, startups cite the large and diverse consumer market as the reason for the attractiveness of Europe as a startup hub. Introducing barriers or segmenting the Single Market along national lines, e.g., through differences in implementation of the AI Act, or failure to agree EU cybersecurity certification schemes based on technical criteria, detract from one of Europe's key strengths. Addressing regulatory hurdles will resolve the most cited issue by startups as creating barriers to expansion: the EU's complex regulatory environment.

Today the Digital Single Market faces several key challenges that particularly impact not only startups and scaleups but the entire Digital Economy ecosystem in Europe, like:

Digital Regulation Complexity

- **Privacy Regulation**: inconsistent GDPR implementation across member states creates uncertainty for data-driven companies
- **Overlapping requirements** between GDPR, DSA, DMA and AI Act create confusion about compliance obligations
- **Incident reporting**: different notification timelines and procedures under various regulations (NIS2, GDPR, sector-specific)
- **Advertising**: Startups rely on targeted online advertising to build brands and customer bases cost-effectively; further limitations on personalization would harm them disproportionately
- **Resource impact**: small teams and organizations must handle multiple complex frameworks simultaneously with limited compliance expertise

Key issues with Digital Market Fragmentation

- **Product Labeling**: each member state requires different language versions and content requirements which creates a heavy burden for product-driven startups
- **Extended Product Responsability Schemes**: product-driven startups must register separately with each country's recycling system, facing: Different product categorization requirements, Varying data submission formats, Multiple service fees, Local language registration forms
- **Cybersecurity Certification**: Member States have national certification frameworks, requiring companies to obtain multiple certifications; the European Cybersecurity Certification Framework introduced through the Cybersecurity Act so far delivered only one EU-wide certification scheme (EUCC).
- **Data flows**: restrictions on the free-flow of data between Member States (counter to the objectives of the Regulation on the Free-Flow of Non-personal Data) means that businesses face additional costs and complicates access to new technologies. EU Regulation 2018/1807 should be consistently enforced (specifically by member states).
- **Complex procedures for digital infrastructure permitting (e.g., data centers) hinder the deployment of digital infrastructure uniformly across the EU.**
- **AI Act Governance**: EU Member States are free to nominate any authority for enforcement of the AI Act regarding deployed AI (prohibited, low risk, high risk AI). It will be a major challenge to ensure that very different kinds of authorities to consistently apply the same rules to the same use cases across different countries.
- **One Stop Shop Principle:** at the national level, EU digital legislation implementation often fails to properly implement this principle, leading to overlapping requirements and multiple national authorities for the same regulations, creating unnecessary complexity and costs for companies trying to operate across the Single Market. This is particularly evident in areas such as GDPR implementation, cybersecurity reporting requirements (NIS2, DORA), and the upcoming AI Act governance, where inconsistent national interpretations and multiple supervisory bodies significantly increase

compliance burden. The Commission should work closely with Member States in the transposition on EU legislation and ensure the One Stop Shop principle is upheld both in transposing legislation and in the implementation phase.

- **Industrial and Innovation Policy**: while not strictly a market fragmentation issue, we would like to bring to the Commission's attention the opportunity to provide guidelines on industrial policy (particularly regarding innovation funding for industrial sectors), including incentives for open innovation. Additionally, we recommend creating common excellence standards for Member States' R&D policies to encourage a "race to the top" in public-policy driven innovation. Furthermore, a review of state aid policies should be explored, and the process for joining IPCEIs (Important Projects of Common European Interest) should be simplified. Currently, IPCEIs could greatly benefit from startup involvement, but the compliance resources required are excessive for startups' capabilities.

Overall, this contributes to creating **an underdeveloped investment landscape**. In fact, the EU accounts for just 5% of global venture capital funds raised, compared to 52% in the US and 40% in Cina. The limited availability of capital constrains the birth and growth of European startups, which are often undersized compared to their US and Chinese competitors. This funding gap drives top founders towards more developed markets, fuels brain drain, and slows down scale-up efforts due to the scarcity of late-stage venture capital funds.

1.2. The 28th Regime for Startups and Scaleups

We believe that the European Economy, and in particular the digital sector, would benefit from the establishment of a new EU-wide company status to create a unified legal framework for innovative companies across Europe. Currently, young and innovative companies face a critical challenge in the European market: while their early funding naturally goes to research, innovation, and finding product-market fit, they must simultaneously navigate 27 different legislations to scale across Europe. The time required to enter a new European market ranges from 3 months to 3 years, making EU-wide expansion practically impossible for most startups. Consequently, after initial growth in their home country, many innovators choose to continue their development in larger, more unified markets outside the EU.

Although the EU already has a cross-border company structure (Societas Europea), its requirements make it impractical for startups and high-growth companies: companies must be formed through merger or conversion rather than from scratch, must meet high capital requirements, and must comply with complex governance rules.

To ensure the effectiveness of this new regime, it should be established through regulation rather than directive, specifically to avoid further market fragmentation through national transpositions.

Towards a new EU-Wide Company Legal Status

- **Digital-First Companies**: the 28th regime framework should be online-first, mobile-first, and API-first, built around a digital company registry. This could include EIDAS or e-residency identification processes and enable fully online handling of contracts, share allocations, board resolutions, and governance documentation. All due diligence processes should be completable online.
- **Not exclusively for SMEs**: the regime should not be exclusively for SMEs, recognizing that innovative companies often outgrow SME status during their scaling phase. The framework should provide flexibility while maintaining necessary protections.
- **Interoperability with national legislation**: the transition from national regimes to the 28th regime must be streamlined and straightforward. This includes clear processes for changing legal status and managing implications for existing arrangements like stock options and acquired rights. The transition process should be designed to minimize disruption to business operations.

Key areas of further harmonisation

- **Tax Law**: cross-border operations often require companies to deal with multiple tax administrations, creating significant complexity for scaling businesses. The Head Office Tax System for SMEs (HOT) could represent an interesting option to explore, as it would allow companies operating cross-border through permanent establishments to interact with a single tax administration.

- **Labor Law**: while employment policies remain primarily within member states' competence, the EU could consider advancing regulation in this area by establishing minimum standards through directives, aligned with the European Pillar of Social Rights action plan. The use of soft law tools and enhanced cooperation between member states might help achieve greater policy coherence while respecting national sovereignty.
- **Business Law**: given the current fragmentation of business legislation across various fields (company law, banking, finance, IP, employment, and bankruptcy), a more coordinated approach to business law could be worth exploring. A European Code of Business Law might provide better readability and foreseeability for companies operating across borders.
- **Public Procurement**: public procurement represents a significant part of EU GDP, ensuring equal treatment of 28th regime companies in procurement processes across the Single Market could be considered. Options might include exploring dedicated initiatives to encourage participation of companies under this new status.
- **EU Capital Markets Union**: the creation of a robust EU Capital Markets Union, effectively supported by pension assets, can significantly enhance Europe’s competitiveness in the tech venture ecosystem. Achieving this will require harmonizing insolvency frameworks, removing tax barriers to cross-border investment, and strengthening the EU budget to enable direct funding for priority projects. Scaling existing investment initiatives and launching targeted support programs to accelerate the growth of Europe’s next unicorns could profoundly improve the investment landscape.

1.3. Other EU Startup Policy Intiatives

Building on the foundation of the 28th regime company status, complementary policy initiatives are needed to create a comprehensive ecosystem where European startups can thrive.

Corporate-Startup Collaboration

A critical driver of startup success is collaboration with established corporations. Europe boasts major global companies, yet corporate-startup engagement remains underdeveloped compared to the US. To foster stronger partnerships:

- Implement an EU incentive program with co-investment mechanisms and incentives to boost Corporate VC and investment in startups
- Create regulatory sandboxes for startups to test new technologies in "Test and Learn" regulatory frameworks.
- Establish a mandatory allocation quota of EU public procurement to startups and scale-ups, ensuring innovative technology companies have a fair opportunity to participate in large-scale projects.

Global Expansion Support

- Launch an EU-funded Global Expansion Program delivering financial and advisory support for European startups entering key international markets
- Simplify and unify national funding programs, creating a single-entry point for startups seeking financial support across the EU
- Facilitate strategic partnerships between EU startups and non-EU companies, fostering cross-border innovation and investment

Innovation Infrastructure

To strengthen the foundation of the startup ecosystem:

- Encourage more public-private startup incubators and accelerators with direct investment from governments
- Establish a second-chance fund for failed entrepreneurs, reducing barriers for those who wish to restart after a failed venture
- Enhance engagement with international best practices through collaboration with global companies experienced in scaling startups, leveraging exchange programs and mentorship opportunities with successful international entrepreneurs

2. Strengthening Growth Enablers

While harmonizing the Digital Single Market and establishing a 28th regime are crucial steps, these measures alone cannot create the optimal conditions for a thriving digital innovation ecosystem in Europe. Regulatory simplification and legal harmonization must be complemented by addressing fundamental structural challenges.

The newly established Commission must prioritize within its Star-tup and Scale-up Strategy, three **critical enablers of digital innovation** that currently face significant obstacles across our continent: **talent** development and acquisition, **data** accessibility and utilization, and **computing infrastructure** deployment. These foundational elements form the backbone of digital competitiveness and require targeted policy interventions to unlock Europe's full innovation potential.

2.1. Access to Talent: addressing the ICT Skills Mismatch

Startups and scaleups cite talent availability as a major obstacle to their growth. The shortage of STEM professionals (Science, Technology, Engineering, and Mathematics) is a significant burden on the European economy. As the leading Italian national association for the ICT industry, we conduct an annual assessment—Osservatorio Competenze Digitali—in collaboration with industry partners to measure the skills mismatch in the Italian ICT sector. We believe that sharing its key findings with the Commission would help inform the final strategy.

Evidence from the Osservatorio Competenze Digitali 2024 final report

- **Widespread Talent Shortage:** The digital sector faces a critical shortage of qualified professionals, with demand consistently outpacing supply. In the past year alone, 184,000 job postings for ICT professionals were published in Italy.
- **Growing demand in emerging Technologies:** Areas such as artificial intelligence and generative AI show particularly acute skill gaps, with AI job postings increasing by 73% and Generative AI job postings surging by 380%.
- **Supply-Demand Imbalance:** Italian universities, despite their excellence particularly in basic research, produce only about 60,000 ICT graduates annually, covering merely one-third of market demand. This gap risks worsening in the coming years due to demographic decline.

Policies to tackle the ICT Skills Mismatch across Europe

- **Increase quality training and Public-Private Partnership in Education**: Strengthen collaboration between industry and educational institutions to develop more relevant curricula that align with market needs.

This includes promoting lifelong learning initiatives and reskilling programs for workers from other sectors.

- **Attract International Talent**: Importing talent from outside the EU remains a significant challenge due to complex visa procedures and fragmented work permit systems. Current startup visa programs are limited, making Europe a less attractive destination for global talent.

Tools to enhance access to talent for Startups and Scaleups

- **Harmonized Startup Visa Framework:** Building upon successful national models such as Estonia's e-residency and Startup Visa program or the French Tech Visa could yield significant benefits if expanded to a Union-wide framework. A harmonized approach would likely remove the current patchwork of country-specific solutions, potentially transforming Europe's ability to attract global talent and compete with other leading innovation hubs worldwide.
- **Standardized Employee Stock Options (ESOs):** A unified ESO framework could become a powerful tool for European startups competing for talent, particularly in high-demand sectors like technology and deep tech.
- **University-Startup Partnership**s: We believe it's crucial to enable stronger partnerships between startups and universities. Recent data from Italy shows that startup founders share similar curricula from just a few universities, clearly indicating unexpressed potential. Facilitating industry partnerships and entrepreneurship-oriented courses would be beneficial in this regard.

Finally, another useful "tool" worth considering at the EU level can be the creation of a **unified EU talent pool and matching platform**, facilitating recruitment and workforce integration across member states.

2.2. Access to Data

Data represents a fundamental resource for digital innovation, particularly for AI development and other emerging technologies. However, European startups face significant challenges in accessing high-quality data due to fragmented data spaces, inconsistent regulations, and technical barriers.

Common European Data Spaces (CEDS)

To promote the development and deployment of AI, access to high-quality data and robust digital infrastructure are essential. In this regard, CEDS represents an important initiative. Companies need simplified mechanisms to access and share data, supported by clear technical guidelines and standardized processes that reduce implementation costs. At the same time, cloud and infrastructure providers should not be subjected to overlapping or unnecessarily complex requirements, as they already face significant compliance requirements from recent legislation like the Data Act.

2.3. Access to Computing Infrastructure

Access to robust computing resources is a cornerstone for innovation ecosystems development, particularly in data-intensive fields like AI and Deep Tech. Several barriers currently limit the availability and accessibility of these resources for European startups.

Barriers limiting connectivity and access to cloud services

- **Overly restrictive data localization and sovereignty requirements:** These limitations restrict startups' access to best-available cloud services, creating artificial market barriers that reduce choice and flexibility. EU startups need access to best technologies and broadest ranges of high-quality data to be able to scale their businesses across Europe and globally (2nd most cited factor in scaling, after access to finance in recent Strand Partners study).

  The EU should avoid any protectionist policies as regards access to cloud and AI for start-ups, particularly those that limit European companies' ability to grow in key sectors like healthcare, education or transportation (most cited public services EU citizens want to see revolutionized by adoption of new technologies).

- **Complex and potentially discriminatory cybersecurity certification schemes:** Multiple certification requirements across member states increase costs and complexity for both service providers and users, particularly affecting resource-constrained startups.

Infrastructure Development Constraints

- **Complex and lengthy permitting processes for cloud infrastructure**: Inconsistent and burdensome approval processes for data centers and other digital infrastructure create bottlenecks that limit the expansion of computing capacity across Europe.

Power grid access challenges: The increasing energy demands of computing infrastructure face constraints in accessing reliable and sustainable power sources, particularly affecting the development of high-performance computing facilities.

Improving access to cloud infrastructure for Startups

Generally, for what concerns startups the EU can **consider leveraging on the existant European Digital Innovation Hubs** to provide startups with computing power, cloud storage, and secure data access.