Scaleup Financing

How Can Policymakers Better Address the Growth Capital Gap for EU Deep-Tech Scaleups?

Scaleup Series | Policy Report 2 out of 3

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Executive summary

'**Scaleup financing**' refers to the capital required for high-growth firms that have moved beyond the startup phase and seek to expand internationally. In the case of deep tech, these are companies based on scientific or engineering breakthroughs that typically face longer development cycles, higher capital expenditure, and greater technological risk.

Despite a well-developed financial infrastructure, Europe attracts roughly nine times less venture capital per worker than the United States. This shortage of growth funding can contribute to European ventures relocating to markets with deeper capital pools, weakening the link between Europe's strong innovation capacity and its ability to scale globally competitive firms.

This report aims to shed some light on how policymakers can better address the growth capital gap for EU deep-tech scaleups. Specifically, it explores how to improve and attract greater participation from private and corporate venture capital. The report is structured in four sections: an introduction to the topic, a stakeholder–policymaker comparison of priorities, a benchmark of EU and non-EU initiatives, and conclusions. It is based on a literature review, workshops, and surveys involving 59 experts, conducted to identify core challenges, benchmark initiatives, and explore potential mitigations.

Some of the main insights:

- **Evidence suggests Europe continues to face two financing gaps for deep-tech scaleups**, despite strong mechanisms (e.g., EIB, EIF, EIC, InvestEU). First, the growth finance gap: limited access to expansion rounds above €50 million, associated with fragmented private capital markets, insufficient private investor expertise in assessing technical risk, and low CVC activation. Second, the innovation finance gap: weak flow of existing capital toward deep-tech scaleups, short investment horizons among private and corporate investors, and a reduced number of scaleup acquisitions.
- **Mismatch in perspectives**: Policymakers and stakeholders agree on the shortage of growth capital but differ in focus. Policymakers prioritize long-term integration through the Capital Markets Union, while stakeholders seek short-term liquidity and exits. Corporate venture capital also reflects this divide—rated higher by stakeholders than policymakers.
- **Benchmark lessons**: Public anchors such as the EIC STEP Scale Up appear to crowd in private capital three- to fivefold. Pan-European fund-of-funds such as ETCI may support capital integration and talent retention. Public limited-partner models (e.g., British Patient Capital) suggest potential to mobilize institutional and long-term investors. Blended-finance tools under EIF and InvestEU may help lower perceived risk in deep-tech portfolios, while labeling and risk-sharing frameworks (e.g., Tibi Initiative) seem to foster investor trust and transparency.
- **Converging priorities**: The analyzed experts align on three directions: EU late-stage co-investment, integrated capital markets, and patient capital schemes. While the EU Startup and Scaleup Strategy provides a solid foundation through recent initiatives (e.g., Scaleup Europe Fund, the European Corporate Network), it may not yet fully tackle gaps in long-term funding suited to deep-tech ventures as well as corporate venture participation.

Setting the scene

"We must enable Europe's startups and scaleups to grow, thrive in Europe, and compete globally."

Ekaterina Zaharieva

Commissioner for Startups, Research and Innovation
European Commission

"In Europe, we need to attract private investors in the later growth stage of companies for rapid scaling up, especially in deep tech. […] When we launched this initiative, the EIC Scaling Club, the objective was to create a community with the relevant stakeholders on the sides of technology, investment, and advising to provide additional means to the most promising innovative companies, […] the ambitious scaleups that will drive Europe's technological leadership."

Jean-David Malo

Acting Director of ERA and Innovation Directorate, Directorate-General for Research and Innovation
European Commission

Source: The first quotation is from *Science Business* (October 2024). The second quotation is from EIC Scaling Club's online interview (April 2024).
Note: The EIC Scaling Club is a curated community where more than a hundred EU deep-tech scaleups, with the potential to build world-class businesses and solve major global challenges, come together with investors, corporate innovators, and other industry stakeholders to spur growth.

1. Introduction

Scaleup financing:
How can policymakers better address the growth capital gap for EU deep-tech scaleups?

Relevance for the addressed readers

1 Policymakers
Identifying challenges of deep-tech scaleups, possible policy interventions, and international examples.

2 Deep-tech scaleups
Understanding the public authorities' approach through reference cases for scaleup financing.

3 Deep-tech stakeholders
Contrasting policymaker and scaleup priorities, examples of practices, and possible gaps.

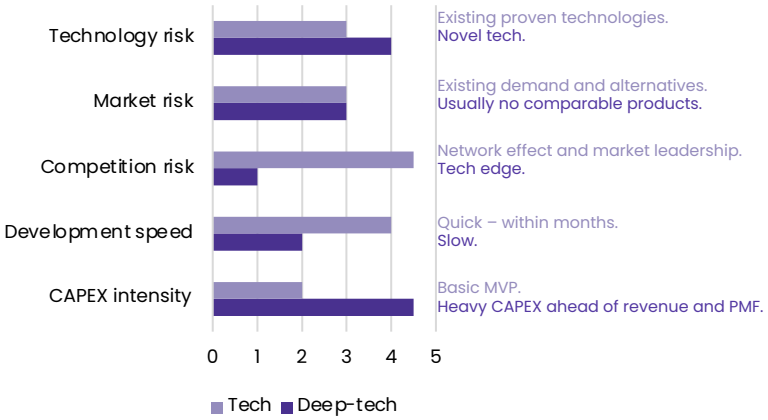
Note 1: 'Deep tech' is "a group of emerging technologies based on scientific discoveries or meaningful engineering innovations, seeking to tackle some of the world's fundamental challenges". For example: artificial intelligence, advanced materials, blockchain, photonics, etc. (IESE Business School, 2022).
Note 2: 'Scaleups' or 'scaling companies' refer to a subset of high-growth firms that have successfully navigated the early startup phase and entered a period of rapid growth (Journal of Business Venturing, 2003; OECD, 2021). They typically exhibit an average annual growth rate of more than 40% for at least two out of three years and have at least 10 employees at the beginning of this period. Moreover, they are 10 years old or younger. 'Scaling' is the organizational and strategic routines by which firms grow exponentially through the expansion, replication, and synchronization of resources and practices over time (Journal of Management Studies, 2023).

1. Introduction | Relevance of the topic

Deep-tech startups are different

They typically require longer time horizons, higher CAPEX, and greater technological and market risk.

Figure 1. Comparison of deep-tech vs. non-deep-tech startup characteristics

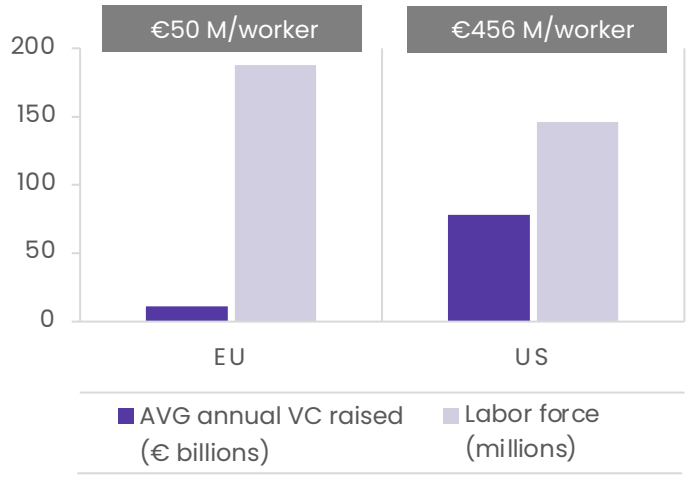


Source: IESE Business School (2021) and McKinsey (2022). Note: CAPEX is capital expenditure. MVP is a minimum viable product. PMF is product-market fit.

Larger workforce, less venture capital

Per worker, Europe attracts nearly 9x less venture capital than the United States does.

Figure 2: Average annual capital raised from limited partners by VC firms headquartered in the region (€ billions, 2023) vs. total labor force in the region (millions, 2023)



Source: Prepared by the authors with funding data from the International Monetary Fund (2024) and the labor force data from the World Bank (2024). Note: The annual average is calculated from 2013-2023.

Definitions

Scaleups: A subset of high-growth firms that have successfully navigated the early startup phase and entered a period of rapid growth. They have an average annualized growth rate of more than 40% for at least two out of three years and have at least 10 employees at the beginning of this period. Moreover, they are 10 years old or younger.

Scaleup financing**:** The capital required for innovative firms in their scaleup phase, a process of exponential growth.

Growth capital gap: It is the shortage of finance experienced by companies seeking to scale up to become established businesses that typically operate internationally.

Source: European Management Journal (2022), Journal of Business Venturing (2023), and Journal of Management Studies (2023).

1. Introduction | Additional definitions and acronyms

Definitions and acronyms

Anchoring Late-Stage VC Funding: A lead investor's commitment in a late-stage venture capital round, attracting others.

AVG: Average.

Assets Under Management (AUM): Total value of assets managed by a fund, reflecting its investment scale.

Blended Finance: Mixing public, private, or philanthropic capital, often with concessional terms, to fund projects and lower risk.

Business Angel: An individual who invests personal capital, often combined with mentorship and network access, into early-stage, high-risk ventures before institutional venture capital enters.

Buyout: The acquisition of a controlling (often majority) equity stake in a company, usually by a private equity firm, financed partly with debt (leveraged buyout) to restructure, enhance efficiency, or prepare for resale or IPO.

Capital Expenditure (CAPEX): Spending on physical assets (e.g., equipment, technology) to support long-term growth.

Capital Markets: Markets for trading long-term securities (stocks, bonds), enabling firms to raise funds and investors to gain liquidity.

Co-Investment Fund: A fund where investors pool resources with a lead investor to directly invest in a company, reducing risk.

Contingent Loan: A loan with repayment tied to specific events, like project success, reducing borrower risk.

Convertible Note: A debt instrument that can be converted into equity, typically used by startups to defer valuation while offering investors potential upside.

Corporate Venture Capital (CVC): When an established corporation makes direct equity investments in startups that are strategically interesting, aiming not just for financial returns but also to access new technologies, innovations, and markets.

Counter-Guarantees to Intermediaries: A guarantee provided to an intermediary (e.g., a bank) by a third party to secure a financial obligation, ensuring the intermediary's risk is mitigated.

Deep Tech: Emerging tech based on scientific discoveries or meaningful engineering innovations, seeking to tackle the world's fundamental challenges.

Downside Protection: Mechanisms like preferred stock are used to minimize investor losses in adverse scenarios.

EDF: European Development Fund.

EIC: European Innovation Council.

EIB: European Investment Bank.

EIF: European Investment Fund.

ESA: European Space Agency.

ETCI: European Tech Champion Initiative.

EUDIS: European Union Defence Innovation Scheme.

Exits: Selling a stake in a company (e.g., via IPOs or trade sales) to realize returns and provide liquidity.

Fund of Funds: A pooled investment vehicle that invests in multiple funds, diversifying risk and accessing specialized managers.

Growth Capital: Financing for established firms to expand (e.g., new markets, hiring), often via Series B/C rounds.

Horizontal Merger: A merger between companies at the same level in the value chain, operating in the same industry, aiming to increase market power or reduce competition (Note: the non-horizontal merger is across the value chain).

Initial Public Offering (IPO): The first sale of a private company's shares to the public, enabling it to raise capital and become publicly traded.

Late-Stage VC: Investments in mature startups with revenues, nearing exits like IPOs or acquisitions.

Later Growth / Pre-IPO: Private rounds for firms preparing to list publicly, used to strengthen balance sheets, consolidate market position, and attract underwriters before the IPO process.

Late Growth / PE Entry: Investment phase where private-equity or growth-buyout funds acquire significant stakes in mature private companies, often using leverage to optimize operations pre-exit.

Liquidity: Ease of converting assets to cash without significant loss, critical for market efficiency and investor flexibility.

Mergers and Acquisitions (M&A): The process of consolidating companies or major assets of companies through financial transactions.

Mid-Cap: Companies that are larger than SMEs but smaller than large corporates, balancing growth potential and moderate risk.

Source: Prepared by the authors from multiple sources (see Annex 1: Methodology and Annex 4: References).

Definitions and acronyms

Original Guarantee: A third-party commitment to cover a borrower's debt if they default, reducing lender risk.

Patient Capital: Long-term investment (3–15 years) in firms, prioritizing sustainable growth over quick returns, often for startups or scaleups.

Pre-Seed: Early capital provided by founders, friends, or business angels to transform an idea into a prototype or proof of concept.

Private Equity (PE): Investments in non-public companies aimed at improving their performance and generating returns through active ownership, restructuring, or eventual exit via sale or IPO.

Public Equity: Shares in publicly traded companies, bought and sold on stock exchanges, offering liquidity.

R&D&I: Research, Development, and Innovation.

Service Level Agreement (SLA): Typically, a binding contract between a service provider and a customer that defines aspects of the service: e.g., quality of service, availability, and responsibilities.

Seed / Series A: The first formal venture-capital rounds are used to refine the product, validate market demand, and begin scaling operations; investors take high risk in exchange for large ownership.

Series B / C: Expansion rounds financing rapid growth after initial market validation, aimed at geographic expansion, customer acquisition, and revenue acceleration, often led by larger VC funds.

Series C–D / Growth Equity: Rounds targeting relatively mature firms with established revenues and positive cash flow; investors provide minority stakes to fund scaling, acquisitions, or internationalization.

SME: Small and medium enterprises.

Sovereign Equity: State-owned fund investments in private firms to support strategic or economic objectives.

Tax Relief: Government incentives reducing taxes to encourage investments, like the UK's Seed Enterprise Investment Scheme/Enterprise Investment Scheme for startup funding.

Unicorn: A privately held startup valued at €1B or more, typically in tech, driven by venture capital and rapid growth.

Venture Capital (VC): Equity financing provided to early-stage, high-growth firms with significant uncertainty, combined with active involvement in their governance and development.

Source: Prepared by the authors from multiple sources (see Annex 1: Methodology and Annex 4: References).

2. Focus

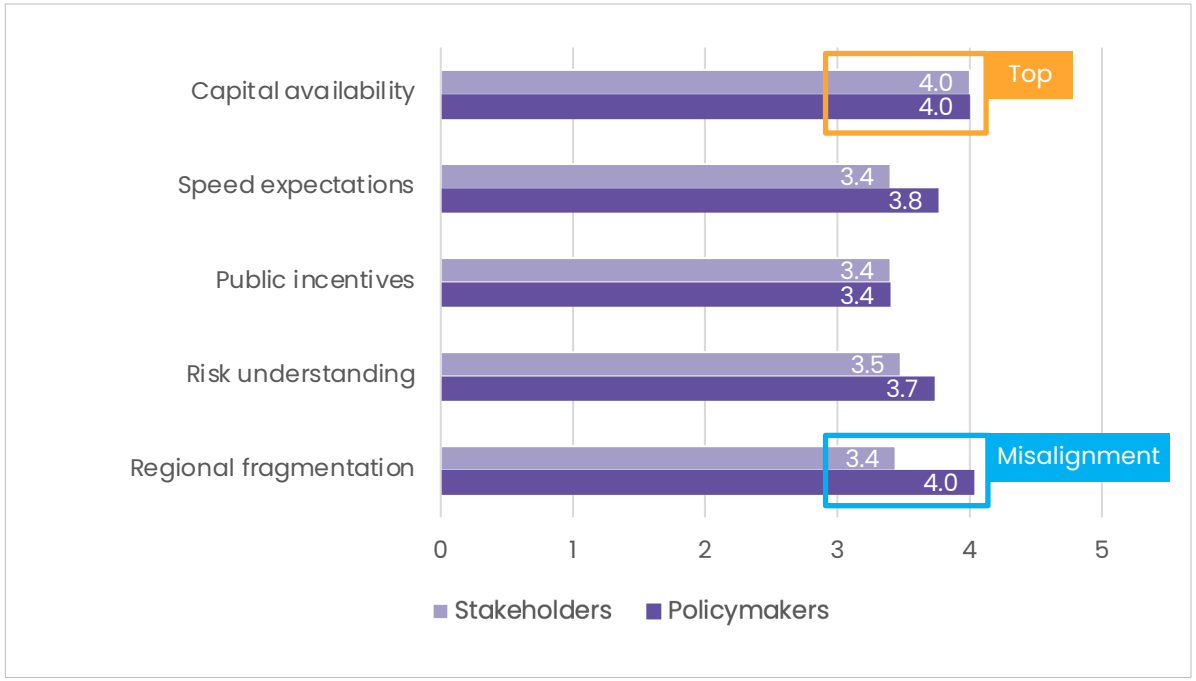
2. **Focus** | Core challenges and priority actions

Sub-question	Core challenges faced by EU deep-tech scaleups to be improved by policymakers	Description	Priority actions to be implemented by EU policymakers	Description	Policy lever type
How can policymakers improve and better attract **private venture capital** participation in EU deep-tech scaleup financing?	**Capital availability**	Shortage of EU late-stage private capital and EU-level fund-of-funds tailored to deep-tech scaleups.	**EU late-stage co-investment**	Create large EU-level co-investment funds with private VCs.	Investment mobilization
	Speed expectations	Mismatch between VCs' need for quick exits vs. deep-tech scaleups longer time horizon.	**Patient capital schemes**	Launch funding vehicles aligned with long deep-tech timeframes.	Investment mobilization
	Public incentives	Lack of public or tax rewards to de-risk and attract private capital.	**Tax relief for VCs**	Provide tax reliefs to VCs investing in deep tech.	Direct financial support
	Risk understanding	Generalist VCs sometimes lack the technical expertise to assess deep-tech risks properly.	**VC training programs**	Fund programs to improve VCs' assessment of deep-tech risk.	Speed
	Regional fragmentation	Of capital markets, making exit options for VCs less liquid and less predictable.	**Integrated capital markets**	Reduce legal barriers for cross-border exits and investments.	Speed
How can policymakers improve and better attract **corporate venture capital** participation in EU deep-tech scaleup financing?	**Low CVC activation**	Lack of public incentives and frameworks to activate corporate venture capital in deep tech.	**CVC tax rewards**	Tailored to deep-tech's high risk and long timelines.	Direct financial support
	Few acquisitions	Limited participation of EU corporates in acquiring EU deep-tech scaleups.	**Incentives for acquisitions**	Tax or financial incentives for strategic deep-tech acquisitions.	Direct financial support
	Low public co-investment	Insufficient public-private co-investment schemes to attract and de-risk CVC.	**De-risk corporate VC**	Co-investment funds with public support to de-risk CVC entry.	Investment mobilization
	Speed expectations	Pressure for corporate quick financial returns vs. deep-tech scaleups' longer time horizon.	**Public-private pilot grants**	Provide funding to corporates that engage in longer-term horizons with deep-tech scaleups.	Direct financial support
	Onboarding friction	Lengthy and rigid corporate processes (e.g., compliance, IT, legal) deter deep-tech scaleups from engaging.	**Incentivized onboarding fast-tracks**	Reward corporates that implement pre-approved tracks with tax rewards or public grants.	Direct financial support

2. Focus | Core challenges and priority actions

Private venture capital

Challenges



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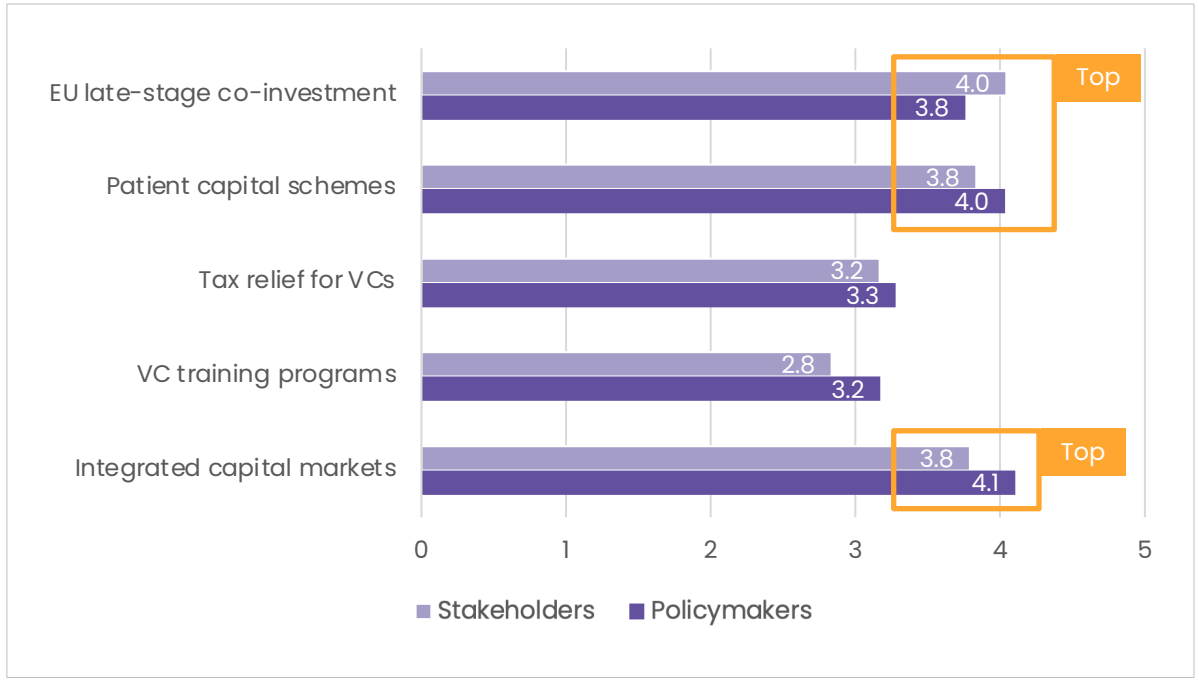
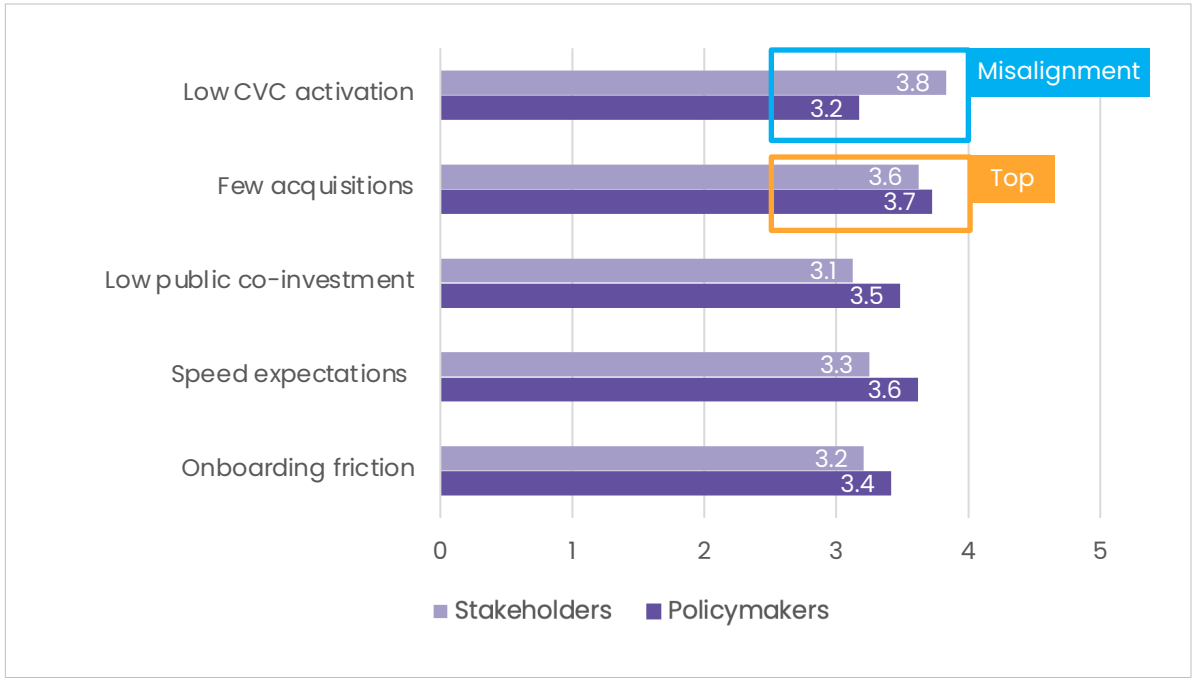


Source: Prepared by the authors (see Annex 1: Methodology). N = 59 (56% are policymakers and 44% are expert stakeholders, including investors, corporations, mentors, and companies).
Note: In the horizontal axis, 0 means "least important" and 5 refers to "most important". Data were reviewed at the date of publication. Misalignments are only highlighted when the difference is above 0.5/5.0. In the visualization, the numbers are rounded to one decimal place.

2. Focus | Core challenges and priority actions

Corporate venture capital

Challenges



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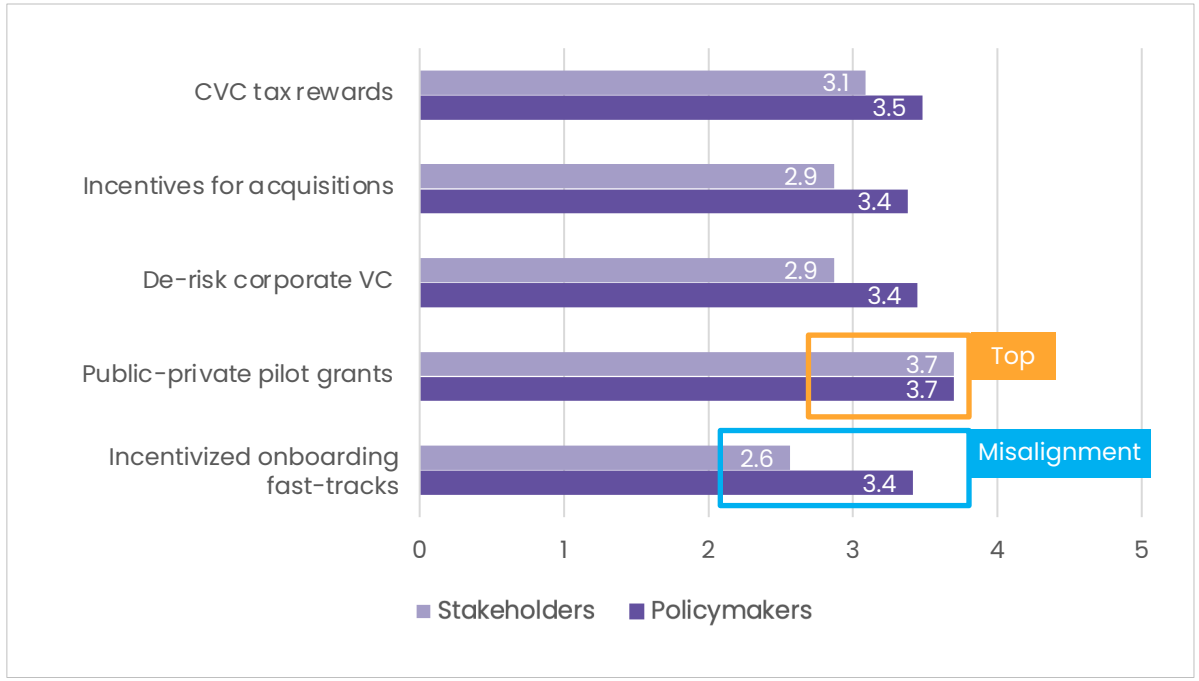

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Note: In the horizontal axis, 0 means "least important" and 5 refers to "most important". Data were reviewed at the date of publication. Misalignments are only highlighted when the difference is above 0.5/5.0. In the visualization, the numbers are rounded to one decimal place.

2. **Focus** | Learnings about the **challenges**

Private venture capital

1. **Capital availability is a top challenge for both groups:**
   - Data: Rated 4.0/5.0 by both policymakers and stakeholders (page 13).
   - Context: This confirms the EU Startup and Scaleup Strategy's focus on improving access to capital. To address this issue, the European Commission is supporting deep-tech financing, reinforcing investment instruments such as the European Innovation Council Fund (via equity or convertible notes) and InvestEU, which offers €26.2B in EU-backed guarantees, expected to unlock over €372B in investment across Europe.

2. **Largest misalignment in challenges: Regional fragmentation of capital markets:**
   - Data: Rated by policymakers 4.0/5.0 and stakeholders 3.4/5.0 (page 13).
   - Context: This difference suggests policymakers emphasize long-term structural integration, such as the Capital Markets Union, an EU initiative aimed at creating a single, integrated capital market across all EU Member States. Meanwhile, stakeholders place relatively greater weight on immediate capital availability and liquidity constraints.

Corporate venture capital

3. **Common bottleneck: Few acquisitions:**
   - Data: Rated by policymakers 3.7/5.0 and stakeholders 3.6/5.0 (page 14).
   - Context: Reinforces the EU's aim to stimulate exit markets for EU scaleups with initiatives such as the ongoing review of merger guidelines, both horizontal (among direct competitors) and non-horizontal (companies in different stages or segments of the value chain). Also, the Scaleup Europe Fund aims to fill later-stage financing gaps, support scaling, and prepare exits like IPOs or M&As.

4. **Misalignment on CVC activation:**
   - Data: Rated by policymakers 3.2/5.0 and stakeholders 3.8/5.0 (page 14).
   - Context: Stakeholders perceive a lack of public incentives and frameworks to activate corporate venture capital in deep tech. However, the EU Startup and Scaleup Strategy already includes the European Corporate Network, a voluntary network of large corporations, corporate VCs, and procurers to prioritize European startups in procurement, corporate venturing, investment, and acquisitions.

2. **Focus** | Learnings about the **actions**

Private venture capital

A **Strong support: EU late-stage co-investment:**

- Data: Rated 3.8/5.0 by policymakers and 4.0/5.0 by stakeholders (page 13).
- Context: Both groups support mechanisms to de-risk and mobilize capital for scaleups. The European Commission has promoted late-stage co-investment models via the European Investment Bank and national promotional banks. These models help bridge the gap between early-stage funding and IPO/M&A readiness, particularly for deep-tech companies with high capital intensity.

B **Top priority action: Patient capital schemes:**

- Data: Rated 3.8/5.0 by policymakers and 4.0/5.0 by stakeholders (page 13).
- Context: There is a strong consensus on the need for more long-term capital. This aligns with EU initiatives such as InvestEU and the EIC Fund, which aim to crowd-in patient investors through blended-finance and public-private co-investments. Instruments like equity, quasi-equity, and guarantees play a central role in supporting companies through longer innovation cycles.

C **Top-rated: Integrated capital markets:**

- Data: Rated 4.1/5.0 by policymakers and 3.8/5.0 by stakeholders (page 13).
- Context: This reflects a structural long-term vision aligned with the Capital Markets Union. The initiative aims to improve cross-border investment flows, harmonize listing rules, and develop exit markets. However, its medium- to long-term nature might not directly address immediate capital bottlenecks perceived by stakeholders.

Corporate venture capital

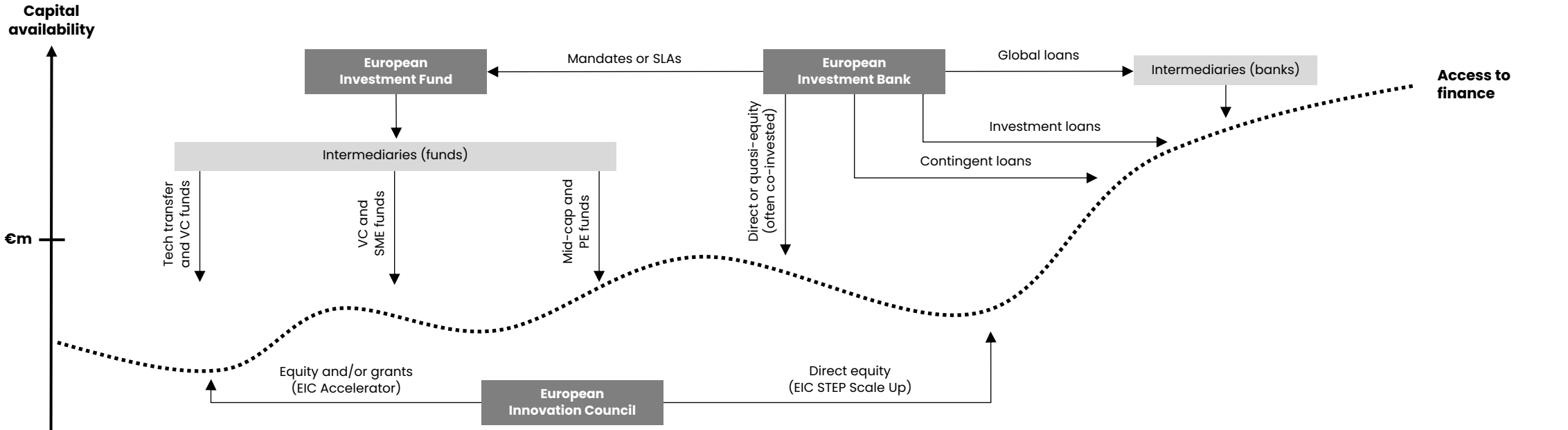
D **Well-aligned action: Public-private grants to stimulate CVC:**

- Data: Rated 3.7/5.0 by both policymakers and stakeholders (page 14).
- Context: This reflects strong alignment and moderate-high support for co-funding mechanisms that blend public support with corporate investment. These grants might reduce risk for corporates entering venture capital and encourage them to invest in high-risk, high-impact areas such as deep tech. The EU Startup and Scaleup Strategy includes blended-finance mechanisms under the EIC Fund and InvestEU, which could be further leveraged to crowd in corporate players. Additionally, innovation procurement schemes and targeted CVC incentives could complement this approach.

3. Benchmark

3. **Benchmark** | EU context: Financial mechanisms

EU structures of financial mechanisms for EU companies by development stage and capital availability (illustrative, non-exhaustive)

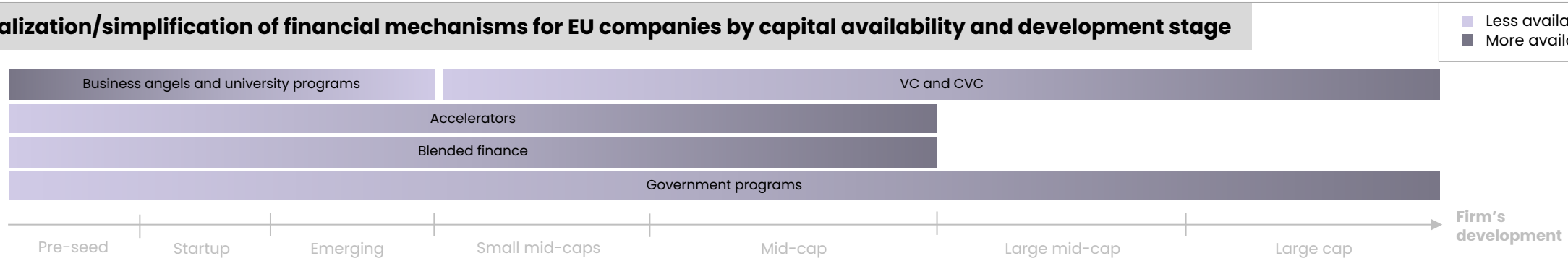


Stage	Pre-seed	Startup	Emerging	Small mid-cap	Mid-cap	Large mid-cap	Large cap
Employees	1-10	10-50	50-250	250-500	500-1,500	1,500-3,000	> 3,000
Funding round	Pre-seed, angel	Seed, Series A	Series B-C	Series C-D, growth equity	Later growth, pre-IPO	Late growth, PE entry	IPO, post-IPO
Private (€ m)	0.1-2	1-10	10-30	20-50	30-70	50-150	100-500+
Public (€ m)	< 4	< 10	< 20	20-30	30-50	50-100	< hundreds (not standardized)

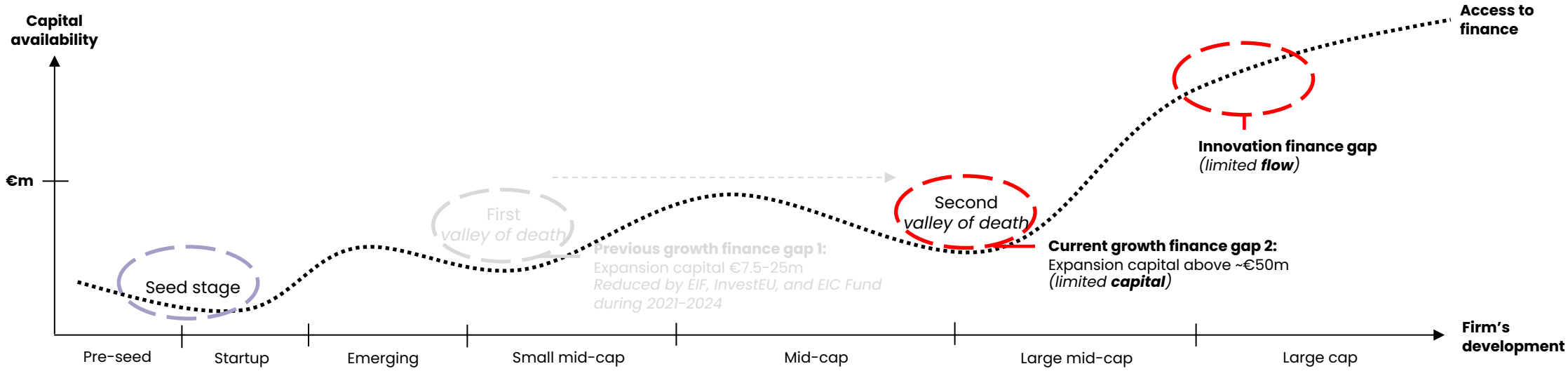
Source: Prepared by the authors with data from European Investment Bank (2022-2025), Świeboda (2024), Dealroom (2024), among others.
Note: The figure covers both deep-tech (DT) and non-DT financing, as well as direct and indirect funding mechanisms. Ticket size ranges are based on recent EIB/EIF programs (2022–2025), including the EU Angels Fund, Endeka Credito Italia–InvestEU, InnovFin SME, and InnovFin MidCap for public funding, and on Dealroom data for private funding. These ranges have been cross-checked against the academic and policy literature. Ticket sizes are indicative for Europe and may vary across regions. Public funding tickets typically correspond to approximately one-half to two-thirds of private funding ticket sizes at each maturity stage, reflecting an intentional de-risking of private investment. Corporations may enter at any maturity stage. All figures represent EU averages. The chart abstracts from program branding to focus on delivery logic and instrument types. Examples are illustrative and non-exhaustive.

3. **Benchmark** | EU context: Financial mechanisms

Conceptualization/simplification of financial mechanisms for EU companies by capital availability and development stage



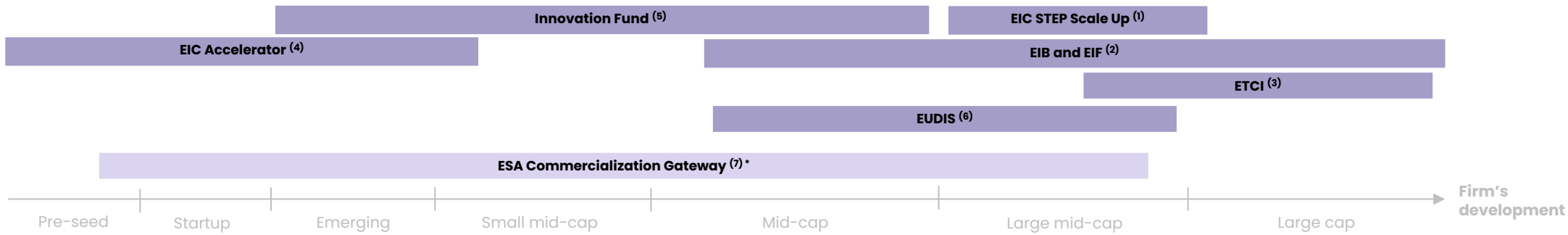
EU financial gaps by funding size and maturity stage



Source: Prepared by the authors with data from the European Investment Bank (2022) and Świeboda (2024).
Note: This includes both deep-tech (DT) and non-DT funding as well as direct and indirect funding. Some literature spots only two EU valleys of death or financial gaps (early and growth). The innovation finance gap says that there is available capital, but it doesn't flow to deep-tech as it does in the US or Asia. Since 2021–2024, public instruments such as the EIF, InvestEU, and EIC Fund have increased their ticket sizes (up to €50 million). As a result, the previous €7.5–25 million "valley of death" gap has shifted upward, reflecting higher capital needs in later growth stages. Europe's second "valley of death" emerges above ~€50 million, where few investors can underwrite large-scale growth rounds (EIB 2024; EIF 2024).

3. **Benchmark** | EU context: Financial mechanisms

EU-level financial programs by company's development stage



Explanation

1. **EIC STEP Scale Up:** An EU sovereign equity instrument providing €10-30M tickets as part of funding rounds of at least €50M to scale strategic technology startups.
2. **EIB and EIF:** These include EIB Innovation Loans and Venture Debt products, designed for later-stage and VC-backed scaleups; and EIF instruments such as InvestEU Equity (funds-of-funds), EIF-managed guarantees to de-risk lending, and equity investments through the EIC Fund. The EIF acts as a specialist provider of risk financing under various mandates, blending public and private capital to support deep-tech and high-growth SMEs across Europe.
3. **ETCI:** A €3.85B EU fund-of-funds investing in large VCs to back Europe's top late-stage tech scaleups.
4. **EIC Accelerator:** An EU program combining grants and equity to support disruptive deep-tech startups from lab to market.
5. **Innovation Fund:** The fund supports the demonstration of cutting-edge low-carbon technologies to accelerate industrial decarbonization.
6. **EUDIS:** Supports SMEs and innovators in developing, scaling, and entering the defense market through instruments funded by the EDF.
7. **ESA Commercialization Gateway:** ESA's unified platform offering funding, technical support, and market access for space-tech firms.

Source: Prepared by the authors (see Annex 1: Methodology).
Note 1: This only showcases programs at the EU level. A significant number of financing mechanisms within Europe are run at a national level.
Note 2: The European Space Agency (ESA) is an intergovernmental organization independent from the EU. It has 23 Member States, including non-EU countries, and operates outside the EU institutional framework. It participates in several EU-funded programs.

3. **Benchmark** | EU level examples: EIC STEP Scale Up

1 Challenge

- **EU deep-tech scaleups face a late-stage financing shortage**, especially in late-stage rounds requiring €10–30M anchor tickets within €50M+ financings. They are too risky for traditional VCs and too large for early-stage investors. This slows down strategic sectors such as AI, cleantech, and biotech.

2 Workshop voice

"One reason the United States is a leader in venture capital and in developing deep tech: they have more capital."

Miguel A. Trujillo | Mentor, EIC Scaling Club

3 Action

- The **EIC STEP Scale Up** scheme, managed by the EIC Fund, delivers sovereign equity-only investments of €10-30M to European companies developing strategic technologies.
- Applicants require pre-commitment from a qualified investor covering at least 20% of the round.
- Companies receive the Sovereignty Seal for visibility and access to the EIC's Business Acceleration Services and partner networks.

4 Potential impact

- **Short-term**: In its launch year (2025), the program allocated a €300M budget, selecting key scaleups for equity rounds. For example, 7 companies from 34 applicants were selected for funding in its first cut-off, with each round bringing in targeted private co-investments. The scheme helped catalyze financing rounds of €50-150M, leveraging approximately three- to five-times the EIC's direct stake in additional private investment, based on initial observed rounds.
- **Long-term**: Fills a market gap for globally competitive EU deep-tech scaleups. Reduces dependence on non-European investors, improves the private capital pipeline, and supports pivotal technologies for EU sovereignty. Supports sustained private sector interest by combining public equity, advisory services, trusted investor networks, and quality certification schemes.

Source: EIC STEP Scale Up (2025).

3. **Benchmark** | EU level examples: European Investment Fund

1 Challenge

- **Persistent funding gaps for early growth-stage innovative SMEs**, especially in high-risk, deep-tech sectors. EU capital markets are fragmented, offering insufficient late-stage capital, and bear limited risk coverage for scaleups.

2 Workshop voice

"Institutions should invest in funds to incentivize the creation of new funds and attract foreign patient capital through downside protection."

Anya Eldan | Partner, Edge Medical Ventures

3 Action

- The **European Investment Fund** is the EU's specialist provider of risk finance for SMEs, operating as part of the EIB Group and managing over €8.9B in guarantees and €2B in private equity (2024).
- InvestEU is one of the leading fund-of-funds mandates, backed by an EU budget guarantee (€26.2B), to augment VC markets, provide first-loss guarantees, and mobilize institutional investment. It allocates €6.5B for equity, targeting generalist and deep-tech VC funds.
- The EIF blends public and private funds through mandates, offers counter-guarantees to intermediaries, and participates in co-investment models.

4 Potential impact

- **Short-term**: In 2024, the EIF deployed over €14B in support, driving record equity investment volumes and surpassing €5B in private investment mobilized through guarantees or equity interventions.
- **Long-term**: Provides a resilient, flexible financing architecture for innovating EU businesses, including rapid expansion in response to crisis or high demand. The EIF's pan-European scope and blended-finance models reduce risk and fragmentation, ensuring a sustainable pipeline for both small and late-stage companies. InvestEU's high multiplier effect (average €1 budget generating €14.8 investment) secures long-term support for EU strategic sectors and amplifies market confidence.

Source: EIF Operational Plan 2024-2026 (2024).

3. **Benchmark** | EU level examples: EU Tech Champions Initiative

1 Challenge

- Late or growth-stage EU tech scaleups often migrate overseas due to a **lack of large EU VC funds able to lead €50M+ rounds**. This may threaten EU technological sovereignty and reduce global competitiveness.

2 Workshop voice

"I had a lot of venture capital investors supporting research and development activities, but not for market developments."

Ana Gomes | Independent Consultant

3 Action

- The **EU Tech Champions Initiative** (ETCI) is a €3.85B fund-of-funds, launched in 2023, managed by the EIF, on behalf of the EIB and five Member States: Spain, Germany, France, Italy, and Belgium.
- The ETCI invests in mega VC funds (€1B+ fund size), selecting 10-15 leading funds poised to back Europe's highest potential tech scaleups in strategic sectors. It directly anchors sovereign co-investment strategies and scales within the EU VC landscape.

4 Potential impact

- **Short-term**: By late 2024, the ETCI secured €2B in direct funding, mobilizing €10B+ in public and private capital, and backed 16 scaleups, including key funds focused on deep tech. It allowed early deployment to catalyze large follow-on rounds and keep Europe's most promising tech companies scaling at home.
- **Long-term**: Raising the EU's VC market to a global scale, aiming to reduce the scale gap with US and Asian mega-funds. Strengthening EU capital markets and reducing startup migration by anchoring late-stage VC funding in Europe. Designed for scalability and sovereign replication, supporting a structured shift towards sustainable private investment in the EU tech ecosystem.

Source: European Investment Bank (2023).

3. **Benchmark** | Country level examples: British Patient Capital

1 Challenge

- **A €4.7B gap in late-stage venture capital for scaleups** was identified by the United Kingdom in 2017. This limited the ability of innovative companies to scale domestically and globally, constraining economic growth and innovation potential.

2 Workshop voice

"Patient capital requires investors to take the time to build confidence, supported by trusted information and reliable risk-management mechanisms."

Bill Barber | Innov. Ecosystems Architect, Intesa Sanpaolo Innovation Center

3 Action

- The **British Patient Capital**, launched as a €2.9B venture capital investment fund under the British Business Bank in 2018, acts as a Public (governmental) Limited Partner.
- Objectives:
  - Generate a commercial rate of return.
  - Expand long-term investment in UK scaleups.
- Mechanisms:
  - Invests in both venture (48%) and growth (52%) funds.
  - Grows with direct, fund, and co-investment programs.
  - Average fund size: €202M. Average deal: €6M.

4 Potential impact

- **Short-term**: Over €3.5B under management, €2.7B committed across 44 fund managers, and 1,360 companies supported. Consequently, €15.7B in additional private third-party capital catalyzed (leverage effect).
- **Long-term**: The BPC plays a crucial role in supporting the UK's venture capital market by providing patient, long-term capital to innovative companies. Since its launch, it has committed over €2.7B across funds and direct investments, helping to narrow the UK's funding gap with the US and catalyze over €15B in additional third-party investment. By fostering growth in high-potential sectors like life sciences, deep tech, and sustainability, British Patient Capital contributes to building a stronger, more resilient UK economy for the future.

Source: British Patient Capital (2024).
Note: All the numbers are declared by the BPC either in its 2024 report or on its website. Amounts have been translated from GBP to EUR.

3. **Benchmark** | Country level examples: Tibi Initiative

1 Challenge

- **Late-stage scaleup finance gap**: French deep-tech firms lack access to large domestic funding rounds, causing over-reliance on foreign capital, potential relocation outside the EU, and suboptimal retention of economic and innovation value.

2 Workshop voice

"Create regulatory incentives or risk-sharing schemes to encourage institutional investors (e.g., insurance, pension funds) to allocate part of their portfolio to deep-tech funds."

Ina Piperaki | Mentor, EIC Scaling Club

3 Action

- The **Tibi Initiative**, launched in 2019 by the French government and major LPs, uses a public labeling process managed by the French Treasury to de-risk and accelerate institutional investment.
- Phased structure :
  - Phase 1 (2019–2022): Targeted late-stage private equity and tech funds; €6.4B raised, leveraging >€25B ecosystem-wide.
  - Phase 2 (2023–2026): Expanded to €7B and 92 labeled funds, now also supporting early-stage and breakthrough tech, aiming for €35–40B AUM by 2026.

4 Potential impact

- **Short-term**: France overtook Germany for the first time in 2023 with €8.3B in tech VC investment. Moreover, it supported the emergence of 16 unicorns, sustained an IPO pipeline (+35% since 2020), and experienced a 12% increase in the number of domestically headquartered scaleups since 2019.
- **Long-term**: 65,000+ jobs and 21% rise in annual R&D spend among backed firms since launch, and consistently one of the highest EU tech VC volumes (2023–2024). Increasing global and cross-border VC syndication (44% foreign VC participation in 2024). Supporting the positioning of France as a hub for tech and deep-tech scaleups.

Source: French Treasury (2023), Ministère de l'Économie, des Finances et de la Relance (2024), France Digitale (2024), Sifted (2024), and European Commission (2024).

3. **Benchmark** | Learnings

Despite having a financial infrastructure to support companies at different stages—through instruments such as the EIB, EIC, ETCI, Innovation Fund, ESA, and EUDIS—evidence suggests that two persistent financial gaps limit the scaling of deep-tech firms in Europe. First, the *growth finance gap* reflects a shortage of capital for mid-cap companies seeking expansion rounds above €50 million. Second, the *innovation finance gap* refers to the limited flow of capital toward deep-tech ventures, despite substantial capital held by large corporations. Below are the takeaways from some of the analyzed cases:

Limited capital: Insights from mitigations

1. **Public anchors appear to accelerate private investment and syndication in late-stage rounds:**
   The EIC STEP Scale Up mobilizes around €300M per year in sovereign equity (for 2025 and 2026), crowding in additional private capital. It targets the late-stage financing bottleneck by supporting scaleups through EIC investment tickets of €10–30M within funding rounds exceeding €50M, thereby boosting investor confidence through public commitment (page 21).
2. **Pan-European fund-of-funds mechanisms may support fostering capital integration and talent retention**:
   The ETCI launched a €3.85B fund-of-funds to anchor mega VC funds. It secured €2B in direct funding, mobilizing €10B+ in public and private capital, responding to Europe's fragmented capital markets and limited cross-border fund flows (page 23).
3. **Public LP participation suggests potential to unlock long-term patient growth capital:**
   The UK's British Patient Capital has committed €2.7B and catalyzed €15.7B, aiming to bridge national growth capital gaps by crowding in institutional investors for 10–15-year horizons (page 24).

Limited flow: Insights from countermeasures

4. **Blended-finance tools may help reduce perceived risk in deep-tech VC investment:**
   The EIF and InvestEU have deployed co-investments and guarantees to de-risk portfolios, aiming to tackle VC risk aversion driven by slow due diligence and limited sector expertise (page 22).
5. **Labeling and risk-sharing frameworks seem to strengthen institutional investor trust**:
   The Tibi Initiative used a public labeling process to de-risk institutional investment. It raised €6.4B, leveraging >€25B. In phase 2, expanded to €7B and 92 labeled funds, and backed 16 unicorns (page 25).

4. Conclusions

4. Conclusions | Takeaways

Addressing these areas collaboratively at the EU and Member-State levels may help narrow financing gaps for deep-tech scaleups across Europe.

1. **Evidence suggests Europe continues to face two structural financing gaps for deep-tech scaleups (pages 13-14, 18-20, and 26):**
   - Growth finance gap: Limited access to expansion rounds above €50 million, fragmented private capital markets, insufficient private investor expertise in assessing technical risk, and low CVC activation.
   - Innovation finance gap: Weak flow of existing capital toward deep-tech scaleups, short investment horizons among private and corporate investors, and a reduced number of scaleup acquisitions.

2. **Misalignments persist between policymakers and stakeholders in terms of challenges and countermeasures to tackle them (pages 13-16):**
   - Policymakers prioritize long-term capital-market integration (4.0/5.0), while stakeholders emphasize immediate capital availability (4.0/5.0).
   - Stakeholders assign higher importance to activating corporate venture capital (3.8/5.0) than policymakers do (3.2/5.0).

3. **Lessons from benchmark initiatives note (page 26):**
   - Public anchors (e.g., EIC STEP Scale Up) appear to crowd in private capital by three to five times.
   - Pan-European fund-of-funds (e.g., ETCI) may support capital integration and talent retention.
   - Public limited-partner models (e.g., British Patient Capital) suggest potential to mobilize institutional and long-term investors.
   - Blended-finance tools (e.g., EIF, InvestEU) may help lower perceived risk in deep-tech portfolios.
   - Labeling and risk-sharing frameworks (e.g., Tibi Initiative) seem to foster investor trust and transparency.

4. **Broad convergence exists on three priority mitigations: Integrated capital markets, late-stage co-investment, and patient capital (page 31):**
   - Integrated capital markets: Reducing legal barriers for cross-border exits and investments (e.g., 65% stakeholders, 69% policymakers).
   - EU late-stage co-investment: Creating large EU-level co-investment funds with private VCs (e.g., 73% stakeholders, 57% policymakers).
   - Patient capital schemes: Launching funding vehicles aligned with long deep-tech timeframes (e.g., 61% stakeholders, 66% policymakers).

5. **The EU Startup and Scaleup Strategy might underaddress certain areas (page 31):**
   - Although it provides a solid foundation through recently introduced initiatives (e.g., Scaleup Europe Fund, European Corporate Network), several issues persist:
     - Insufficient emphasis on patient capital mechanisms tailored to the longer development cycles typical of deep-tech ventures.
     - Limited dedicated instruments to foster corporate venture capital participation, such as targeted tax incentives or acquisition schemes.

Annex

Annex 1: Methodology

Academic partner

IESE Business School University of Navarra

Collaborating partners

TechTour | bpifrance

webrazzi | EurA

hello tomorrow

Methodology

This study was conducted to explore how policymakers can better address the growth capital gap for EU deep-tech scaleups, precisely by improving and attracting greater private venture capital and corporate venture capital. The research team followed a multi-step approach combining literature review, exploratory interviews, expert workshops, surveys, reviews, and more.

- **Literature review:** A comprehensive review of academic research, institutional reports, policy papers, and EU documentation was conducted to identify challenges and possible policy actions. This helped develop a structured classification of challenges and actions by theme as well as potential gaps. Insights were systematically analyzed and triangulated, ensuring conceptual clarity and relevance.
- **Exploratory interviews:** Preliminary insights were gathered through unstructured interviews with experts during multiple international events. These insights informed the design of the subsequent stages.
- **Expert workshops and survey:** Three online and onsite workshops were moderated for further validation to gather qualitative and quantitative data from 59 experts, including scaleups, investors, corporates, policymakers, and mentors. Diversity in geography, industry, and gender was ensured. Responses were analyzed across several stages—categorizing by keyword repetition and frequency—to identify and validate key patterns. Four researchers conducted the analysis. Results were quantified and rounded to the nearest unit.
- **Review:** The draft report was revised by four additional experts: one academic, two practitioners, and two policymakers, strengthening the robustness of the findings. Moreover, although generative AI tools were used for language editing support, all analytical judgments, data interpretations, and conclusions were independently reviewed and validated by the authors.

The study's primary methodological challenges and mitigations were:

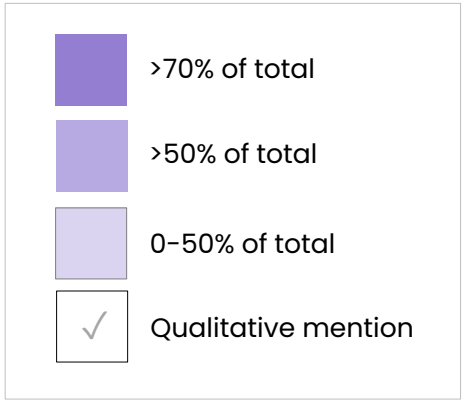
- Evolving policy landscape: The parallel development of the EU Startup and Scaleup Strategy created an overlap. To remain relevant, the research question was progressively refined to focus on under-addressed topics. The second stage of the literature review was updated in real time to reflect new releases.
- Avoiding popularity bias: While consensus among respondents can indicate importance, research is not a vote. To ensure evidence-based conclusions, we applied countermeasures such as expert selection, triangulation, multi-sourcing, and contrasting perspectives.
- Sectoral differentiation without redundancy: Disaggregating challenges by sector (e.g., biotech, mobility, space) while avoiding overlap required iterative refinement. For this reason, the study builds on a two-year prior effort involving over 381 additional experts and the development of 10 Challenge Roadmaps to understand the EU deep-tech scaleup perspective.

The research team recognizes the complexity of this topic and the opportunity for further testing of selected policy options in regional sandboxes to assess feasibility and impact. Note that currency conversions use the USD–EUR exchange rate as of 2025 December 4.

Annex 2: Priority actions from cross-source triangulation

Insights from stakeholders, policymakers, workshops, literature, and EU strategy

		Sources				EU Startup and Scaleup Strategy	
Sub-question	Priority action	Stakeholders	Policymakers	Workshops	Literature		
Private venture capital	EU late-stage co-investment	73%	57%	✓	✓	✓	Scaleup Europe Fund and EU Innovation Investment Pact
	Patient capital	61%	66%	✓	✓		Identifies the challenge. Yet, no dedicated action
	Integrated capital markets	65%	69%	✓	✓	✓	Savings and Investments Union
Corporate venture capital	CVC tax rewards	42%	42%	✓	✓		No, only mentions the new European Corporate Network
	Public-private pilot grants	57%	57%	✓	✓	✓	No, only mentions the new European Corporate Network
	Tax or financial incentives for acquisitions	34%	48%		✓		Identifies the challenge. Yet, no dedicated action



Note: Percentages are calculated based on the full sample (N = 59), comprising 33 policymakers and 26 stakeholders. Percentages (%) reflect the share of respondents within each group who rated the action as 4 or 5 on a 1–5 importance scale. Checkmarks (✓) indicate that the action is referenced in at least one source in the literature, in the EU Startup and Scaleup Strategy (where illustrative examples are provided), and in the workshop discussions.

Annex 3: Acknowledgments to contributing experts and organizations

Experts

Albert Ferrer, Invivo Partners
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Bill Barber, ISPIC
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Vassil Karaivanov, Sofia Tech Park

Note: Only those who have agreed to appear. The organizations are the ones at the time of the analysis.

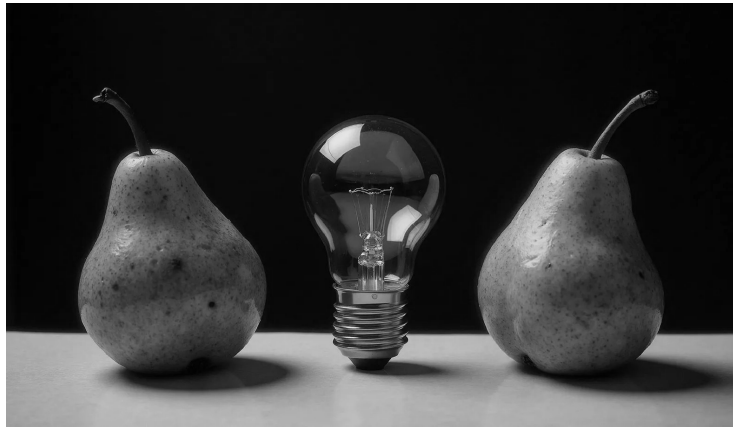
Annex 3: Acknowledgments to contributing experts and organizations

Organizations

Source: Companies' website. Note: Only those who have allowed the use of their logo. Inclusion does not imply endorsement of the report's findings or policy recommendations.

Annex 4: References | Selection

The Scaleup Gap: Financial Market Constraints Holding Back EU Innov. Firms



Read more:

Source: European Investment Bank (2024).

The EU Startup and Scaleup Strategy

Read more:

Source: European Commission (2025).

The Draghi Report: A Competitiveness Strategy for Europe (Part A)

Read more:

Source: European Commission (2024).

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