ÉIRE2026.EU
IRELAND2026.EU

DISCUSSION NOTE

Informal Meeting of Ministers responsible for Competitiveness (Internal Market and Industry), 9 - 10 July 2026 (Dublin Castle)

Mobilising Private Financing for Scaling SMEs

A core competitiveness challenge for the European Union is the persistent scale-up finance gap. While Europe generates a strong pipeline of innovative firms, it struggles to support these firms in growing into globally competitive enterprises. This gap is particularly evident at the growth stage, where later-stage venture capital investment in the EU remains approximately 84% lower than in the United States[1]. As the Draghi and Letta reports emphasise, Europe needs to mobilise much greater volumes of private capital in order to close this gap and secure our strategic objectives. **Without intervention, the EU risks the continued drain of our highest-potential firms** to markets equipped with deeper capital pools.

The root of this scale-up finance gap lies in under-developed capital markets, fragmented financial systems, and a risk-averse investment culture[2]. Crucially, institutional investors, such as pension funds and insurers, remain under-represented. This is shaped by a combination of regulatory and market-level constraints. Fragmented regulatory frameworks and prudential requirements can discourage allocation to venture or growth capital, while many institutional investors lack the internal expertise required to invest at scale in venture capital. In addition, the relatively small size of European funds restricts the ability of investors to deploy capital efficiently.

As a result, there is limited size and depth in European venture, growth and private equity funds capable of supporting small and medium-sized enterprises (SMEs) through later funding rounds. This inevitably constrains firms' ability to scale effectively within the Single Market.

Addressing the scale-up gap requires decisive, well-targeted action both on the removal of investment barriers and on targeted public interventions that crowd-in private capital. Key priorities include reducing regulatory fragmentation and barriers to cross-border investment and strengthening incentives for institutional investors to allocate capital to venture and growth assets. Advancing the initiatives of the Savings and Investments Union will be a key enabler in integrating our financing ecosystem, securely connect European savings with high-growth SMEs.

Public funding acts as a vital catalyst in this ecosystem. Instruments like the European Tech Champions Initiative and the Scaleup Europe Fund are already helping to build larger venture funds and attract institutional co-investment; with similar models also being developed by Member States. Complementing these efforts, the proposed European Competitiveness Fund (ECF), which forms part of the next Multiannual Financial Framework (MFF) 2028–2034, will also support access to finance for scale-ups.

References

1 EU Startup and Scaleup Strategy
2 Unlocking Europe's Scale-up Potential: Pension Funds and Sovereign Wealth | Shaping Europe's digital future

However, **to build a truly cohesive European approach, we must ensure these models are scalable and adaptable across all Member States**, including those with less developed markets, thereby strengthening the EU's collective competitive edge.

Against this background, the Presidency would like to raise the following question for discussion:

- ***Unlocking Institutional Capital:*** Beyond regulatory adjustments to the Savings and Investments Union, what targeted mechanisms or risk-sharing principles should the EU prioritise to incentivise and crowd-in risk-averse institutional investors into the venture capital market?
- ***Fostering a Common Approach:*** How can Member States better align national public financing instruments with EU-level initiatives to create a truly integrated, pan-European scale-up ecosystem, avoiding the fragmentation of capital?

ÉIRE2026.EU
IRELAND2026.EU