

Entrepreneurial Support Research Division

Policy Research

Entrepreneurial Ecosystem Policy in Korea, Japan, China, the United Kingdom, the United States, France and Germany, 2025

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Governments of the Republic of Korea, Japan, the People's Republic of China, the United Kingdom, the United States, France and Germany: cabinets, ministries and agencies, legislatures, and public development banks

Summary: This report reviews the entrepreneurial ecosystem policy that the governments of Korea, Japan, China, the United Kingdom, the United States, France and Germany set out from January to December 2025 in six domains — regulation and law, finance, culture, support, human capital and markets — and analyses it in its context, against theory and in practice. All seven turned from start-ups to scale-ups and made finance the centre of policy, while culture remained the thinnest domain. The best measures let private investors choose the firms that public money followed, lowered the cost of failure or turned duties into enforceable rules; the worst cut early-stage research grants, raised barriers to foreign founders and skilled hires, or offered incentives too briefly to change decisions. Five of the seven governments changed during the year, and much of their policy was announced late in the year or still pending at its end.

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Entrepreneurial Ecosystem Policy in Korea, Japan, China, the United Kingdom, the United States, France and Germany, 2025

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Entrepreneurial Ecosystem Policy in Korea, Japan, China, the United Kingdom, the United States, France and Germany, 2025

Abstract

This report reviews and analyses the entrepreneurial ecosystem policy of seven governments – the Republic of Korea, Japan, the People’s Republic of China, the United Kingdom, the United States, France and Germany – as they set it out in their own plans, laws, budgets, reports and announcements. The policies are reviewed in six domains of the entrepreneurial ecosystem – regulation and law, finance, culture, support, human capital and markets – and analysed in their context, against theories of entrepreneurial ecosystems, entrepreneurial finance, business failure and policy design, and in practice. All seven governments turned from start-ups to scale-ups and made finance the centre of policy: Korea’s National Growth Fund, China’s national venture capital guidance fund, Germany’s Germany Fund and the enlarged British Business Bank placed public capital at the core of the market, and five governments sought pension and insurance money for venture capital. Designs that let private investors choose the firms followed the evidence; those in which the state chose at scale risked displacing private capital. Talent policy diverged: China opened a route for foreign founders and the United Kingdom eased the switch from student to founder visa, while Japan raised its capital requirement for foreign founders six-fold and the United States imposed a payment of USD 100,000 on skilled-worker petitions. Korea, Japan and China acted on the cost of failure; the others did little or nothing. The United States let its research grant programmes for small businesses lapse, and France applied a higher investor tax incentive for three months while cutting innovation finance. Five governments changed during the year, procurement targets for young firms were missed where they were measured, and implementation was reported as outputs rather than effects. The period covered is January to December 2025.

Keywords

scale-up finance, state-backed venture funds, fund of funds, pension capital, investor tax relief, prompt payment, joint liability, re-challenge, start-up visas, public procurement, listing standards

JEL Classification

L26, L53, M13, O38, G24, H25

1 INTRODUCTION

Key findings

- All seven governments turned from start-ups to scale-ups and made finance the centre of their policy. Culture was the thinnest domain in every country, and support, human capital and markets received less attention than capital.
- Public capital moved to the core of the market. China launched a national venture capital guidance fund of CNY 100 billion, Korea a National Growth Fund of KRW 150 trillion, Germany a Germany Fund of about EUR 30 billion of public funds and guarantees, and the United Kingdom enlarged the British Business Bank to GBP 25.6 billion. Where private fund managers chose the firms, the designs followed the evidence; where the state chose at scale, they risked displacing private investors.
- Five governments sought pension or insurance money for venture capital – Korea with first-loss cover from the state, Japan, the United Kingdom, the United States and Germany – the right lever for late-stage capital, but one whose risks fall on savers and, where the state covers first losses, on taxpayers.
- Talent policy diverged. China's new K visa opened a door and the United Kingdom eased the switch from student to founder visa; Japan raised the capital required of foreign founders from JPY 5 million to JPY 30 million, and the United States imposed a payment of USD 100,000 on skilled-worker petitions.
- Korea, Japan and China acted on the cost of failure – a statutory limit on joint liability and a re-challenge headquarters, an out-of-court restructuring act, and credit repair for founders with tolerance of failure for managers of public funds. The United Kingdom, the United States and Germany did little, and France set up a working group.
- The poorest measures removed support at the base: the United States let its research grant programmes for small businesses lapse and cut the staff of its small business agency by 43 %, and France applied a higher investor tax incentive for three months while cutting innovation finance and founders' relief from social contributions.
- Five of the seven governments changed during the year, and much of the policy was announced in its last months or pending at its end. Procurement targets for young firms were missed where they were measured – 3.3 % against 8 % in Korea, 1.39 % against 3 % in Japan – and implementation was reported as outputs rather than effects.

The entrepreneurial ecosystem approach holds that productive entrepreneurship depends on many conditions at once – policy, finance, culture, supports, human capital and markets – and that governments go wrong when they act on only one or two of them or try to emulate Silicon Valley (Isenberg, 2010, 2011). The approach has since been developed into models in which the conditions are interdependent and in which the weakest condition limits the performance of the

system (Ács, Autio, & Szerb, 2014; Spigel, 2017; Stam, 2015). This report applies it to seven countries in one year. It asks three questions:

1. What policies did each of the seven governments set out in each domain of the entrepreneurial ecosystem in 2025?
2. How did the policies arise and how were they justified, how far were they valid in theory, and what had they achieved in practice by the end of the year?
3. What were their limitations, and what follows for policy?

The report draws on the policy studies and entrepreneurship literature where it bears on a policy – on problem definition and representation (Bacchi, 2009; Rochefort & Cobb, 1993), entrepreneurial ecosystems (Brown & Mason, 2017; Stam, 2015), government venture capital (Brander, Du, & Hellmann, 2015; Lerner, 2009), investor tax incentives and research grants (Edwards & Todtenhaupt, 2020; Howell, 2017), business failure (Lee, Peng, & Barney, 2007), immigrant talent (Hunt, 2011) and public procurement (Edler & Georgiou, 2007).

Section 2 reviews the key policies of 2025 in six domains and assesses each country's policies in each domain. Section 3 analyses the policies in their context, against theory and in practice. Section 4 sets out the debates and contested points they raised and their theoretical limitations, and Section 5 their implications for policy.

The report rests on the plans, laws, budgets, reports and announcements in which the seven governments set out their entrepreneurial ecosystem policy in 2025: cabinet plans and strategies, acts of the legislature and their texts, budgets and budget requests, work reports, answers of governments to their parliaments, and the press releases of ministries, agencies and public development banks – Bpifrance, the British Business Bank and KfW – acting for the state.

Table 1 lists the sources by country. Quotations from sources that are not in English are IFEE's translations.

Table 1: Government plans, laws, reports and announcements reviewed

Subject	Issuing bodies	Date and type	Period covered	Description
Korea				
Inauguration of the President	MOIS	4 June 2025 Press release	June 2025	Oath of office of the 21st President on 4 June.
Tax revision proposal	MOEF	31 July 2025 Tax proposal	2025	Corporate tax up one point per bracket; venture investment credits extended.
National Growth Fund plan	FSC	10 September 2025 Press release	September 2025	KRW 150 trillion or more for ten industries; budget money takes first losses.
MSS budget for 2026	MSS	3 December 2025 Press release	December 2025	Budget up 8.4 %: Fund of Funds, SME R&D and scale-up programmes.

Subject	Issuing bodies	Date and type	Period covered	Description
Tax law amendments passed	National Assembly Budget Office	4 December 2025 Brief	December 2025	Tax bills passed on 2 December, including the corporate tax rise.
Launch of the National Growth Fund	FSC	11 December 2025 Press release	December 2025	Launch on 11 December and the fund's decision-making bodies.
MSS work report	MSS	17 December 2025 Work report	2025	Results and plans: re-challenge, one-stop centres, TIPS, stock options.
Plan to become a top-four venture power	Government of the Republic of Korea (MSS)	18 December 2025 Plan, press release	2025	Targets, Fund of Funds 2.0, re-challenge, public purchasing and exits.
KOSDAQ trust and innovation plan	FSC	19 December 2025 Press release, plan	2025	Stricter delisting, technology listing tracks, institutional investment.
Start-up support programmes for 2026	MSS	19 December 2025 Press release	December 2025	The 508 programmes of 15 ministries and 96 local governments.
Venture acts amended	MSS	23 December 2025 Press release	December 2025	Fund of Funds, joint liability, Venture Business Week and stock options.
Japan				
Re-challenge support package	METI; FSA; MOF	17 March 2025 Policy package	March–December 2025	Re-challenge support, guarantee products and follow-up of personal guarantees.
Basic materials on start-ups	Cabinet Secretariat	23 April 2025 Council material	2025	Start-up numbers and funding, Tokyo concentration, procurement and listings.
Subcontract Act amended	SMEA; JFTC	16 May 2025 Press release	May 2025	Bans on unilateral pricing and promissory notes; in force from 1 January 2026.
Basic Policy 2025	Cabinet Office; Cabinet	13 June 2025 Cabinet decision	2025	Wage-led growth, start-ups and lending without personal guarantees.
Grand Design and Action Plan 2025	Cabinet Secretariat; Cabinet	13 June 2025 Cabinet decision	2025	Growth strategy: scale-up finance, hubs, listing, procurement and visas.
Early business restructuring act	House of Councillors	13 June 2025 Bill record	June 2025	Debt restructuring with three-quarters of creditor votes and court approval.
Start-up ecosystem hub cities	Cabinet Office	June 2025 Programme plan	June 2025	Hub cities raised to 13, a support pipeline and a first-phase assessment.
Business Manager status revised	MOJ; ISA	10 October 2025 Ordinance, guideline	October–December 2025	JPY 30 million capital, a full-time employee, Japanese at B2, a checked plan.
Japan Growth Strategy Headquarters	Government of Japan (Cabinet)	4 November 2025 Cabinet decision	November 2025	Replacement of the New Form of Capitalism Realization Headquarters.

Subject	Issuing bodies	Date and type	Period covered	Description
Japan Growth Strategy: cross-cutting issues	Cabinet Secretariat	24 December 2025 Council material	2025	Start-up numbers, the Growth Market rule and start-up tax measures.
Tax reform outline	Government of Japan (Cabinet)	26 December 2025 Cabinet decision	December 2025	Open-innovation deduction, angel tax and the rule for foreign fund partners.
China				
Government investment funds	General Office of the State Council	2 January 2025 Opinions	2025	Venture-type funds, fewer local reinvestment rules, liability exemption.
Entrepreneurship support system	MOHRSS and six others	6 February 2025 Joint opinions	2025	Training, services, incubation, start-up loans and support after failure.
Government work report	State Council	5 March 2025 Work report	2025	Targets, fiscal stance, private economy, arrears and venture capital.
Payments to SMEs	State Council	17 March 2025 Regulations	June–December 2025	Payment deadlines, default interest, disclosure and complaints.
Private Economy Promotion Law	NPCSC	30 April 2025 Act	May–December 2025	Equal status, negative list, fair procurement, prompt payment, credit repair.
Technology business incubators	MIIT	7 June 2025 Ministerial measures	July–December 2025	Criteria for space, firms, investment and graduation; annual grading.
STAR Market growth tier	CSRC	18 June 2025 Regulatory opinions	June–December 2025	A tier for unprofitable technology firms; confidential pre-review.
K visa	State Council	7 August 2025 Decree	October–December 2025	Visa for young foreign STEM graduates; business allowed without an employer.
National venture capital guidance fund	NDRC; MOF	26 December 2025 Press conference	December 2025	CNY 100 billion, investment rules, regional funds and first sub-funds.
United Kingdom				
SME procurement spend targets	Cabinet Office	13 February 2025 Policy note	April–December 2025	Three-year SME spend targets for central government, published yearly.
Spending Review 2025	HM Treasury	11 June 2025 Spending review	2025	Departmental budgets, R&D and a larger British Business Bank.
SME plan	DBT; HM Treasury	31 July 2025 Strategy	2025	Late payment, regulation, finance, skills, support, procurement, exports.
Immigration rules HC 1333	Home Office	14 October 2025 Memorandum	November–December 2025	Founder visa switching for students, wider talent routes, B2 English.
Mandate of the British Business Bank	DBT; HM Treasury	20 October 2025 Mandate	2025	Mission, objectives, capacity and a growth capital initiative.

Subject	Issuing bodies	Date and type	Period covered	Description
Regulation action plan	HM Treasury; DBT	21 October 2025 Plan and update	March–October 2025	A 25 % cut in administrative costs, its baseline and simpler reporting.
Budget 2025 and Entrepreneurship in the UK	HM Treasury	26 November 2025 Budget, policy paper	2025	Investor reliefs, share options, listing relief, innovation and skills.
Employment Rights Act 2025	DBT	18 December 2025 Press release	December 2025	Unfair dismissal protection after six months; changes introduced gradually.
United States				
Deregulation order	President	31 January 2025 Executive order	January–December 2025	Ten-for-one rule; net cost of new rules below zero.
SBA reorganisation	SBA	21 March 2025 Press release	March 2025	Workforce cut by 43 %; resources shifted to capital and manufacturing.
Beneficial ownership reporting	FinCEN	26 March 2025 Interim final rule	March–December 2025	US-formed companies exempted from beneficial ownership reporting.
Federal procurement rules	President	15 April 2025 Executive order	April–December 2025	Federal Acquisition Regulation to be cut back to essentials.
National Small Business Week	President	5 May 2025 Proclamation	May 2025	Small business figures and tariffs presented as their protection.
SBA budget request	SBA	29 May 2025 Budget request	2025	A 42 % cut, programme consolidation, staff cuts and contracting goals.
SBA loan programme rules	SBA	1 June 2025 Operating procedure	June–December 2025	Tighter underwriting; only firms wholly owned by citizens or permanent residents.
Public Law 119-21	Congress	4 July 2025 Act	July–December 2025	Small business stock, research costs, reporting threshold, Workforce Pell.
Alternative assets in 401(k) plans	President	7 August 2025 Executive order	August–December 2025	Retirement plans to be opened to private equity and credit.
H-1B payment	President	19 September 2025 Proclamation	September–December 2025	A USD 100,000 payment on H-1B petitions for 12 months.
Record SBA lending	SBA	30 September 2025 Press release	October 2024–September 2025	USD 44.8 billion of guaranteed loans in fiscal year 2025.
Lapse in appropriations	SBA	13 November 2025 Press release	October–November 2025	USD 5.3 billion of loans blocked during the 43-day lapse.
Expiry of SBIR and STTR	NIH	17 November 2025 Agency notice	October–December 2025	Authority expired on 1 October; funding opportunities withdrawn.
Record SBIC year	SBA	19 November 2025 Press release	October 2024–September 2025	USD 53 billion of private capital and SBA leverage; 48 new licences.

Subject	Issuing bodies	Date and type	Period covered	Description
France				
Finance Act for 2025	Parliament	14 February 2025 Act	2025	Investor tax relief raised; research and innovation credits cut; VAT ceiling.
Deep tech and the scale-up challenge	DGE (MEFIDS)	March 2025 Report	2025	Deep-tech financing, procurement, regulation and exits.
Insolvency law working group	Ministry of Justice; MEFIDS	28 May 2025 Press release	May 2025	Simpler insolvency law for small businesses and sole traders.
French Tech Next40/120	Mission French Tech	5 June 2025 Press kit	June 2025	Selection and support of the 120 laureates.
I choose French Tech	Mission French Tech	12 June 2025 Press kit	June 2025	Large groups' purchasing commitments to start-ups.
Bill on simplifying economic life	National Assembly	17 June 2025 Bill	June 2025	SME test of new rules; reserved lots for young innovative companies.
Mission for business takeovers	MEFIDS	8 July 2025 Press release	July 2025	Network and working groups on the transfer and takeover of firms.
Bpifrance activity, first half	Bpifrance	29 September 2025 Press release	January–June 2025	Lending, innovation finance, venture investment and support networks.
Investor tax reduction at 25 %	MEFIDS	2 October 2025 Press release	September–December 2025	Higher rate for payments from 28 September to 31 December.
Changes of government	President of the French Republic	12 October 2025 Decrees	September–October 2025	Fall of the government in September; two governments formed in October.
VAT franchise for micro-entrepreneurs	Senate	15 October 2025 Committee summary	2025	The single VAT ceiling, its postponements and its suspension for 2025.
VAT franchise thresholds restored	Parliament	3 November 2025 Act	March–December 2025	Single VAT ceiling of the Finance Act for 2025 repealed from 1 March 2025.
Student entrepreneurs (Pépité)	Ministry of Higher Education, Research and Space	November 2025 Press kit	2025	The student-entrepreneur status, Pépité hubs and women holders.
Consultation on exits	MEFIEDS; Mission French Tech	18 December 2025 Press release	December 2025	Acquisitions of start-ups and investors slowing for lack of exits.
Social security financing act for 2026	Parliament	30 December 2025 Act	December 2025	ACRE restricted to target groups and zones, at most 25 %.
Special law	MEFIEDS; Ministry of Public Action and Accounts	30 December 2025 Press release	December 2025	Taxes collected without a budget; position on innovation tax measures.

Subject	Issuing bodies	Date and type	Period covered	Description
Germany				
Reorganisation of ministries	Federal Chancellor	6 May 2025 Decree	May–December 2025	New ministry names and responsibilities, including BMDS.
EXIST Startup Factories	BMWE	10 July 2025 Press release	July 2025	Ten Startup Factories around universities, matched by private money.
Tax investment programme	Bundestag; Bundesrat	14 July 2025 Act	July–December 2025	Depreciation, a phased corporate tax cut and a larger research allowance.
High-Tech Agenda Germany	BMFTR; Cabinet	July 2025 Strategy	2025	Key technologies, transfer, spin-offs, venture capital and talent.
Procurement Acceleration Act bill	BMWE	6 August 2025 Press release	August 2025	Higher direct-award thresholds and attention to start-ups in tenders.
WIN initiative and start-up finance	Federal Government	26 September 2025 Answer to Bundestag	2025	WIN, insurers' investment rules, listing reform, strategy, commissioner.
Modernisation agenda	BMDS; Cabinet	October 2025 Programme	2025	Bureaucracy cost targets, 24-hour formation, work-and-stay agency.
Location Promotion Act bill	Federal Government	3 November 2025 Bill	2025	Fund investment in venture capital, roll-over relief, listing reform.
Evaluation of skilled immigration	Federal Government	3 December 2025 Answer to Bundestag	June 2024–November 2025	Visas issued and key points for a work-and-stay agency.
Launch of the Germany Fund	BMWE; BMF; KfW	18 December 2025 Press release	December 2025	EUR 30 billion of public funds and guarantees; start-up co-investment.

Source: The plans, laws, reports and announcements listed. Periods covered and descriptions: IFEED.

Note: Where a source has several parts, citations name the part (for example, plan or press release) before the page.

Abbreviations: ACRE, exemption from social contributions for business creators and buyers; AI, artificial intelligence; BMDS, Federal Ministry for Digital Transformation and Government Modernisation; BMF, Federal Ministry of Finance; BMFTR, Federal Ministry of Research, Technology and Space; BMWE, Federal Ministry for Economic Affairs and Energy; CEFR, Common European Framework of Reference for Languages; CSRC, China Securities Regulatory Commission; DBT, Department for Business and Trade; DGE, Directorate-General for Enterprise; EIS, Enterprise Investment Scheme; EMI, Enterprise Management Incentives; EU, European Union; FinCEN, Financial Crimes Enforcement Network; FSA, Financial Services Agency; FSC, Financial Services Commission; GDP, gross domestic product; GPIF, Government Pension Investment Fund; ISA, Immigration Services Agency of Japan; JFTC, Japan Fair Trade Commission; MEFIDS, Ministry of the Economy, Finance and Industrial and Digital Sovereignty; MEFIEDS, Ministry of the Economy, Finance and Industrial, Energy and Digital Sovereignty (the same ministry's name from 12 October 2025); METI, Ministry of Economy, Trade and Industry; MIIT, Ministry of Industry and Information Technology; MOEF, Ministry of Economy and Finance; MOF, Ministry of Finance; MOHRSS, Ministry of Human Resources and Social Security; MOIS, Ministry of the Interior and Safety; MOJ, Ministry of Justice (Japan); MSS, Ministry of SMEs and Startups; NDRC, National Development and Reform Commission; NIH, National Institutes of Health; NPCSC, Standing Committee of the National People's Congress; R&D, research and development; SBA, U.S. Small Business Administration; SBIC, Small Business Investment Company; SBIR, Small Business Innovation Research; SME, small and medium-sized enterprise; SMEA, Small and Medium Enterprise Agency; STEM, science, technology, engineering and mathematics; STTR, Small Business Technology Transfer; TIPS, Tech Incubator Program for Startup; VAT, value added tax; VCT, venture capital trust; WIN, Growth and Innovation Capital for Germany.

2 REVIEW OF ENTREPRENEURIAL ECOSYSTEM POLICIES IN SEVEN COUNTRIES

This section reviews the key policies of 2025 in six domains, adapted from Isenberg's domains of the entrepreneurial ecosystem (Isenberg, 2011): regulation and law; finance, in grants, funding and financial infrastructure; culture; institutional support; human capital, in education and training and in labour; and markets, in market and industry support, initial public offerings (IPO) and exit.

2.1 REGULATION AND LAW

Regulation turned on the cost of complying with rules, the terms on which large buyers pay small suppliers, and the treatment of failure; several measures were still plans or bills.

2.1.1 KOREA: TWO VENTURE ACTS AND A STATUTORY LIMIT ON JOINT LIABILITY

The National Assembly passed amendments to the Venture Investment Act and the Venture Business Act on 2 December 2025; the Cabinet approved them on 23 December, and their main provisions take effect six months after promulgation (MSS, 23 December 2025, p. 1). They allow the Fund of Funds to be extended in ten-year units and lengthen from three to five years the period in which investors must meet their investment obligations (MSS, 23 December 2025, pp. 1–2). The ban on excessive joint liability for third parties other than the investee firm was raised from a ministerial notice to statute, with immediate effect (MSS, 23 December 2025, pp. 1, 3).

The venture acts were a good policy. A statutory limit on joint liability lowers the personal cost of failure for founders and their associates, which encourages entrepreneurs to pursue riskier and more promising opportunities (Lee et al., 2007), and longer compliance periods let investors wait for good investments. On 2 December, however, the National Assembly passed the government's proposal to raise corporate income tax by one point per bracket (MOEF, 31 July 2025, p. 21; National Assembly Budget Office, 4 December 2025, p. 1), a poor policy that taxes the profitable firms that scale-up policy aims to create.

2.1.2 JAPAN: THE AMENDED SUBCONTRACT ACT AND AN OUT-OF-COURT RESTRUCTURING ACT

The Diet enacted on 16 May 2025 an amendment of the Subcontract Act (Act No. 41 of 2025), in force from 1 January 2026. It bans setting prices unilaterally by refusing to consult, bans payment by promissory note and other means that keep cash from the supplier beyond the due date, widens coverage by adding a test of employee numbers and gives line ministries powers of guidance (SMEA & JFTC, 16 May 2025); firms recommended for violations could be suspended from subsidies and bidding (Cabinet Secretariat, 13 June 2025, p. 7). Act No. 67 of 2025 lets creditors with three-quarters of the votes restructure unsecured financial debts out of court, with court approval, but it was not in force by the year's end and must take effect within 18 months of its promulgation on 13 June (House of Councillors, 13 June 2025).

The Subcontract Act was a good policy. Trade credit should flow from firms with better access to finance to those with less (Petersen & Rajan, 1997); late payment and unilateral pricing by large buyers reverse that flow, and the Act removes the instruments that allowed it, although its enforcement rests largely on recommendations and guidance. The restructuring act is the right instrument for lowering the cost of failure, but in 2025 it existed only in law.

2.1.3 CHINA: THE PRIVATE ECONOMY PROMOTION LAW AND PAYMENT DEADLINES

The Private Economy Promotion Law, adopted on 30 April and in force from 20 May (NPCSC, 30 April 2025, Art. 78), gives private firms “equal legal status, market opportunities and development rights”(NPCSC, 30 April 2025, Art. 3) and forbids state organs and state-owned enterprises to delay payment on grounds such as changes of personnel (NPCSC, 30 April 2025, Art. 67). The revised regulations on payments to SMEs, in force from 1 June, require government bodies to pay within 30 days of delivery (60 at most by contract) and large firms within 60 days unless otherwise agreed, ban clauses that make payment conditional on the buyer being paid, set default interest at 0.05 % a day where none is agreed and oblige government bodies to publish their overdue payments every year (State Council of the People’s Republic of China, 17 March 2025, Arts. 9, 17–18).

The payment regulations were a good policy: they turn a general duty into deadlines, interest and disclosure, and they bind the state, whose own arrears the government planned to clear with local special bonds (State Council of the People’s Republic of China, 5 March 2025). The law was a mixed policy, because many of its provisions declare principles whose force depends on how agencies and courts apply them against public bodies.

2.1.4 UNITED KINGDOM: THE REGULATION ACTION PLAN AND THE EMPLOYMENT RIGHTS ACT

The government committed in March to cutting the administrative costs of regulation for business by 25 % by the end of the Parliament and set the baseline in October at GBP 22.4 billion a year; it reported that higher company size thresholds had lightened reporting for up to 132,000 companies (HM Treasury & DBT, 21 October 2025, progress update, pp. 7–8). The SME plan promised a law against late payment, which it said cost almost GBP 11 billion a year and closed 38 businesses a day (DBT, 31 July 2025, plan, p. 20); no bill followed in 2025. The Employment Rights Act became law on 18 December, giving protection against unfair dismissal after six months of employment, with its changes phased in over two years (DBT, 18 December 2025).

This was a mixed policy. A published baseline makes the burden target testable. But the measure aimed most directly at small firms’ cash, the late-payment law, stayed a promise, and new employment rights added obligations for small employers in the year in which the government promised to cut their administrative costs.

2.1.5 UNITED STATES: EXECUTIVE ORDER 14192 AND SBA LOAN ELIGIBILITY RULES

Executive Order 14192 of 31 January requires agencies to identify at least ten existing regulations for repeal for every new one and to keep the incremental cost of new regulation in fiscal year 2025 “significantly less than zero” (President of the United States, 31 January 2025, p. 9065). FinCEN

exempted US-formed companies from beneficial ownership reporting from 26 March (FinCEN, 26 March 2025, p. 13688), and Public Law 119-21 raised the threshold for reporting payments to contractors from USD 600 to USD 2,000 from 2026 (United States Congress, 4 July 2025, sec. 70433). From 1 June, however, SBA-guaranteed loans were limited to businesses wholly owned by US citizens, nationals or lawful permanent residents (SBA, 1 June 2025, sec. A, ch. 1).

This was a mixed policy. The reporting changes cut real costs for small firms, but the ten-for-one rule counts regulations rather than weighing them, and the citizenship test shut out of guaranteed lending owners without permanent residence, in a country where immigrants create about a quarter of new firms (Kerr & Kerr, 2020).

2.1.6 FRANCE: THE VAT FRANCHISE REFORM AND THE INSOLVENCY WORKING GROUP

The Finance Act for 2025 replaced the VAT franchise thresholds for small businesses with a single ceiling of EUR 25,000 from 1 March (Parliament of France, 14 February 2025, Art. 32); after strong opposition the government suspended it for the whole of 2025 (Senate Finance Committee, 15 October 2025, pp. 1, 3), and an act of 3 November repealed it and restored the previous thresholds (Parliament of France, 3 November 2025, Art. 1). The bill on simplifying economic life, adopted by the National Assembly at first reading on 17 June, would introduce an impact test of new rules for SMEs (National Assembly of France, 17 June 2025, p. 108) but was still pending at the end of the year. On 27 May the justice and SME ministers installed a working group to simplify the law on companies in difficulty, which comprises 13 procedures, after more than 65,000 business failures in 2024 (Ministry of Justice & MEFIDS, 28 May 2025, pp. 1-2).

This was a poor policy. The one change enacted for micro-enterprises, a lower VAT threshold, was suspended and then repealed after a year of uncertainty, and the SME test and the insolvency reform remained a bill and a working group. A simpler procedure for the failure of small firms is the kind of rule that makes self-employment more attractive (Armour & Cumming, 2008), but nothing was delivered in a year in which the government changed twice.

2.1.7 GERMANY: A NEW MINISTRY FOR BUREAUCRACY REDUCTION AND COMPANY FORMATION IN 24 HOURS

The new federal government moved better regulation and bureaucracy reduction to a new ministry for digital transformation and government modernisation, BMDS, on 6 May (Federal Chancellor of Germany, 6 May 2025). Its Modernisation Agenda, adopted in October, set targets of cutting business's bureaucracy costs by 25 %, about EUR 16 billion, by the end of the legislative term and planned a central portal through which a company can be formed within 24 hours, replacing 6,000 municipal variants of the procedure (BMDS, October 2025, pp. 9, 17). The Location Promotion Act bill, introduced in November, would allow shares with a nominal value below EUR 1 and prospectuses in English (Federal Government of Germany, 3 November 2025, pp. 2-3).

This was a mixed policy. The targets were the right ones: regulation of entry deters the creation of firms, above all in industries in which entry would otherwise be high (Klapper, Laeven, & Rajan,

2006). But in 2025 the government reassigned responsibilities and adopted plans; none of the measures had reached founders by the end of the year.

2.2 FINANCE: GRANTS, FUNDING AND FINANCIAL INFRASTRUCTURE

Finance dominated in every country. Governments turned to scale-up capital, enlarged state-backed funds and sought pension money for venture capital; they differed in who chose the investments – public bodies or private fund managers.

2.2.1 KOREA: THE NATIONAL GROWTH FUND AND “FUND OF FUNDS 2.0”

In September the government enlarged the planned National Growth Fund to KRW 150 trillion or more over five years, half from the Advanced Strategic Industries Fund and half from private investors, pension funds and citizens, with KRW 1 trillion of budget money to take first losses (FSC, 10 September 2025, pp. 1, 4); the fund was launched on 11 December (FSC, 11 December 2025). The venture plan of 18 December set targets of 10,000 AI and deep-tech start-ups, 50 unicorns and decacorns and KRW 40 trillion of venture investment a year, with a “Fund of Funds 2.0” in which the Fund of Funds would take first losses in a national account for pension money (Government of the Republic of Korea, 18 December 2025, press release, pp. 1, 6). The appropriation for the Fund of Funds rose from KRW 500 billion to KRW 820 billion for 2026 (MSS, 3 December 2025, p. 1).

This was a mixed policy. Government-backed venture capital performs best when it invests alongside private investors at a moderate scale (Brander et al., 2015), and first-loss designs aim to draw private money in. But a fund of KRW 150 trillion, half of it public and directed to ten advanced industries, makes the state the anchor of the market, and subsidised public funds can displace the private capital they are meant to attract (Cumming & MacIntosh, 2006).

2.2.2 JAPAN: THE FIVE-YEAR START-UP PLAN, GPIF AND FUND TAXATION

Japan’s five-year plan for start-ups aims to raise investment in start-ups more than tenfold, to about JPY 10 trillion; the Grand Design of June reported instead that investment had fallen from JPY 882.7 billion in 2021 to JPY 779.3 billion in 2024 (Cabinet Secretariat, 13 June 2025, p. 49). The Basic Policy asked the Government Pension Investment Fund to work towards its 5 % cap on alternative investments (Cabinet Office of Japan, 13 June 2025, p. 24), and the tax reform outline of 26 December proposed to extend the open-innovation deduction and to raise from under 25 % to under 50 % the stake a foreign partner may hold in a Japanese fund with a committee of limited partners under the foreign-partner tax rule (Government of Japan, 26 December 2025, pp. 66, 104).

This was a mixed policy. Opening venture funds to institutional and foreign investors is the right lever: when US pension funds were allowed to invest in venture capital, venture funding rose and proved a powerful driver of patenting (Kortum & Lerner, 2000). But at the end of 2025 the tax measures were an outline, not law, and with investment falling the plan’s target was out of reach.

2.2.3 CHINA: THE NATIONAL VENTURE CAPITAL GUIDANCE FUND

The NDRC and the Ministry of Finance launched a national venture capital guidance fund on 26 December 2025 with CNY 100 billion from ultra-long special treasury bonds, aiming to draw local governments, state firms, financial institutions and private capital into its regional funds and sub-funds to reach CNY 1 trillion. At least 70 % must go to seed- and start-up-stage firms, small investees must be valued below CNY 500 million, a single investment may not exceed CNY 50 million, its life is 20 years and it has no local reinvestment requirement; three regional funds, managed by subsidiaries of two state investment corporations and by Shenzhen Capital Group, signed letters of intent with the first 49 sub-funds (NDRC, 26 December 2025).

This was a mixed policy. Its design took up the lessons of earlier public programmes – a long life, a cap on single investments and no local reinvestment rule (Lerner, 2009). But state-owned managers pick the sub-funds, in which they may not be the largest investor, and invest up to a fifth directly; the evidence favours public money that follows private investors' choices (Brander et al., 2015), and a CNY 1 trillion pool led by public money would make the state the market's anchor.

2.2.4 UNITED KINGDOM: THE BRITISH BUSINESS BANK AND THE ENTERPRISE INVESTMENT SCHEME

The Spending Review raised the financial capacity of the British Business Bank, the state-owned development bank, to GBP 25.6 billion, taking its investment to about GBP 2.5 billion a year (HM Treasury, 11 June 2025, p. 35). A mandate of 20 October gave it the mission of helping smaller businesses “start, scale and stay in the UK” and a GBP 4 billion growth capital initiative for eight priority sectors (DBT & HM Treasury, 20 October 2025); it is to put over 60 % of its venture and growth investment into scale-ups (HM Treasury, 26 November 2025, Entrepreneurship, p. 21). Pension money was to come through the voluntary Mansion House Accord and the Pension Schemes Bill (HM Treasury, 26 November 2025, Entrepreneurship, p. 22). The Budget would double the company limits of the EIS and venture capital trusts to GBP 10 million a year and GBP 24 million over a lifetime, and cut the income tax relief for venture capital trusts from 30 % to 20 %, both from April 2026 (HM Treasury, 26 November 2025, Budget, pp. 74, 100).

This was a mixed policy. The bank invests mainly through private fund managers, the hybrid form that the evidence supports (Brander et al., 2015), and higher company limits would direct relief to scale-ups, though angel tax credits elsewhere raised investment without significantly changing entrepreneurial activity (Denes, Howell, Mezzanotti, Wang, & Xu, 2023). But the bank's new capacity starts only in April 2026, the Budget reliefs awaited legislation, and the turn to priority sectors asks the bank to pick sectors, although high-growth firms are too varied to be found that way (Mason & Brown, 2013).

2.2.5 UNITED STATES: QUALIFIED SMALL BUSINESS STOCK AND THE LAPSE OF SBIR

Public Law 119-21 of 4 July widened the exclusion of gains on qualified small business stock acquired after enactment – 50 % after three years, 75 % after four, 100 % after five – and raised the cap per issuer to USD 15 million and the gross-assets ceiling to USD 75 million (United States Congress, 4 July 2025, sec. 70431); it also restored the immediate deduction of domestic research

costs (United States Congress, 4 July 2025, sec. 70302). An order of 7 August directed the Secretary of Labor and the Securities and Exchange Commission to ease the access of 401(k) savers to private equity and other alternative assets (President of the United States, 7 August 2025, p. 38922). The SBA guaranteed a record USD 44.8 billion of loans in fiscal year 2025 after cutting its workforce and tightening underwriting (SBA, 30 September 2025). The authority for the SBIR and STTR programmes expired on 1 October, and the National Institutes of Health withdrew their funding opportunities (NIH, 17 November 2025); no law renewed it in 2025.

This was a mixed policy. The gain exclusion was the best-supported investor incentive: an earlier increase in the same exclusion raised the funding of eligible start-ups (Edwards & Todtenhaupt, 2020). Letting SBIR lapse was a poor policy, because early SBIR grants have been found to double a firm's chance of raising venture capital and to raise its patents and revenue (Howell, 2017).

2.2.6 FRANCE: THE FINANCE ACT FOR 2025 AND BPIFRANCE INNOVATION FINANCE

The Finance Act for 2025, adopted only in February, raised the income tax reduction for subscriptions to innovation funds from 18 % to 25 % (Parliament of France, 14 February 2025, Art. 12); because the higher rate needed state-aid clearance, it applied only to payments from 28 September to 31 December 2025 (MEFIDS, 2 October 2025, p. 1). The same Act narrowed the base of the research tax credit and cut the rate of the innovation tax credit from 30 % to 20 % (Parliament of France, 14 February 2025, Arts. 55–56). Bpifrance, the public investment bank, reported that its innovation aid and loans fell by 49 % in the first half of 2025, mostly in large state-directed projects, with its national innovation programmes down 53 % on reduced resources and stricter selection, and that the French venture capital market fell by 35 % in value (Bpifrance, 29 September 2025, pp. 3–5). No budget for 2026 had been adopted by the end of the year (MEFIEDS & Ministry of Public Action and Accounts, 30 December 2025, p. 1).

This was a poor policy. An incentive that applies for three months cannot change investment decisions that run over years, and tax relief for innovation and public innovation finance were cut together while private venture funding was falling.

2.2.7 GERMANY: THE GERMANY FUND AND INSURERS' INVESTMENT RULES

The federal government and KfW, the federal promotional bank, launched the Germany Fund on 18 December, an umbrella for which the federation provides about EUR 30 billion of public funds and guarantees to trigger about EUR 130 billion of investment; in its start-up module KfW co-invests directly alongside private funds from the portfolio of KfW Capital, up to EUR 50 million per investment and EUR 1 billion in all (BMWE, BMF, & KfW, 18 December 2025). A regulation of 31 January let insurers and pension funds invest more in venture capital (Federal Government of Germany, 26 September 2025, p. 5), and the July tax investment programme raised the research allowance's maximum base from EUR 10 million to EUR 12 million from January 2026 (German Bundestag, 14 July 2025).

This was a good policy in its design. Co-investment alongside private funds that have already chosen a firm is the form of public venture capital that the evidence favours (Brander et al., 2015;

Lerner, 2009), and the investment rules for insurers and pension funds go to institutional money. But the start-up module was small within the umbrella and began in the last fortnight of the year.

2.3 CULTURE

Culture was the thinnest domain everywhere, addressed through awards and statements and, more consequentially, through measures that lower the cost of failure.

2.3.1 KOREA: A RE-CHALLENGE HEADQUARTERS AND A STATUTORY VENTURE BUSINESS WEEK

The Ministry of SMEs and Startups launched a Re-challenge Support Headquarters on 11 December to coordinate 19 regional centres, and planned to raise the re-challenge fund from KRW 150 billion over the previous five years to KRW 1 trillion over the next five, to give new guarantees to founders who could not repay earlier guarantee debt and to widen the definition of a “re-challenger” (MSS, 17 December 2025, pp. 3, 9). An audition-style project was to select 100 “start-up rookies” a year (MSS, 17 December 2025, p. 9), and the amended Venture Business Act gave a statutory basis to an annual Venture Business Week (MSS, 23 December 2025, p. 3).

The re-challenge measures were a good policy, because a second chance financed on the merits of the new venture lowers the cost of failure that deters entry (Lee et al., 2007). The audition project and the statutory week were a mixed policy: they celebrate founders, but encouraging more people to start firms does not by itself produce better firms (Shane, 2009).

2.3.2 JAPAN: PERSONAL GUARANTEES AND RE-CHALLENGE SUPPORT

A package of 17 March by METI, the Financial Services Agency and the Ministry of Finance extended re-challenge support to the costs of settling the debts of the company itself, as principal debtor, when its owner starts again, and followed up the reform of personal guarantees (METI, 17 March 2025, p. 2). The Grand Design reported that about half of new loans from private lenders still carried the owner’s personal guarantee (Cabinet Secretariat, 13 June 2025, p. 23).

This was a mixed policy. Personal guarantees are a real deterrent: a founder who guarantees the firm’s loans risks personal ruin, and stigma weakens even a lenient bankruptcy law (Lee et al., 2007). But policy still relied on persuading lenders, not on rules, and half of new loans carried a guarantee.

2.3.3 CHINA: TOLERANCE OF FAILURE IN PUBLIC FUNDS AND CREDIT REPAIR

The guidance on government investment funds asked for a climate that “encourages innovation and tolerates failure”, with exemption from liability for managers who act diligently and in compliance (General Office of the State Council, 2 January 2025), and the national venture capital fund is not to judge its managers by a single project (NDRC, 26 December 2025). The Private Economy Promotion Law provides for credit repair once dishonest conduct has been corrected and calls for respect for entrepreneurs (NPCSC, 30 April 2025, Arts. 8, 54), and the opinions of

seven ministries of February on entrepreneurship support provided guidance, training and loans for founders who start again after failure (MOHRSS et al., 6 February 2025).

Tolerance of failure for public fund managers was a good policy: without it, managers of state money avoid the early-stage risks that the funds exist to take (Lerner, 2009). The provisions for founders were a mixed policy, guidance rather than changes in the rules of insolvency.

2.3.4 UNITED KINGDOM: ENTREPRENEURSHIP IN THE UK AND A YOUTH ENTREPRENEUR AWARD

The Chancellor's foreword to Entrepreneurship in the UK, published with the Budget, argued that "we have built systems around caution, not conviction" and accepted that "not every idea will succeed" (HM Treasury, 26 November 2025, Entrepreneurship, pp. 6–7). The SME plan promised a Youth Entrepreneur category in the King's Award for Enterprise and committed the Insolvency Service to advice for company directors "to help mitigate fear of business failure" (DBT, 31 July 2025, plan, p. 44, and annex, p. 29).

This was a poor policy. The Treasury framed the problem as one of attitudes to risk, but its instruments – an award and advice – were small, and nothing changed the cost of failure for founders, for instance in personal insolvency, where a more forgiving law is associated with more self-employment (Armour & Cumming, 2008).

2.3.5 UNITED STATES: NATIONAL SMALL BUSINESS WEEK

The President's proclamation of National Small Business Week, 4–10 May, called entrepreneurship "the foundation of a free and prosperous Nation" and tied small business policy to the "Liberation Day" tariffs (President of the United States, 5 May 2025, p. 19609). No federal measure of the year addressed attitudes to failure, second chances or entrepreneurship education.

This was a poor policy. It cast the entrepreneur as a domestic producer protected by tariffs rather than as a risk-taker in new markets, and it offered a proclamation where a supportive culture is reproduced through the networks, mentors and successful firms of an ecosystem (Spigel, 2017).

2.3.6 FRANCE: SUPPORT NETWORKS AND A MISSION FOR BUSINESS TAKEOVERS

France worked through networks and missions. The support networks backed by Bpifrance helped about 80,000 people in the first half of the year and disbursed about 10,500 honour loans (Bpifrance, 29 September 2025, p. 11), and a mission for business takeovers, launched on 8 July, set out to build a culture of business transfer and takeover, with about 500,000 firms expected to change hands within ten years (MEFIDS, 8 July 2025, pp. 1–2).

This was a mixed policy. Treating the takeover of an existing firm as entrepreneurship is a sound idea in an ageing economy, but the mission had produced no results by the end of the year, and support counted in people and loans says little about the productive, growth-oriented entrepreneurship that ecosystem policy seeks (Stam, 2015).

2.3.7 GERMANY: EXIST-WOMEN AND THE START-UP COMMISSIONER

The High-Tech Agenda named better conditions for founding, including the EXIST-Women programme for women founders, as a lever of innovation policy (BMFTR, July 2025, p. 40). The honorary post of start-up commissioner was not continued, as the coalition had agreed to halve the number of federal commissioners (Federal Government of Germany, 26 September 2025, p. 8).

This was a poor policy. Support for women founders addresses a real gap, but it was a line in a strategy, and none of the year's federal measures addressed attitudes to failure, a core cultural condition of an entrepreneurial ecosystem (Isenberg, 2011).

2.4 SUPPORT: INSTITUTIONAL SUPPORT

Support was reorganised more than expanded. Korea and the United Kingdom created single points of access, Japan and Germany concentrated support in hubs and university factories, China set performance tests for incubators, the United States cut the staff of its small business agency, and France restricted its main relief for new founders.

2.4.1 KOREA: ONE-STOP CENTRES, TIPS AND 508 PROGRAMMES

In 2026, 111 bodies – 15 ministries and 96 local governments – are to run 508 start-up support programmes worth KRW 3.4645 trillion (MSS, 19 December 2025, pp. 1–2). Seventeen start-up one-stop support centres opened on 1 December for legal, tax and regulatory problems (MSS, 17 December 2025, pp. 3, 10). TIPS, in which the government co-funds firms after private investors have invested in them, is to grow from 850 to 1,200 firms (MSS, 17 December 2025, p. 14), and research and development funding for SMEs rises to KRW 2.1959 trillion in 2026, after falling to KRW 1.3932 trillion in 2024 (MSS, 3 December 2025, pp. 1–2).

TIPS was a good policy: public money follows the choice of a private investor. The rest was a mixed policy. Five hundred programmes run by more than a hundred bodies are the fragmentation that a one-stop centre tries to repair, and support that funds firms one transaction at a time neglects the connections between actors on which ecosystems depend (Brown & Mason, 2017).

2.4.2 JAPAN: 13 START-UP ECOSYSTEM HUB CITIES

In June the Cabinet Office raised the number of start-up ecosystem hub cities from 8 to 13 (Cabinet Office of Japan, June 2025, p. 2) and set a pipeline from scouting in the hubs through accelerators and research programmes to global markets and procurement (Cabinet Office of Japan, June 2025, p. 6). Its assessment of the first phase was that links within the ecosystems were still being formed (Cabinet Office of Japan, June 2025, p. 1). Tokyo accounted for 66.2 % of start-ups and 78.5 % of the money they raised (Cabinet Secretariat, 23 April 2025, p. 37).

This was a mixed policy. Shaping ecosystems around local conditions rather than emulating Silicon Valley is what ecosystem theory recommends (Isenberg, 2010), and the diagnosis of weak links was candid. But 13 hubs spread support while finance remains concentrated in Tokyo.

2.4.3 CHINA: MEASURES FOR TECHNOLOGY BUSINESS INCUBATORS

The measures of MIIT for technology business incubators, in force from 10 July, require a recognised incubator to have at least 5,000 m² of space, 30 incubated firms, equity investment in at least 10 % of them or outside funding for 20 %, one mentor per ten firms and at least 10 % of its firms graduating each year; one graded D twice in a row loses recognition (MIIT, 7 June 2025, Arts. 6, 15–20). A firm graduates on recognition as a specialised and innovative SME or high-tech enterprise, raising more than CNY 5 million in one round, earning more than CNY 10 million in two years, or being acquired or listed (MIIT, 7 June 2025, Art. 9).

This was a good policy. It judges incubators by what their firms achieve – investment, revenue and graduation – not only by space and tenants, and it withdraws recognition from those that fail.

2.4.4 UNITED KINGDOM: THE BUSINESS GROWTH SERVICE AND INNOVATE UK

The SME plan launched a Business Growth Service as a single national brand for business support (DBT, 31 July 2025, plan, p. 51), and planned incubators only through settlements with three mayoral authorities (DBT, 31 July 2025, plan, p. 36). Support for high-growth firms ran through research funding: UK Research and Innovation is to direct GBP 7 billion into innovative companies, and Innovate UK's new GBP 130 million Growth Catalyst is to back frontier companies that have already attracted investment (HM Treasury, 26 November 2025, Entrepreneurship, p. 14).

This was a mixed policy. Grants for firms that have already attracted private investment tie public money to a market signal, but the Business Growth Service was a brand and a portal rather than a programme with a budget of its own.

2.4.5 UNITED STATES: THE SBA REORGANISATION AND BUDGET REQUEST

The SBA announced on 21 March a reorganisation that would cut its workforce by 43 % and eliminate about 2,700 active positions (SBA, 21 March 2025). Its budget request proposed ending 15 “specialized and duplicative” entrepreneurial development programmes, cutting their account from USD 316.8 million to USD 150 million, and reducing staff to 3,600 full-time equivalents (SBA, 29 May 2025, pp. 3, 14, 19). A 43-day lapse in appropriations halted SBA loan approvals, which the agency estimated blocked USD 5.3 billion for 10,000 small businesses (SBA, 13 November 2025).

This was a poor policy. Consolidating overlapping programmes can be sound, but a 43 % cut in one year and six weeks without lending weakened support on which small firms rely. The record lending (Section 2.2.5) measures volume, not whether the loans reached firms that could not otherwise have borrowed, the test by which guarantees are justified (Riding, Madill, & Haines, 2007).

2.4.6 FRANCE: THE NEXT40/120 PROGRAMME AND THE RESTRICTION OF FOUNDERS' RELIEF

The sixth cohort of the French Tech Next40/120 programme, announced on 5 June, gives 120 scale-ups a year of support from the Mission French Tech and 60 correspondents across public administrations (Mission French Tech, 5 June 2025, p. 16). Bpifrance cited an evaluation of its accelerators that found about EUR 4,000 of public money per job created (Bpifrance, 29

September 2025, p. 10). The social security financing act for 2026, promulgated on 30 December, restricted the exemption from social contributions for business creators and buyers (ACRE) from 1 January 2026 to target groups and designated zones, and limited it to at most 25 % of contributions (Parliament of France, 30 December 2025, Art. 23).

This was a mixed policy. Concentrated support for firms that have already shown growth follows the advice to target high-growth firms through relationships rather than grants (Mason & Brown, 2013). But the restriction of ACRE removes, for founders outside those groups and zones, the main relief on social contributions in a firm's first year.

2.4.7 GERMANY: TEN EXIST STARTUP FACTORIES

On 10 July the economics minister announced ten EXIST Startup Factories, regional ecosystems around universities and research institutions, with 126 institutions and 144 business partners; each receives up to EUR 10 million of federal money if private partners contribute the same amount (BMWE, 10 July 2025). The High-Tech Agenda promised to make EXIST, which produces about 250 start-ups a year, permanent (BMFTR, July 2025, p. 40), while a start-up strategy was still being drafted in September (Federal Government of Germany, 26 September 2025, p. 7).

The Startup Factories were a good policy: they require private money to match public money and build on research institutions, the knowledge base of many productive ecosystems (Stam, 2015). The lack of an agreed strategy throughout the year was a weakness.

2.5 HUMAN CAPITAL: EDUCATION AND TRAINING, AND LABOUR

Human capital policy divided along lines of migration. China opened a visa for young foreign scientists and the United Kingdom eased the switch from student to founder visa, while Japan raised the bar for foreign founders and the United States made skilled foreign hires costlier.

2.5.1 KOREA: STOCK OPTIONS AND SPECIAL NATURALISATION

A decree amended in December raised the limit on stock options granted below market price by venture firms from KRW 0.5 billion to KRW 2 billion (MSS, 23 December 2025, p. 3); grants by board resolution need an amendment of the Act (MSS, 17 December 2025, p. 9). For foreign talent the Ministry of SMEs and Startups planned to recommend foreigners with advanced technology for special naturalisation (MSS, 17 December 2025, p. 9).

The stock-option change was a good policy, letting firms short of cash recruit with equity. The rest was a mixed policy: special naturalisation reaches only a handful of foreign founders.

2.5.2 JAPAN: THE REVISED BUSINESS MANAGER STATUS

In June the Grand Design promised to promote the start-up visa further and to speed up screening (Cabinet Secretariat, 13 June 2025, p. 52). In October the government did the opposite. A ministerial ordinance in force from 16 October raised the minimum capital for the "Business Manager" status from JPY 5 million to JPY 30 million and required a full-time employee who is

Japanese or holds a settled residence status, Japanese at CEFR B2 level for the applicant or any full-time employee, a relevant degree or three years of management experience, and a professionally checked business plan (MOJ & ISA, 10 October 2025, pp. 1–2).

This was a poor policy. A six-fold capital requirement excludes foreign founders who start lean, although immigrants are more likely than natives with similar education to start companies (Hunt, 2011). The rules contradicted the promise of June and made no distinction between founders of growth firms and other applicants.

2.5.3 CHINA: THE K VISA AND ENTREPRENEURSHIP TRAINING

A new K visa for young foreign science and technology talent took effect on 1 October. It is open to graduates in science, technology, engineering and mathematics from well-known universities or research institutions, and its holders may engage in entrepreneurship and business without a host employer in China (State Council of the People's Republic of China, 7 August 2025). The seven-ministry opinions of February called for entrepreneurship education throughout higher and vocational education and for subsidised training (MOHRSS et al., 6 February 2025).

The K visa was a good policy: by dropping the requirement of an employer it lets young foreign scientists start firms, a group that patents and commercialises patents at higher rates than natives (Hunt, 2011). The education measures were a mixed policy, measured by participation, while a compulsory programme of this kind has been found to have no effect on entrepreneurial skills and to lower the wish to become an entrepreneur (Oosterbeek, van Praag, & Ijsselstein, 2010).

2.5.4 UNITED KINGDOM: FOUNDER VISA SWITCHING AND SHARE OPTIONS

A statement of changes to the Immigration Rules let students who had completed their course establish a business while switching to the Innovator Founder route from 25 November, doubled the institutions eligible for the High Potential Individual route and raised the English requirement for skilled and scale-up routes to level B2 (Home Office, 14 October 2025, pp. 6–7, 12). The Budget would extend Enterprise Management Incentives to companies with up to 500 employees and GBP 120 million of gross assets from April 2026 (HM Treasury, 26 November 2025, Budget, p. 100).

This was a mixed policy. Student switching, in force from November, and the proposed wider share options reach the people who start and staff high-growth firms, but the higher English requirement for skilled routes narrows the pool of founders' first employees.

2.5.5 UNITED STATES: PROCLAMATION 10973 ON H-1B PETITIONS

A proclamation of 19 September restricted the entry of H-1B specialty-occupation workers unless their petitions were accompanied by a payment of USD 100,000, for 12 months from 21 September (President of the United States, 19 September 2025, p. 46028). Public Law 119-21 created "Workforce Pell" grants for short training programmes from July 2026 (United States Congress, 4 July 2025, sec. 83002).

This was a poor policy for start-ups. A payment of USD 100,000 per petition is a fixed cost that large firms can absorb and young technology firms cannot, and immigrants admitted on temporary work visas outperform natives in patenting and in commercialising patents (Hunt, 2011).

2.5.6 FRANCE: THE STUDENT-ENTREPRENEUR STATUS AND PÉPITE HUBS

More than 46,000 holders of the national student-entrepreneur status have been supported since 2014 through 32 Pépite hubs, 6,721 of them in 2024–25 (Ministry of Higher Education, Research and Space, November 2025, p. 6). Women made up 34 % of status holders, a share the ministry said was not rising enough (Ministry of Higher Education, Research and Space, November 2025, p. 9).

This was a mixed policy. Building entrepreneurship into higher education fits ecosystems that grow from knowledge, but the programme was reported by the number of students supported rather than by the firms they built.

2.5.7 GERMANY: KEY POINTS FOR A WORK-AND-STAY AGENCY

The Cabinet adopted key points for a digital work-and-stay agency for foreign skilled workers on 5 November, with tenders for its information technology to follow in 2026 (Federal Government of Germany, 3 December 2025, p. 11); German missions had issued 17,489 Opportunity Card visas between June 2024 and November 2025 (Federal Government of Germany, 3 December 2025, pp. 4–5). The High-Tech Agenda promised a one-stop shop in EXIST for international founders and an examination of faster visas for students, researchers and potential founders (BMFTR, July 2025, p. 42).

This was a mixed policy. A single agency would address the obstacles foreign hires face, but in 2025 it existed as key points, and for founders the government only promised to examine faster visas.

2.6 MARKET: MARKET AND INDUSTRY SUPPORT, IPO AND EXIT

Market measures were of three kinds: procurement targets, rules for listing and exit, and trade. Procurement targets for young firms were missed where they were measured, listing rules moved in opposite directions, and the United States used tariffs as small business policy.

2.6.1 KOREA: PUBLIC PURCHASING FROM START-UPS AND THE KOSDAQ PLAN

The venture plan reported that public purchases from start-ups were 3.9 %, 3.0 % and 3.3 % of the total in 2022–24, well below the statutory target of 8 %, and proposed extending the scheme to venture firms (Government of the Republic of Korea, 18 December 2025, plan, p. 5, and press release, p. 3). The FSC's plan for KOSDAQ, the market for growth firms, reported 38 delisting decisions in 2025 against an average of 15 in the previous three years, noted that the July reform raises the market-capitalisation threshold for delisting from KRW 4 billion to KRW 15 billion in January 2026, and proposed technology listing tracks for AI, space and energy (FSC, 19 December 2025).

Stricter delisting was a good policy: removing weak firms protects the market's credibility, and in Europe firms listed on second markets performed far worse in the long run than those on main markets (Vismara, Paleari, & Ritter, 2012); the plan's technology listing tracks, like China's growth tier, pull the other way. The purchasing scheme was a poor policy: the government widened it while missing its target for the firms already covered.

2.6.2 JAPAN: THE GROWTH MARKET CRITERION AND PROCUREMENT FROM YOUNG FIRMS

Procurement from firms under ten years old amounted to only 1.39 % of state contracts in fiscal year 2023 against a target of at least 3 % (Cabinet Secretariat, 13 June 2025, p. 53). As announced in June, the Tokyo Stock Exchange changed the maintenance criterion of its Growth Market from a market capitalisation of JPY 4 billion ten years after listing to JPY 10 billion after five years (Cabinet Secretariat, 13 June 2025, p. 52), effective from 8 December (Cabinet Secretariat, 24 December 2025, p. 6); 62.2 % of the firms listed in 2014–20 had listed below JPY 20 billion and stayed there (Cabinet Secretariat, 23 April 2025, p. 46).

The Growth Market rule was a good policy: it closes a route by which small firms listed and then stopped growing, the weakness of second markets (Vismara et al., 2012). The procurement target was a mixed policy: at 1.39 % the state bought less than half its target from young firms, and buying innovation requires procurers with the capacity and incentives to do so (Edler & Georghiou, 2007).

2.6.3 CHINA: A GROWTH TIER FOR UNPROFITABLE FIRMS ON THE STAR MARKET

On 18 June the CSRC set up a growth tier on the STAR Market for unprofitable technology companies, resuming listings under the fifth listing standard and extending it to artificial intelligence, commercial aerospace and the low-altitude economy; companies leave the tier after two profitable years with net profit totalling at least CNY 50 million, or one profitable year with revenue of at least CNY 100 million (CSRC, 18 June 2025).

This was a mixed policy. Reopening listings for unprofitable firms gives venture investors an exit, and a separate tier tells investors what they are buying. But an exit that depends on the regulator opening or closing a listing standard is a weak basis for funds that invest over a decade, and second markets for small firms have a poor long-run record (Vismara et al., 2012).

2.6.4 UNITED KINGDOM: SME SPEND TARGETS AND LISTING RELIEF

The Procurement Act 2023 brought a duty on contracting authorities to have regard to barriers facing SMEs and 30-day payment terms throughout the public supply chain, and central departments had to set three-year targets for spending with SMEs from 1 April and publish the results each year (Cabinet Office, 13 February 2025, pp. 1–2). The Budget exempted the shares of newly listed companies from stamp duty reserve tax for three years from 27 November (HM Treasury, 26 November 2025, Budget, p. 100).

This was a good policy. Spend targets with published results make procurement for small firms accountable, though no results had yet been published, and listing relief lowers a cost of going

public in London. Its limits were the wider public sector, where targets remained a consultation (DBT, 31 July 2025, annex, p. 34), and the lack of any measure for acquisitions as an exit.

2.6.5 UNITED STATES: TARIFFS AND FEDERAL PROCUREMENT

The proclamation of National Small Business Week presented the tariffs of “Liberation Day” as protection for American businesses against unfair trade (President of the United States, 5 May 2025, p. 19609). An executive order of 15 April ordered the Federal Acquisition Regulation, which governs nearly USD 1 trillion of purchases a year, to be cut back to provisions required by statute or otherwise necessary (President of the United States, 15 April 2025, pp. 16447–16448); small businesses had received 28.35 % of federal contract dollars in fiscal year 2023 against a goal of 23 % (SBA, 29 May 2025, p. 25).

This was a poor policy. Tariffs raise the cost of imported inputs, which falls on small firms that buy abroad, and they are trade policy presented as small business policy. A shorter procurement regulation may lower the cost of bidding, and small businesses already exceeded their contracting goal, but the order was not aimed at young or innovative firms.

2.6.6 FRANCE: LARGE BUYERS’ COMMITMENTS AND RESERVED LOTS FOR YOUNG INNOVATIVE COMPANIES

Under the “I choose French Tech” initiative ten large groups committed in June to EUR 1 billion of purchases from French start-ups and scale-ups (Mission French Tech, 12 June 2025, pp. 2, 4). The simplification bill would let buyers reserve up to 30 % of lot value in innovative contracts below EU thresholds for young innovative companies (National Assembly of France, 17 June 2025, pp. 22–23), but it was pending at the end of the year. In December the government opened a national consultation on acquisitions of start-ups, noting that 35 % of investors were slowing their investment for lack of exits (MEFIEDS & Mission French Tech, 18 December 2025, pp. 1–2).

This was a mixed policy. Large buyers’ voluntary commitments create demand without legislation, but do not bind, and the reserved lots, the measure with legal force, were not enacted. The government diagnosed the shortage of exits correctly but only opened a consultation.

2.6.7 GERMANY: THE PROCUREMENT ACCELERATION ACT BILL AND LISTING REFORM

The Cabinet adopted a Procurement Acceleration Act bill on 6 August that would raise the federal threshold for direct awards from EUR 15,000 to EUR 50,000 and require buyers to take account of start-ups in setting requirements on past turnover and company age; a threshold of EUR 100,000 for innovative start-ups was to follow separately (BMWE, 6 August 2025). The Location Promotion Act bill was designed to strengthen “the IPO market as an exit channel for venture capital” (Federal Government of Germany, 3 November 2025, p. 3). Neither bill had been enacted by the end of 2025.

This was a mixed policy. Removing requirements on turnover and age addresses a barrier that keeps young firms out of public tenders (Edler & Georghiou, 2007), and the listing reforms lower the cost of going public. But both reforms were bills at the end of the year.

3 ANALYSIS OF THE POLICIES

3.1 CONTEXTUAL ANALYSIS: ORIGINS, BACKGROUND AND RATIONALE OF THE POLICIES

Policy in 2025 was made through changes of government. Korea's new president took office on 4 June (MOIS, 4 June 2025); a new US administration took office in January (SBA, 30 September 2025); Germany's new federal government reorganised its ministries on 6 May (Federal Chancellor of Germany, 6 May 2025); France's government fell in September and was formed twice in October (President of the French Republic, 12 October 2025); and Japan's new government replaced the headquarters that had led its growth and start-up policy in November (Government of Japan, 4 November 2025). Only China and the United Kingdom kept the same government throughout the year. One consequence runs through Section 2: much of the year's policy was announced in its last months — Korea's venture plan, Japan's tax outline and Germany's Germany Fund all came in December — and was pending or due to take effect only in 2026.

The fiscal setting differed sharply. Korea raised the budget of its ministry for SMEs and start-ups by 8.4 % for 2026 (MSS, 3 December 2025, p. 1), and China planned a deficit of about 4 % of GDP with ultra-long special treasury bonds that also funded its venture capital guidance fund (NDRC, 26 December 2025; State Council of the People's Republic of China, 5 March 2025). France entered 2026 without a budget (MEFIEDS & Ministry of Public Action and Accounts, 30 December 2025, p. 1), the SBA requested a 42 % cut in its discretionary authority outside disaster relief (SBA, 29 May 2025, p. 3), and a lapse in US appropriations halted SBA lending for six weeks (SBA, 13 November 2025).

Each government represented the problem of entrepreneurship in its own way, and the representation shaped the solutions it chose (Bacchi, 2009; Rochefort & Cobb, 1993). Table 2 sets out what each government represented the problem to be, what the representation presupposed and what it left unsaid.

Table 2: How the seven governments represented the problem

Country	Problem represented	Presupposition	Left unsaid
Korea	A venture investment market too small to make Korea one of the world's four venture powers, and too few firms scaling up (Government of the Republic of Korea, 18 December 2025)	Public capital and quantitative targets — firms, unicorns, investment — can create the market	Why private and pension money had not invested; the record of earlier public funds
Japan	Start-ups that are numerous but do not scale, and SMEs that cannot pass on costs or raise wages (Cabinet Secretariat, 13 June 2025)	Fair pricing in supply chains and scale-up money will raise wages and growth	That the tenfold target was out of reach; the new barriers to foreign founders

Country	Problem represented	Presupposition	Left unsaid
China	Weak confidence among private firms, and capital that does not reach early-stage hard technology (General Office of the State Council, 2 January 2025; State Council of the People's Republic of China, 5 March 2025)	Law and state-guided funds can restore confidence and steer capital	The effect of state dominance of venture capital on private investors
United Kingdom	An “incubator economy” in which firms start but do not scale or stay (HM Treasury, 26 November 2025, Entrepreneurship, p. 13)	Scale-up capital is the binding constraint	New employment obligations and tighter migration rules for small employers
United States	Regulation, fraud and unfair foreign trade that hold back small businesses and manufacturing (President of the United States, 5 May 2025; SBA, 29 May 2025)	Fewer rules, citizenship tests and tariffs help small firms	The lapse of SBIR; the costs of tariffs and of the H-1B payment for young firms
France	Deep-tech start-ups that lack scale-up finance and exits (DGE, March 2025; MEFIEDS & Mission French Tech, 18 December 2025)	Concentrated support for champions builds technological sovereignty	Cuts in innovation aid and in founders' relief in the same year
Germany	Bureaucracy and a shortage of growth capital (BMDS, October 2025; BMW et al., 18 December 2025)	Public guarantees that mobilise private capital, with less red tape, will suffice	Failure and second chances

Source: IFEEED analysis after Rochefort and Cobb (1993) and Bacchi (2009) of the sources cited.

Despite these differences, the governments converged on a common rationale. All seven turned from the creation of firms to their growth — “start, scale and stay”, in the British phrase (DBT & HM Treasury, 20 October 2025) — and most chose a mission or a set of priority sectors to direct public capital: eight priority sectors in the United Kingdom, ten advanced industries in Korea, “hard technology” in China, deep technology in France and Germany, and manufacturing in the United States. This is the market-creating rationale of mission-oriented innovation policy (Mazzucato, 2016), rather than the correction of particular market failures that entrepreneurship policy has traditionally required (Acs, Åstebro, Audretsch, & Robinson, 2016). The convergence also reflects policy transfer (Dolowitz & Marsh, 2000): the turn to pension money for venture capital appeared in five countries in one year, and France and Germany set up a joint task force on financing European scale-ups (Federal Government of Germany, 26 September 2025, pp. 5–6).

3.2 THEORETICAL ANALYSIS: THEORETICAL VALIDITY AND RELEVANCE

Ecosystem theory sets the first test. It treats productive entrepreneurship as the output of interdependent conditions and holds that the weakest of them limits the system (Ács et al., 2014; Stam, 2015); policy should therefore attend to the conditions that bind and to the connections between actors, not only to transactions with individual firms (Brown & Mason, 2017). The policies of 2025 failed this test in the aggregate. Every government concentrated on finance, the condition in which public action is easiest to announce and to count, while culture, the condition that the theory treats as reproduced through networks and successful firms (Spigel, 2017), received awards, weeks and statements.

On finance, the theory of government venture capital supports some designs and not others. Public money that invests alongside private investors raises the amount invested and is associated with more successful exits, while public money that invests alone does worse (Brander et al., 2015); public funds can also displace private capital (Cumming & MacIntosh, 2006), and public programmes fail when they are too large, too local or too short-lived (Lerner, 2009). The British Business Bank, KfW's co-investment and Korea's TIPS pass this test; China's guidance fund and Korea's National Growth Fund, in which public money is the anchor, pass it only in part. Investor tax incentives have uneven support: a larger exclusion of capital gains on start-up stock raised the funding of eligible firms (Edwards & Todtenhaupt, 2020), but tax credits for angel investors raised angel investment without significantly changing entrepreneurial activity (Denes et al., 2023) – a warning for the EIS limits and France's income tax reduction alike.

The same tests apply in the other domains (Table 3). The case that entrepreneur-friendly bankruptcy rules raise entry (Armour & Cumming, 2008; Lee et al., 2007; Lee, Yamakawa, Peng, & Barney, 2011) supports the Korean, Japanese and Chinese measures on failure; the evidence that immigrants who arrive as students and temporary workers outperform natives in patenting (Hunt, 2011), and that immigrants create about a quarter of new US firms (Kerr & Kerr, 2020), supports the K visa and British founder visa switching and contradicts Japan's capital requirement and the US payment for H-1B petitions; and the evidence on procurement and trade credit (Edler & Georghiou, 2007; Petersen & Rajan, 1997) supports published spend targets and enforceable payment rules.

Table 3: Theoretical validity of the main policies

Theory	Claim	Policies consistent with it	Policies in tension with it
Entrepreneurial ecosystems (Ács et al., 2014; Brown & Mason, 2017; Stam, 2015)	Outputs depend on interdependent conditions; the weakest binds; relational policy	One-stop centres (Korea); hub cities (Japan); Startup Factories (Germany)	Finance-first agendas in all seven; 508 programmes from 111 bodies (Korea)
Government venture capital (Brander et al., 2015; Cumming & MacIntosh, 2006; Lerner, 2009)	Public money works best alongside private investors, at moderate scale and without local restrictions	British Business Bank; KfW co-investment; TIPS (Korea)	National Growth Fund (Korea); state-anchored guidance fund (China)
Investor tax incentives (Denes et al., 2023; Edwards & Todtenhaupt, 2020)	Relief on start-up gains raises funding; angel credits raise investment but not necessarily outcomes	Qualified small business stock (United States)	Three-month income tax reduction (France); EIS limits (United Kingdom)
Research grants (Howell, 2017)	Early grants raise venture capital, patents and revenue	SME research budget and TIPS (Korea); EXIST (Germany)	Lapse of SBIR (United States); innovation programmes down 53 % (France)
Business failure (Armour & Cumming, 2008; Lee et al., 2007)	A lower cost of failure raises entry into risky ventures	Joint liability statute and re-challenge (Korea); restructuring act (Japan); credit repair (China)	No change (United Kingdom, United States, France, Germany)
Immigrant talent (Hunt, 2011; Kerr & Kerr, 2020)	Immigrants contribute to innovation and new firms out of proportion to their numbers	K visa (China); founder visa switching (United Kingdom)	Business Manager status (Japan); H-1B payment and citizenship test (United States)

Theory	Claim	Policies consistent with it	Policies in tension with it
Demand and payment (Edler & Georghiou, 2007; Petersen & Rajan, 1997)	Procurement can create markets for innovation; trade credit should flow to firms that lack finance	Spend targets (United Kingdom); Subcontract Act (Japan); payment rules (China)	Purchasing targets missed (Korea, Japan); late-payment law unenacted (United Kingdom)
Second markets (Vismara et al., 2012)	Light-rule second markets perform poorly in the long run	Growth Market criterion (Japan); KOSDAQ delisting (Korea)	Growth tier (China); technology listing tracks (Korea)

Source: IFEED assessment of the policies reviewed in Section 2, against the sources named in the first column.

3.3 PRACTICAL ANALYSIS: PERFORMANCE, CONTRIBUTION AND IMPACT

By the end of 2025 much of the year's policy had not yet reached firms (Table 4). The measures in force were concentrated in law, tax and listing rules – the US tax law, China's payment regulations and private economy law, Korea's statutory limit on joint liability and Japan's new rule for the Growth Market – while the largest financial commitments began in December or were due to start in 2026, and many reforms remained bills.

Table 4: Status of the main measures at the end of 2025

Country	In force or launched in 2025	Enacted, in force from 2026	Pending or announced
Korea	Joint liability limit; stock-option limit; National Growth Fund; one-stop centres; re-challenge headquarters	Venture acts; KOSDAQ delisting threshold	Fund of Funds 2.0; pension investment
Japan	Hub cities; Business Manager rules; Growth Market criterion	Amended Subcontract Act; restructuring act	Tax outline
China	Private economy law; payment rules; incubator rules; growth tier; K visa; guidance fund	—	Sub-funds (letters of intent)
United Kingdom	SME spend targets; founder visa switching; listing relief; British Business Bank mandate	Employment rights	Late-payment law; EIS, VCT and EMI changes; wider public-sector targets
United States	Tax law; FinCEN exemption; citizenship test; SBA cuts; H-1B payment	Workforce Pell grants; contractor reporting threshold	SBIR renewal; SBA budget
France	Investor tax reduction at 25 % (three months); research and innovation credits cut; VAT reform repealed	ACRE restricted	Simplification bill; insolvency reform; budget
Germany	Ministry reorganisation; Startup Factories; Germany Fund	Research allowance increase	Location Promotion Act; procurement bill; work-and-stay agency; strategy

Source: IFEED compilation from the sources cited in Section 2.

Where governments reported performance, they reported outputs. The SBA reported record lending of USD 44.8 billion and a record USD 53 billion in its investment company programme (SBA, 30 September 2025, 19 November 2025); Korea reported venture investment of KRW 4 trillion in the third quarter (MSS, 17 December 2025, p. 3); and Japan reported a record 25,000 start-ups (Cabinet Secretariat, 24 December 2025, p. 6). The figures that cut against the governments'

narratives came from the governments themselves: Japan's investment in start-ups had fallen by 11.7 % between 2021 and 2024 (Cabinet Secretariat, 23 April 2025, p. 35), Bpifrance's innovation finance fell by 49 % (Bpifrance, 29 September 2025, p. 3), and Korea's and Japan's purchasing targets for young firms were missed by wide margins (Cabinet Secretariat, 13 June 2025, p. 53; Government of the Republic of Korea, 18 December 2025, plan, p. 5).

Contribution and impact were rarely shown. Bpifrance cited an independent evaluation of its accelerators that put the public cost per job created at about EUR 4,000 (Bpifrance, 29 September 2025, p. 10), and Germany's skilled immigration reform was under evaluation (Federal Government of Germany, 3 December 2025, p. 2); most other measures were reported by money committed, firms supported or targets set. Performance measures serve different purposes – to evaluate, to control, to celebrate or to promote (Behn, 2003) – and those of 2025 served mostly to celebrate and to promote. Yet many of the year's designs would allow evaluation: TIPS selects firms by private investment, the Startup Factories by competition, the EIS and the stock exclusion by thresholds of size and holding period, and China's incubators by graded tests. Table 5 summarises the assessments of Section 2 by domain and country.

Table 5: Assessment of the policies by domain and country

Domain	Korea	Japan	China	United Kingdom	United States	France	Germany
Regulation and Law	Mixed	Good	Mixed	Mixed	Mixed	Poor	Mixed
Finance	Mixed	Mixed	Mixed	Mixed	Mixed	Poor	Good
Culture	Mixed	Mixed	Mixed	Poor	Poor	Mixed	Poor
Support	Mixed	Mixed	Good	Mixed	Poor	Mixed	Good
Human Capital	Mixed	Poor	Mixed	Mixed	Poor	Mixed	Mixed
Market	Mixed	Mixed	Mixed	Good	Poor	Mixed	Mixed

Source: IFEED assessment of the policies reviewed in Section 2, on the sources cited there. Where a subsection assessed its policies differently, Mixed is shown.

4 POLICY LIMITATIONS

4.1 POLICY DEBATES, CONTESTED POINTS AND ISSUES

The policies of 2025 raised six points of contention, set out in Table 6. The first two concerned capital: whether the large public funds of Korea, China and Germany will complement or displace private investors, which cannot be known until their sub-funds and co-investments are counted, and whether savers and taxpayers should bear the risk of drawing pension money into venture capital, as Korea planned behind first-loss cover from the Fund of Funds (Government of the Republic of Korea, 18 December 2025, press release, p. 6) and the United States sought for 401(k) plans (President of the United States, 7 August 2025, p. 38922). Opening pension money to venture capital has preceded booms in venture finance before (Kortum & Lerner, 2000), but it moves risk to savers and, where the state covers first losses, to taxpayers.

The third and fourth concerned people and rules: whether migration control should override the supply of founders and their first employees, and whether deregulation by rule count can coexist with new obligations for employers and with citizenship tests for US loans, which construct foreign owners as undeserving of public support (Schneider & Ingram, 1993). The fifth and sixth concerned markets and money: listing standards moved in opposite directions, and fiscal pressure and rebalancing cut, or were to cut, incentives in France and the United Kingdom that work only if they are stable over years.

Table 6: Debates and contested points in the policies of 2025

Issue	What the governments set out	Point at issue
Public capital	Funds of KRW 150 trillion (Korea), CNY 100 billion aiming at CNY 1 trillion (China) and EUR 30 billion of public funds and guarantees (Germany) would draw in private money (BMWE et al., 18 December 2025; FSC, 10 September 2025; NDRC, 26 December 2025)	Complement or displacement; who selects the firms; the scale of first-loss cover
Pension and insurance money	Retirement pensions (Korea), 401(k) plans (United States), the Mansion House Accord (United Kingdom), insurers' investment rules (Germany), the public pension fund (Japan) (Cabinet Office of Japan, 13 June 2025; Federal Government of Germany, 26 September 2025; Government of the Republic of Korea, 18 December 2025; HM Treasury, 26 November 2025; President of the United States, 7 August 2025)	Risk borne by savers and taxpayers; fiduciary duty against policy goals
Talent	K visa (China) and founder visa switching (United Kingdom) against JPY 30 million for foreign founders (Japan) and USD 100,000 per H-1B petition (United States) (Home Office, 14 October 2025; MOJ & ISA, 10 October 2025; President of the United States, 19 September 2025; State Council of the People's Republic of China, 7 August 2025)	Migration control against the supply of founders and first employees
Deregulation and protection	A ten-for-one rule (United States); a 25 % cut in administrative costs alongside new employment rights (United Kingdom) (DBT, 18 December 2025; HM Treasury & DBT, 21 October 2025; President of the United States, 31 January 2025)	Counting rules against weighing them; burden on small employers

Issue	What the governments set out	Point at issue
Listing standards	Stricter growth markets (Japan, Korea) against listings for unprofitable firms (China) and listing relief (United Kingdom) (Cabinet Secretariat, 24 December 2025; CSRC, 18 June 2025; FSC, 19 December 2025; HM Treasury, 26 November 2025)	Market credibility against access to exit
Fiscal pressure	Cuts in innovation tax credits and founders' relief (France), a cut in venture capital trust relief (United Kingdom), a wider stock exclusion (United States) (HM Treasury, 26 November 2025; Parliament of France, 14 February 2025, 30 December 2025; United States Congress, 4 July 2025)	Stability of incentives that work over years

Source: IFEEED analysis of the sources cited.

4.2 THEORETICAL LIMITATIONS OF THE POLICIES

The first limitation is that the policies treated capital as the binding condition everywhere. Ecosystem theory holds that the weakest condition limits the system (Ács et al., 2014), but the governments assumed, without showing it, that capital was the weakest condition in all seven countries; Germany's own diagnoses pointed as much to bureaucracy and to obstacles for foreign hires (Federal Government of Germany, 3 December 2025; BMDS, October 2025).

The second is the turn to missions and priority sectors under uncertainty. Mission-oriented policy asks the state to create markets and to share in the rewards (Mazzucato, 2016), but the policies set directions – eight sectors, ten industries, hard technology – without the mechanisms for learning and for withdrawing support from failing directions that such policy requires, and the evidence on high-growth firms warns that they are too varied to be found by sector (Mason & Brown, 2013). Large public programmes have failed when they were captured or could not be stopped (Lerner, 2009).

The third is an asymmetry in the treatment of failure. Where governments acted, they acted through the finance of a second attempt or the restructuring of debts; the stigma of failure was addressed only by statements, and in four of the seven countries nothing in the law on the failure of founders changed. Bankruptcy rules that are friendly to entrepreneurs go with higher entry (Lee et al., 2011), but stigma can blunt their effect (Lee et al., 2007).

The fourth is the weakness of evaluation. Entrepreneurship policy has long been criticised for subsidising the number of start-ups rather than their quality and for lacking evaluation (Acs et al., 2016; Shane, 2009). The targets of 2025 – 10,000 AI and deep-tech start-ups and 50 unicorns in Korea, a tenfold rise in investment in Japan, CNY 1 trillion in China – repeat the counting, and few of the designs came with a plan to measure their effects.

5 POLICY IMPLICATIONS

First, public capital should follow private choices. The designs that the evidence supports — funds of funds that commit to private managers, co-investment alongside funds that have already chosen a firm, grants that follow private investment — were present in 2025 in the United Kingdom, Germany and Korea, and should be the rule rather than the exception. Where the state invests at scale, as in Korea and China, it should cap its share in each fund, as China does in sub-funds, leave selection to private managers and publish the returns and the growth of the firms financed, so that complement and displacement can be told apart.

Second, the cost of failure should be lowered where it bites: personal guarantees and joint liability, the speed and cost of insolvency for small firms, and the credit records that follow a failed founder. Korea, Japan and China moved in 2025; the United Kingdom, the United States and Germany should follow, and France should turn its working group into law.

Third, the doors for foreign founders and their first employees should be kept open. Japan should distinguish the founders of growth firms, assessed on their plans and investors, from other applicants under its new capital requirement, and the United States should exempt young firms from the payment for H-1B petitions. China's K visa and the British Innovator Founder route show that a route for founders can be targeted without opening the whole labour market.

Fourth, demand and payment rules should be made enforceable. Purchasing targets for young firms should be reported every year, as UK targets for SMEs now must be, and procurers given the capacity to buy innovation; late-payment rules should carry sanctions that large buyers notice, as China's deadlines and interest and Japan's ban on promissory notes begin to do, and the United Kingdom should enact its promised law.

Finally, policy should be stable and evaluated. An incentive that lasts three months, a grant programme that lapses and a support budget that swings between governments cannot change decisions that run over years. Many of the year's designs select firms by rules that would allow their effects to be measured (Section 3.3). Governments should commit, when they adopt such measures, to evaluating them against what would have happened without them, and to publishing the results.

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