



ANNEX 4.2 TO THE JRC TECHNICAL REPORT

# High Growth Enterprises:

demographics,  
finance &  
policy measures

## FACTSHEET - BELGIUM (BE)

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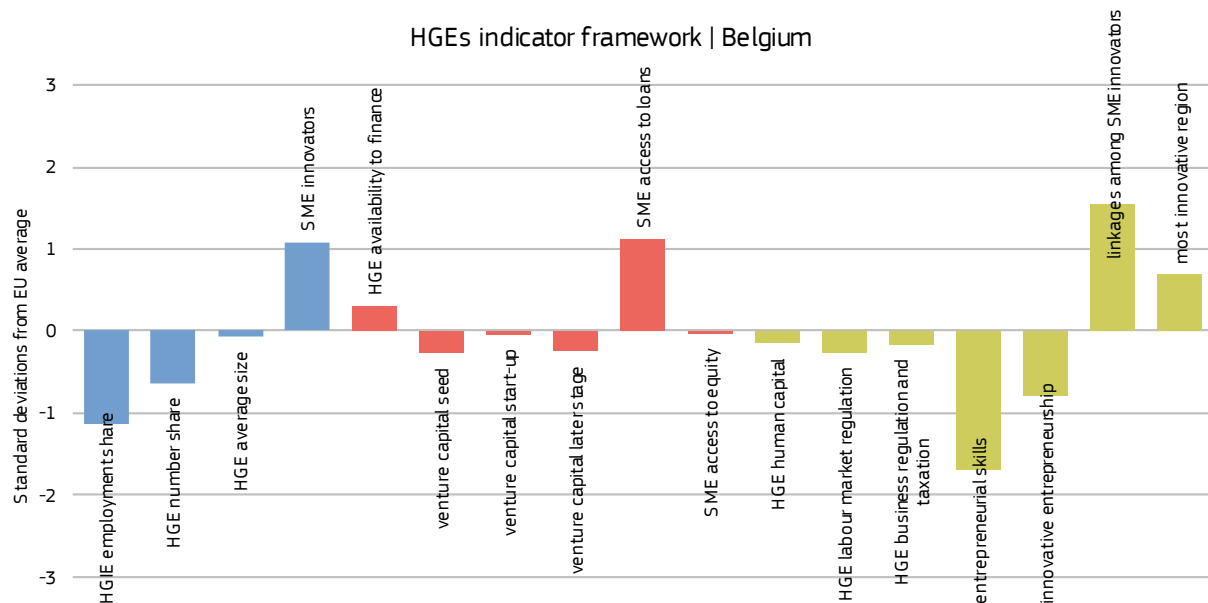
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## 1. Executive summary

With the exception of few sectors, such as electricity, water supply and waste management, and administrative and support activities, the share of high growth enterprises (HGEs\*) is lower than the EU average. Apart from this, high-growth firms tend to be younger than the average Belgian firm, and they tend to occur among firms of all sizes and ages. Venture capital (VC) investment in BE was on average equal to 0.03% of GDP and typically lower than in FR and the UK for the period 2014-2017. Sectors attracting most of VC capital are manufacturing, ICT, and professional, scientific and technical activities. With regards to access to finance, since BE VC funds are relatively small, scale-ups tend to look for other sources of funding in the later stages.

Turning to the regulatory framework, BE ranks below the EU average in most indicators. The main barrier to entrepreneurial activities remains to be the weak culture for entrepreneurship. A noteworthy initiative to address this issue and the broader entrepreneurial ecosystem, is the proposal of the Flemish Advisory Council for Innovation and Enterprise (VARIO, 2018) to increase the number of serial entrepreneurs through both a long-term (entrepreneurship education) and short-term strategy (attract entrepreneurs from abroad by means of 'start-up' – or 'scale-up' visa).

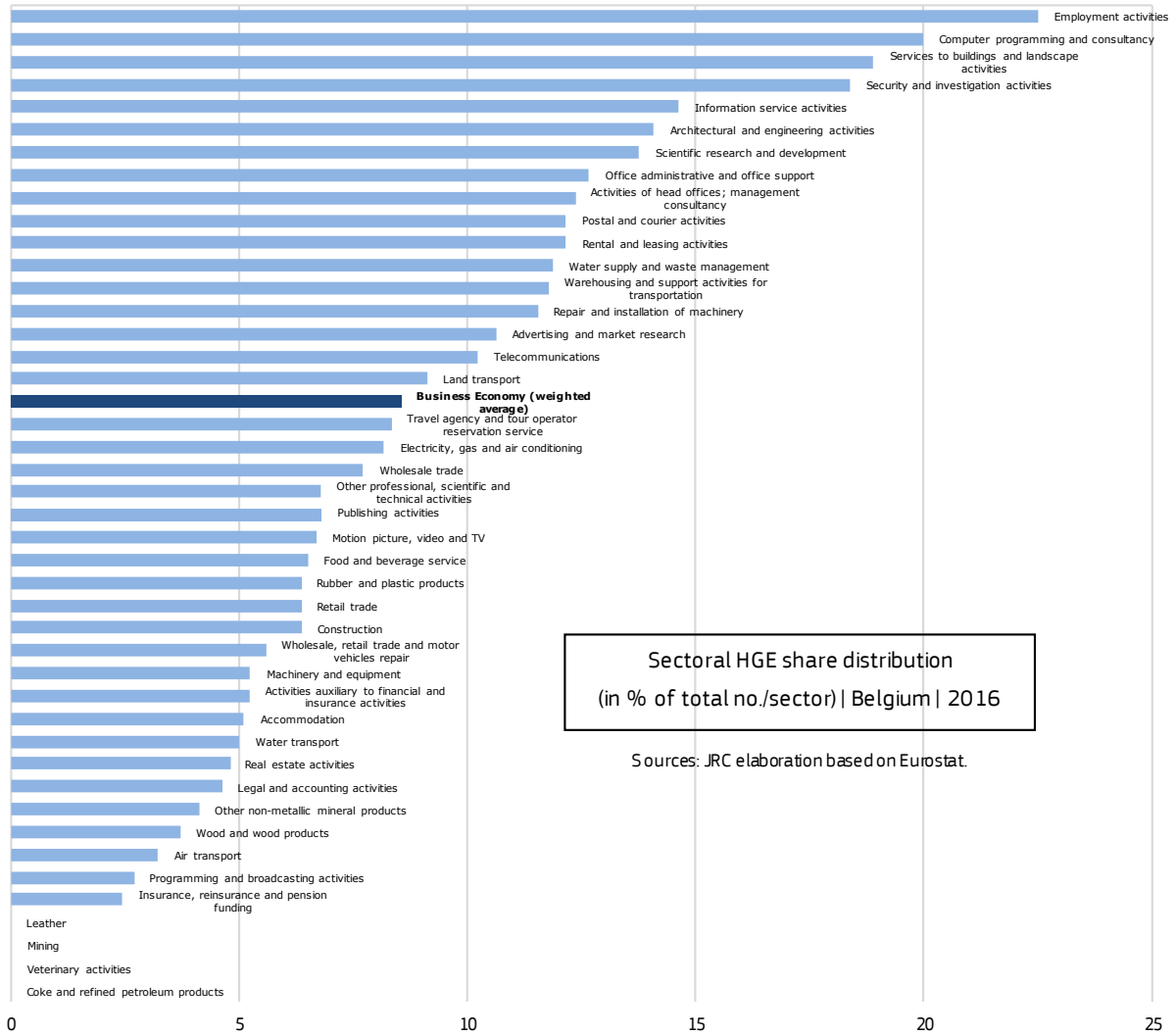
## 2. HGEs indicator framework



- Compared to the EU average, BE underperforms in terms of the share of HGE in the business economy (especially involving contribution to the employment). The share of innovative SMEs is above the EU average.
- Concerning the financing environment, the accessibility to loans for SMEs and the perceived availability to finance for BE are above the EU average. Despite that, the VC and equity markets are not sufficiently developed, as the lower values in the graph shows.
- While the innovative SMEs are better interconnected than the EU average and some of its regions are among the most innovative ones, the average HGE regulation (labor market, fiscal policy, etc.) of BE is low. In particular, the lack of entrepreneurial skills and innovative entrepreneurship can undermine BE firms' ability to grow fast.

\* In line with Eurostat, HGEs are defined in this factsheet as enterprises having (i) experienced an annualised average employment growth rate of 10% per year over a three-year period and (ii) at least 10 employees at the beginning of the growth period. The importance of HGEs is directly linked to their substantial contribution to employment growth, productivity improvements, economic renewal and innovativeness.

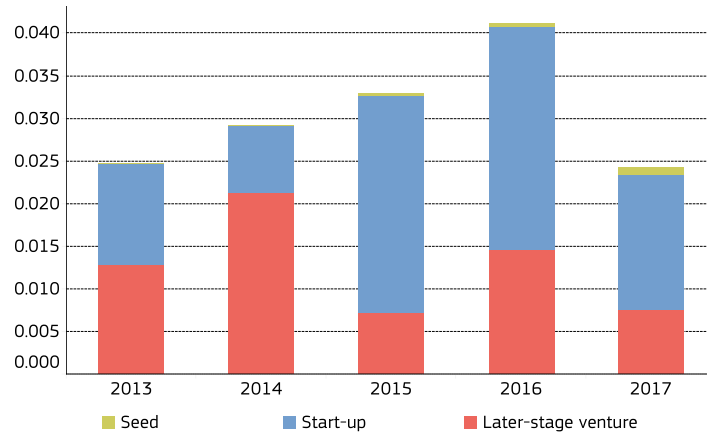
### 3. Firm demographics and sectoral decomposition



- The average share of HGEs in BE is about 9% in the business economy versus 11% in the EU.
- The sector of employment activities accounts for the highest share of HGEs (23%), while the sectors of leather, mining, veterinary activities, coke/petroleum and insurance do not have any HGEs.
- In BE, the knowledge-intensive sectors are predominant in the sectorial distribution of HGEs. Activities like programming, security and investigation, information service and engineering activities each entail more than 14% of HGEs.

#### 4. Financing HGEs and start-ups: the role of venture capital

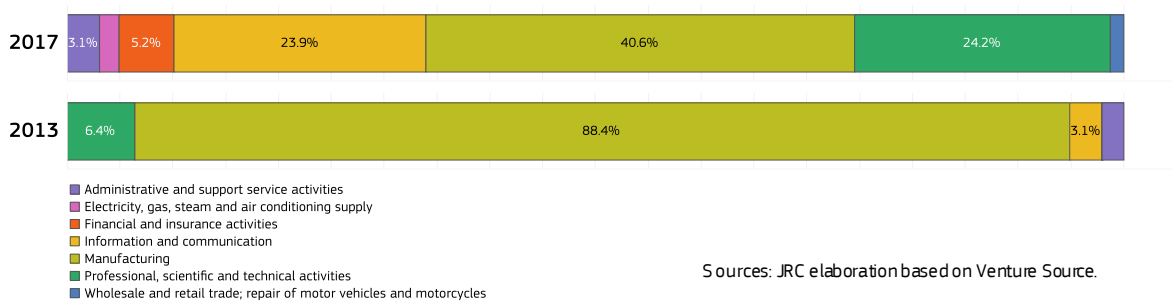
Venture capital by stage of financing (in % of GDP) | Belgium | 2013-2017



Sources: JRC elaboration based on Venture Source.

- VC investments in BE have grown significantly from 2013 (0.025% of GDP) to 2016 (slightly over 0.04% of GDP), although 2017 has seen a sudden drop back to the level of 2013.
- VC investments in BE have seen different trajectories for the different stage of the financing process. Seed financing still accounts for a very small share of VC, but has grown since 2013. Investments in start-ups doubled from 2013 to 2016 but declined again in 2017. Scale-up investments reduced from around 0.013% of GDP in 2013 to 0.008% of GDP in 2017. They account for about 1/3 of VC investments in 2016-2017, with the lion's share of VC targeted at start-ups.

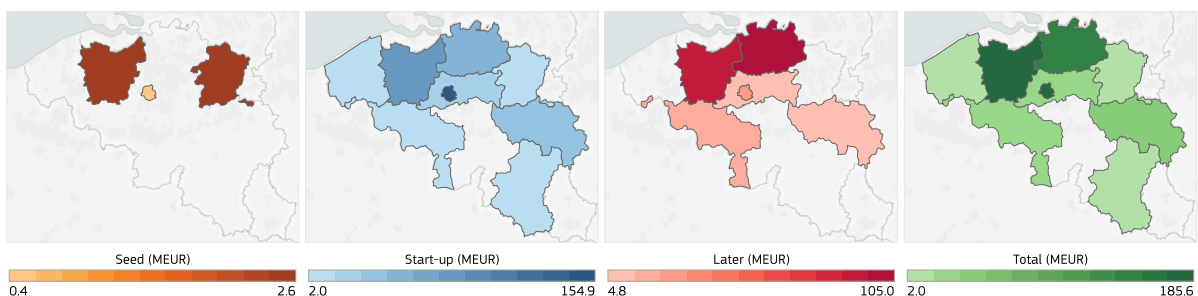
Sectoral distribution of VC investment (in %) | Belgium | 2013 & 2017



Sources: JRC elaboration based on Venture Source.

- The sectoral distribution of VC investment in BE has become much more diversified since 2013 (when manufacturing was absorbing almost the 90% of the total investments).
- In 2017, the predominant sector for VC investment was still manufacturing, but sectors such as information and communication and professional, scientific and technical activities constituted almost 50% of the total investment. Small shares of VC are allocated to the financial sector, alongside with the administrative and electricity/gas sector.

Regional distribution of VC investment by stage of financing (in MEUR) | Belgium | 2013-2017



Sources: JRC elaboration based on Venture Source.

- In terms of the geographical distribution of VC, the highest concentrations are found in the Brussels Capital Region and the provinces of Antwerp and East Flanders across 2013 and 2017.

## 5. Finance-related policy measures

Instrument	Investment volume <u>per project (€)</u>	Type
Tax shelter for scale-ups	up to 100k	tax incentive
PMV risk capital (Flemish Region)	125,000 to 5 million	equity
finance.brussels (GIMB/SRIB): 'financing of growth companies'-scheme (Brussels Capital Region)	up to 5 million	loans and equity
Business Angel Network (BAN) Vlaanderen (Flemish Region)	25,000 to 250,000	equity
SME growth subsidy ("KMO groeisubsidie") (Flemish Region)	50k	grants
DG06 (Walloon region)		grants and loans
Easy'up (Novallia) (Walloon region)	500k	subordinated loans
SRIW (Société Régionale d'Investissement de Wallonie)		equity and loans
Invests (Sowalfin) (Walloon region)		equity
Innoviris (Region of Brussels Capital)		grants

- There are multiple finance-related policy measures that could foster the sector (even if not specifically targeted at HGEs). They range from tax incentives to equity support and loans programmes.
- Innovation policy is a regional authority, with SMEs targeted through different instruments that typically do not condition on the type of firm or the sector.
- According to a study on BE innovative firms ([Neicu et al. 2015](#)<sup>†</sup>), it seems that in BE the policy mix of tax credits and R&D support for SMEs has a more effective R&D effect for the firms than tax credit instruments alone.

<sup>†</sup> Neicu, D., Teirlinck, P., & Kelchtermans, S. (2016). Dipping in the policy mix: do R&D subsidies foster behavioral additivity effects of R&D tax credits? *Economics of Innovation and New Technology*, 25(3), 218-239.

## Annex: HGEs indicator framework details

Indicators	Details	Motivation
<b>HGEs indicators</b>		
HGE employment share	Percentage share of employees among HGEs in 50% 'most innovative' industries relative to total employment ( <a href="#">EIS; 2018</a> )	Measures contribution of HGEs to employment creation
HGE number share	Percentage share of HGEs of total enterprises with at least 10 employees ( <a href="#">Eurostat; 2016</a> )	Measures how many firms are HGEs
HGE average size	Average size of HGEs (employment definition); employees divided by number of HGEs ( <a href="#">Eurostat; 2016</a> )	Measures average size of HGEs, an indication for future job growth potential
SME innovators	Share of SMEs with product, process, marketing or organisational innovations or innovating in-house among all SMEs ( <a href="#">EIS; 2018</a> )	Existing SME innovativeness as predictor for future innovations
<b>Financing HGEs indicators</b>		
HGE availability of finance	Percentage of HGEs considering the availability of finance is not an investment barrier ( <a href="#">EIBIS; 2016-2018</a> )	HGEs access to finance is considered a precondition for the development of HGEs
Venture capital seed	Share of seed venture capital to GDP ( <a href="#">Venture Source; 2017</a> )	Venture capital is a relevant source of finance for potential HGEs
Venture capital start-up	Share of start-up venture capital to GDP ( <a href="#">Venture Source; 2017</a> )	Venture capital is a relevant source of finance for potential HGEs
Venture capital later stage	Share of later stage venture capital to GDP ( <a href="#">Venture Source; 2017</a> )	Venture capital is a relevant source of finance for potential HGEs
SME access to loans	EIF SME Access to Finance Sub-index for loans, comprising the use and cost of loans ( <a href="#">EIF; 2018</a> ).	SME access to loans is an important framework condition indicating the access to loans for HGEs
SME access to equity	EIF SME Access to Finance Sub-index for equity, comprising use of equity and the sophistication of the equity market ( <a href="#">EIF; 2018</a> )	SME access to equity is an important framework condition indicating the access to equity for HGEs
<b>HGEs framework conditions indicators</b>		
HGE human capital	Percentage of HGEs considering the availability of staff with the right skills is not an investment barrier ( <a href="#">EIBIS; 2016-2018</a> )	HGEs access to human capital is essential for the development of HGEs
HGE labour market regulation	Percentage of HGEs considering the labour market regulation is not an investment barrier ( <a href="#">EIBIS; 2016-2018</a> )	HGEs may be constrained by existing labour market regulation
HGE business regulation and taxation	Percentage of HGEs considering the business regulation (e.g., licences, permits, bankruptcy) and taxation is not an investment barrier ( <a href="#">EIBIS; 2016-2018</a> )	HGEs may be constrained by existing business regulation
Entrepreneurial skills	Percentage of 18-64 population who believe to have the required skills and knowledge to start a business ( <a href="#">GEM; 2018</a> )	HGEs may require entrepreneurial spirit, skills and knowledge
Innovative entrepreneurship	Ratio between improvement-driven and necessity-driven entrepreneurship ( <a href="#">EIS; 2018</a> )	Countries with high relative prevalence of improvement-driven opportunity, and entrepreneurship tend to be primarily innovation-driven, thus conducive for HGEs
Linkages among SME innovators	Innovative SMEs collaborating with others, public-private co-publications and private co-funding of public R&D expenditures ( <a href="#">EIS; 2018</a> ).	Quality of innovations increases with collaboration and provides information on sophistication of SME innovation ecosystem, thus related to HGEs.
Most innovative region	Relative performance of most advanced region in the Regional Innovation Scoreboard within each Member State vis-à-vis the best performing regions across all other Member States ( <a href="#">RIS; 2017</a> ).	HGEs innovation ecosystems tend to be concentrated in most innovative regions/centres.

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