



ANNEX 4.7 TO THE JRC TECHNICAL REPORT

High Growth Enterprises:

demographics,
finance &
policy measures

FACTSHEET - GREECE (EL)

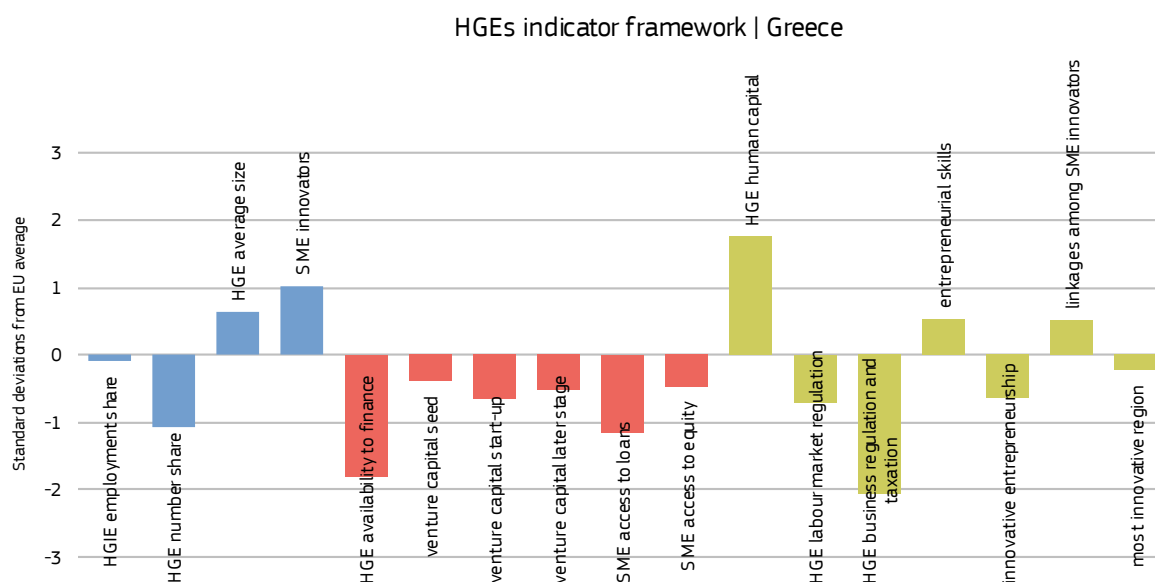
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1. Executive summary

Above average scores on human capital and skills indicators and some others suggest the presence of latent potential for more HGEs* to emerge - notwithstanding the brain drain abroad in recent years of many highly-skilled and highly educated segments of the population. The positive effect of this potential may benefit from a differentiated policy approach in which priority measures are directed towards the main weaknesses in the business ecosystems. Policy programmes are being deployed and reinforced to help address the finance deficits and more such positive developments are expected in view of the policy priorities of the new government. However, a lack of sound evaluations of completed programmes and initiatives means that lessons cannot be learned from past experience and improvements made as well as repeating mistakes avoided.

Overall, however, the amount of high-growth entrepreneurship in EL as well as the factors influencing its development, lag with respect to EU averages. Access to growth-enabling finance appears to be the country's weakest performing area in this regard as shown by the scores for relevant financing indicators. Bank lending to SMEs remains expensive. While the willingness to lend and access to public financial support have improved, there is serious lack of equity ('business angel', venture capital, etc.) and other sources of finance such as crowdfunding. Even though the proportion of HGEs of the total firm population at 7.2% is below the EU average, an increase in the absolute number of HGEs (33% higher in 2016 than in 2014) is consistent with overall increased business activity and continued positive economic trends since the recovery started in 2017.

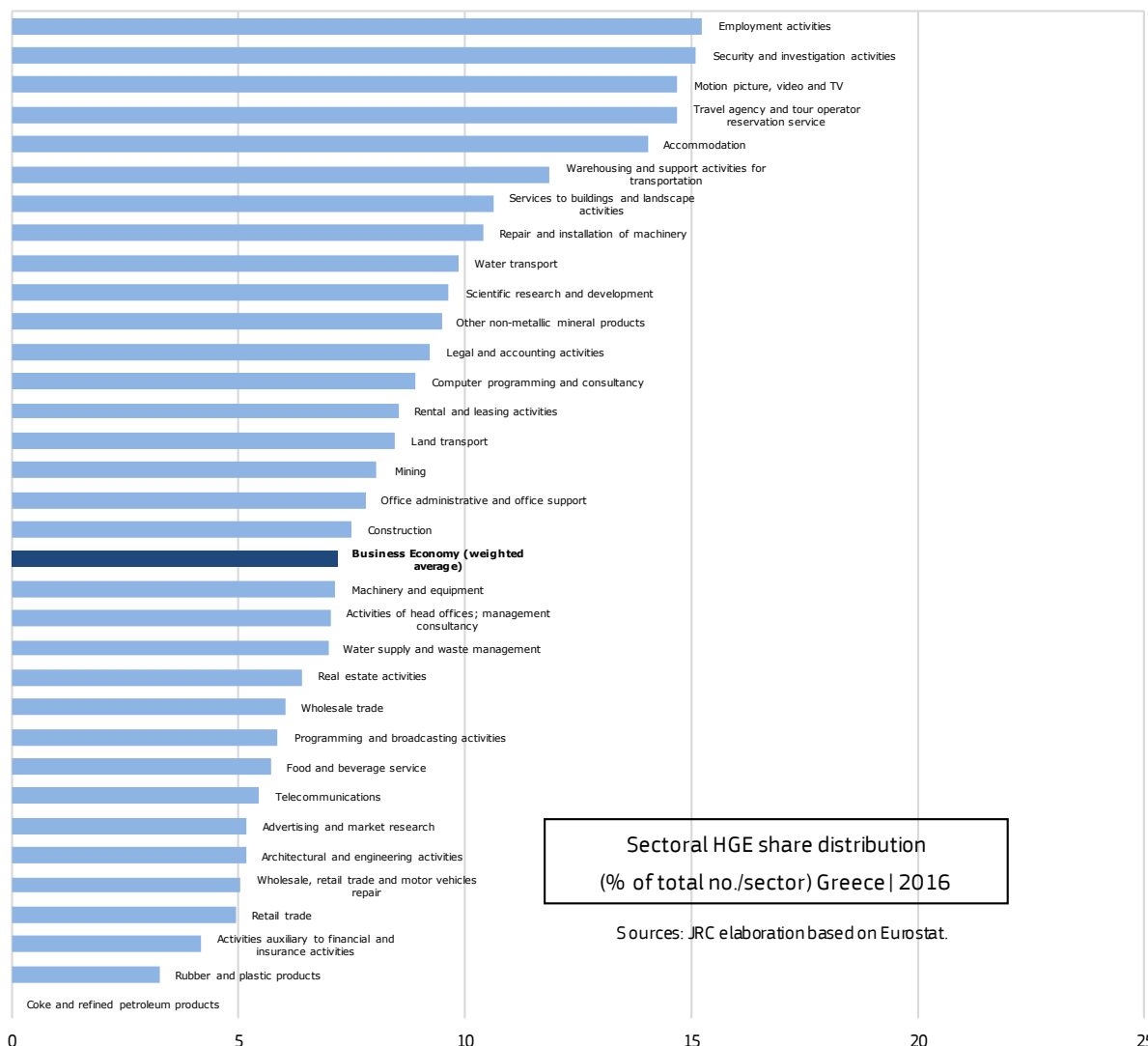
2. HGE indicator framework



- EL performs below average for most indicators, with financing HGEs and regulatory conditions appearing to be particularly unfavourable.
- Above average scores for SME innovators and HGE-relevant human capital and skills suggests the presence of HGE potential which could be realised should regulatory and finance issues be adequately addressed.

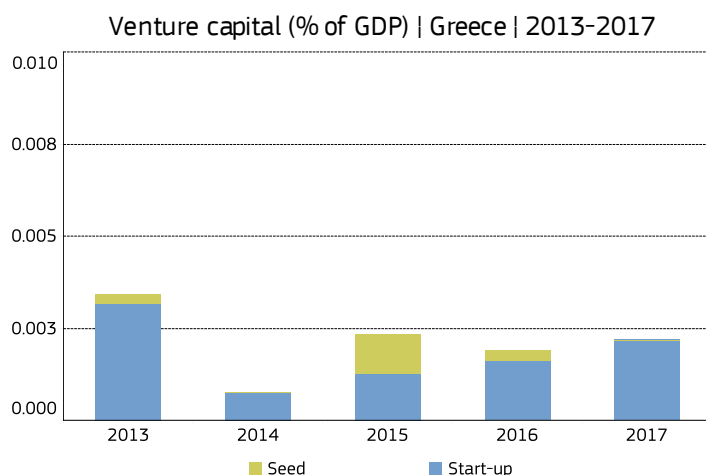
* In line with Eurostat, HGEs are defined as enterprises having experienced an annualised average employment growth rate of 10% per year over a three-year period and at least 10 employees at the beginning of the growth period. The importance of HGEs is directly linked to their substantial contribution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

3. Firm demographics and sectoral decomposition

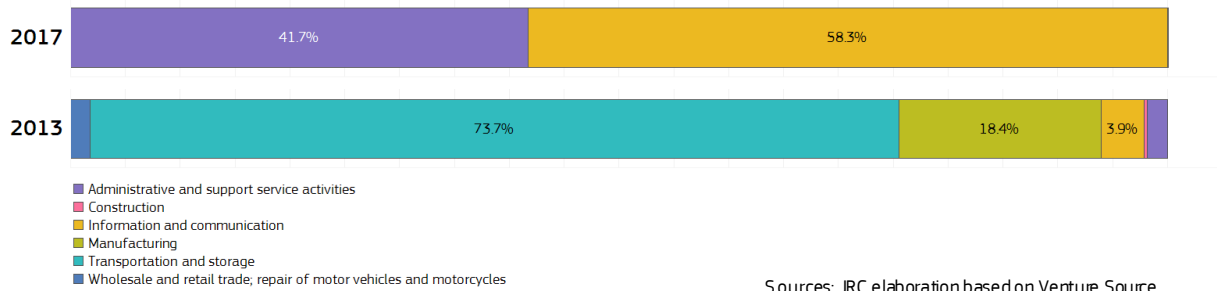


- The average share of HGEs in EL is 7.2% across the business economy – less than the EU average of 10.7%. By sector, it ranges from 3.3% in rubber and plastic products to just over 15.2% in employment activities.
- The distribution shows the wide sectoral incidence of HGEs with the highest proportions for a number of services sectors, as in other countries.

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

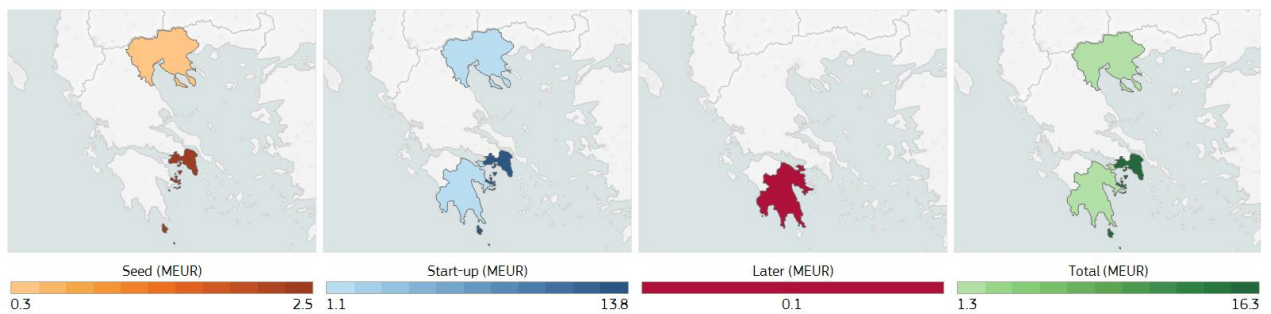


- The proportions of different types of VC investment as a percentage of GDP are very small - at least an order of magnitude smaller than average EU proportions, if not entirely absent, as is practically the case for later-stage VC.
- After a big drop in start-up VC from 2013 to 2014, it has grown again, at least up until 2017. There is no clear trend for seed VC.



- It is not possible to draw meaningful conclusions from the sectoral distribution of VC in Greece given the small numbers involved - ie. €6.1 million in 2013 and €4.0 million in 2017 with the total number of deals being respectively ten and three - other than to point out that in 2013 VC backed firms in six different sectors suggesting a wide sectoral spread of high-growth enterprise potential.

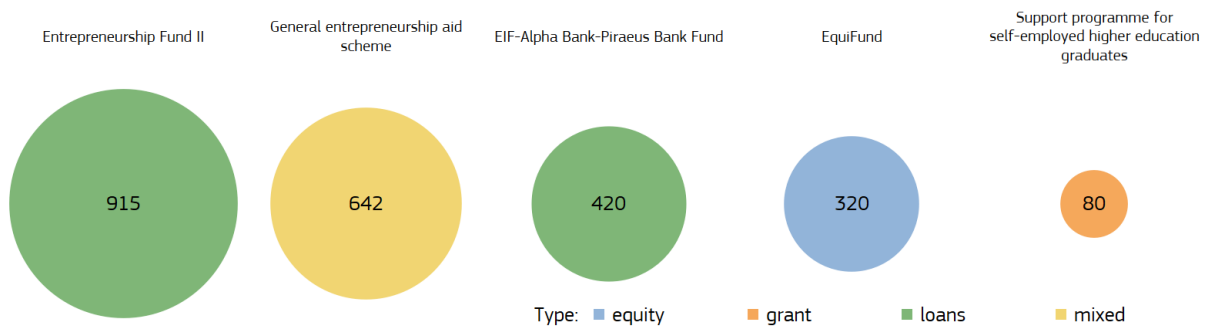
Map 1. Regional distribution of VC investment by stage of financing



- It is difficult to draw conclusions from the territorial distribution of VC-backed venture investments, though for seed and start-up ventures, where there are more deals than for later stage, the expected concentration in the Athens region is apparent.

5. Finance-related policy measures

Financial instruments Greece (MEUR)



- Although no policy measures exclusively support HGEs in Greece, relevant funds have been set up by EIF in cooperation with the government (e.g. Equifund - a €320 million fund-of-funds for start-ups and scale-ups (for technology transfer, accelerator, early stage/seed and growth stage private equity - its €210 million 'Growth Stage window' targets scale-ups.) and Greek banks (Alpha Bank and Piraeus Bank) that aims to mobilise €420 million to support more than 2,000 innovative Greek SMEs.
- Of lesser relevance to HGEs are: the Entrepreneurship Fund II launched in March 2019 with a total lending capital of €915 million (it aims to facilitate SME access to finance, improve loan conditions and fill the gaps in the financial market by offering business loans with favourable interest and interest-free loans with the support of banks); and the 'General entrepreneurship aid scheme to all enterprises in the tourism, manufacturing and services' sectors via a mix of tax exemptions and different types of subsidy.
- Other relevant measures include legislation aimed at reducing bureaucracy and decreasing corporate taxes. Such measures are expected to multiply following the July 2019 general election, as ease of doing business, access to finance and strengthening entrepreneurship are high on the agenda of the new government.

Annex: HGEs Indicator Framework details

| Indicators | Details | Motivation |
|---|---|---|
| HGEs indicators | | |
| HGE employment share | Percentage share of employees among HGEs in 50% 'most innovative' industries relative to total employment (EIS; 2018) | Measures contribution of HGEs to employment creation |
| HGE number share | Percentage share of HGEs of total enterprises with at least 10 employees (Eurostat; 2016) | Measures how many firms are HGEs |
| HGE average size | Average size of HGEs (employment definition); employees divided by number of HGEs (Eurostat; 2016) | 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 (EIS; 2018) | Existing SME innovativeness as predictor for future innovations |
| Financing HGEs indicators | | |
| HGE availability of finance | Percentage of HGEs considering the availability of finance is not an investment barrier (EIBIS; 2016-2018) | HGEs access to finance is considered a precondition for the development of HGEs |
| Venture capital seed | Share of seed venture capital to GDP (Venture Source; 2017) | Venture capital is a relevant source of finance for potential HGEs |
| Venture capital start-up | Share of start-up venture capital to GDP (Venture Source; 2017) | Venture capital is a relevant source of finance for potential HGEs |
| Venture capital later stage | Share of later stage venture capital to GDP (Venture Source; 2017) | 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 (EIF; 2018). | 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 (EIF; 2018) | SME access to equity is an important framework condition indicating the access to equity for HGEs |
| HGEs framework conditions indicators | | |
| HGE human capital | Percentage of HGEs considering the availability of staff with the right skills is not an investment barrier (EIBIS; 2016-2018) | 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 (EIBIS; 2016-2018) | 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 (EIBIS; 2016-2018) | 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 (GEM; 2018) | HGEs may require entrepreneurial spirit, skills and knowledge |
| Innovative entrepreneurship | Ratio between improvement-driven and necessity-driven entrepreneurship (EIS; 2018) | 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 (EIS; 2018). | 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 (RIS; 2017). | HGEs innovation ecosystems tend to be concentrated in most innovative regions/centres. |

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