



ANNEX 4.14 TO THE JRC TECHNICAL REPORT

High Growth Enterprises:

demographics,
finance &
policy measures

FACTSHEET - LITHUANIA (LT)

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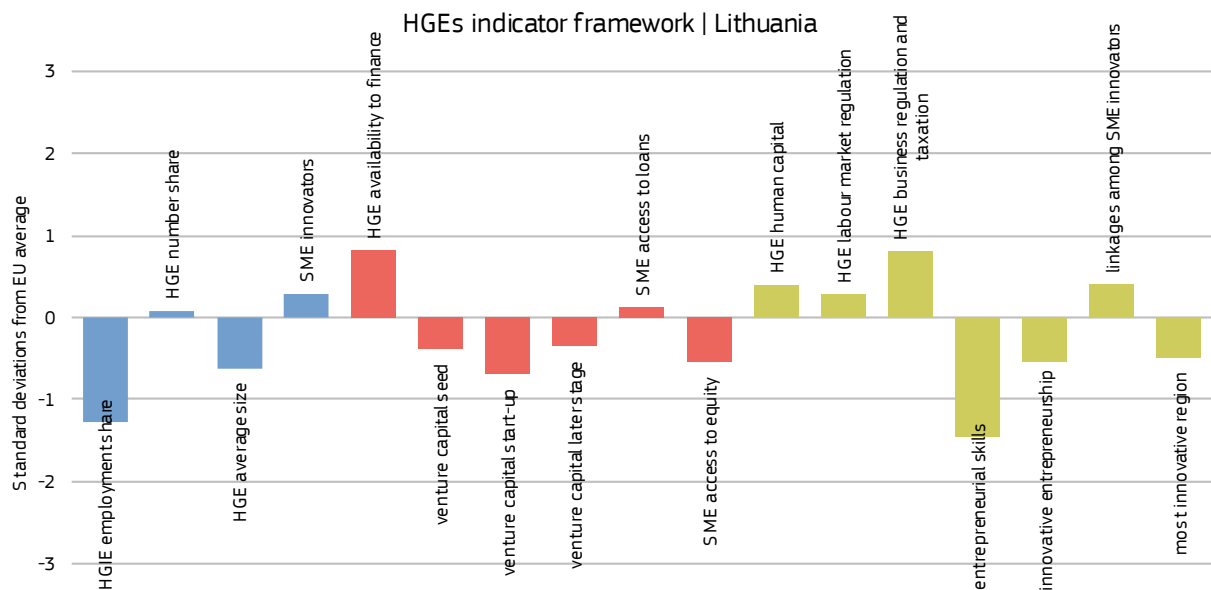
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1. Executive summary

Since 2012, the number of high-growth enterprises* (HGEs) in LT has slightly declined, constituting approximately 11% of all active enterprises in 2017. Most HGEs are active in knowledge-intensive services, while the number of such enterprises in high-tech manufacturing sectors remains small. The policy mix relevant for HGEs in LT is targeted at young SMEs or start-up enterprises. Relevant policy measures aim to support entrepreneurial activity, business R&D and productivity growth. LT overall performs well in labour market regulation, business regulation and taxation. The business environment in LT is generally quite favourable, and the number of innovative start-up companies has been increasing. Simultaneously, the company death rate has been decreasing, and fell below the EU average in 2016 to 5.77%.

However, LT underperforms in HGIE employment share. SME access to finance also remains a major barrier to scaling-up enterprises. There is very little VC and business angel investment and few accelerator programmes. Many enterprises also face barriers in entering international markets and therefore encounter limits to their scaling-up. Other barriers include lack of human resources and entrepreneurial skills.

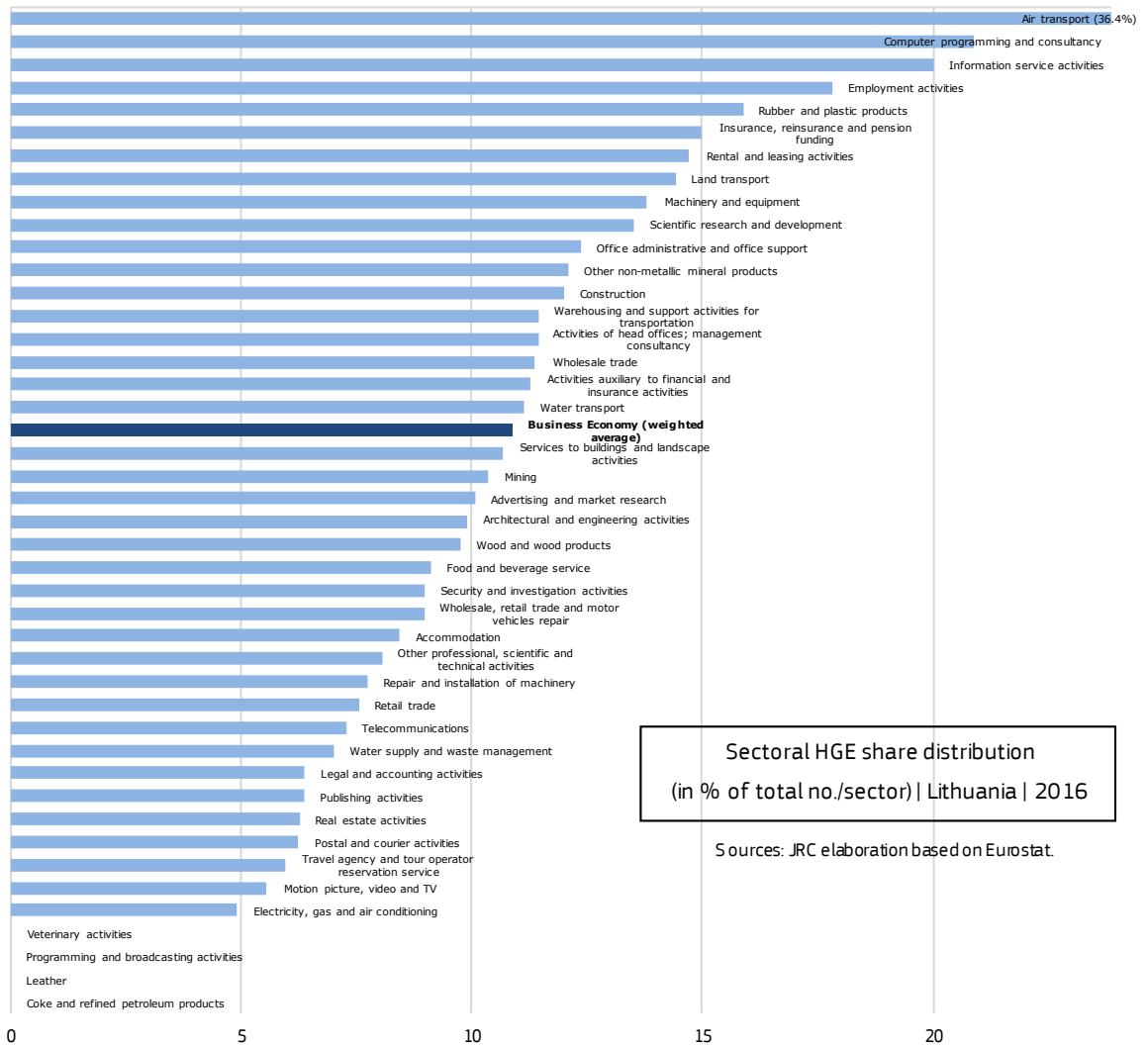
2. HGEs indicator framework



- LT performs substantially below the EU average in HGIE employment share, venture capital and entrepreneurial skills.
- LT performs substantially above the EU average in HGE availability to finance (other than VC), and business regulation and taxation.
- In general, the VC market could be improved as well as multiple aspects of the innovation ecosystem.

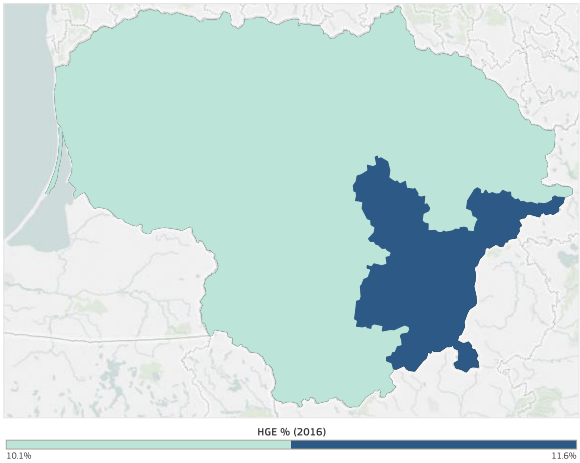
* In line with Eurostat, HGEs are defined in this factsheet as enterprises having (i) experienced an annualised average employment growth rate of 10% per year over a three-year period and (ii) at least 10 employees at the beginning of the growth period. The importance of HGEs is directly linked to their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

3. Firm demographics and sectoral decomposition



Sectoral HGE share distribution
(in % of total no./sector) | Lithuania | 2016

Sources: JRC elaboration based on Eurostat.



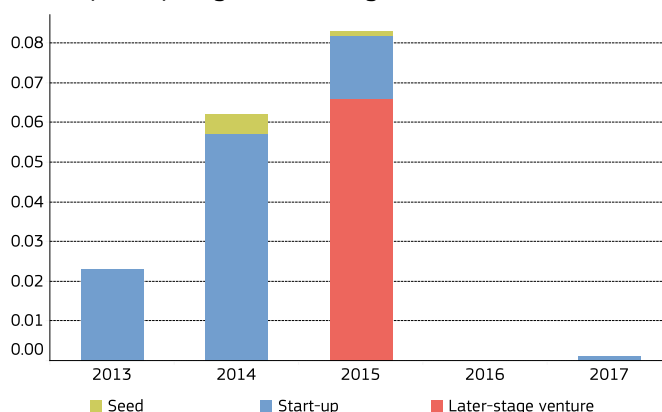
HGE share (% of active enterprises) across
NUTS3 regions | 2016 | Lithuania

Sources: JRC elaboration based on Eurostat

- The average share of HGEs in LT is 11% of the business economy, ranging from 4.9% in electricity, gas and air conditioning (and none for a few sectors) to 36.4% in air transport.
- The highest shares of HGEs, apart from air transport, are found in IT and employment activities.
- HGEs are mostly concentrated in the county of Vilnius.

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

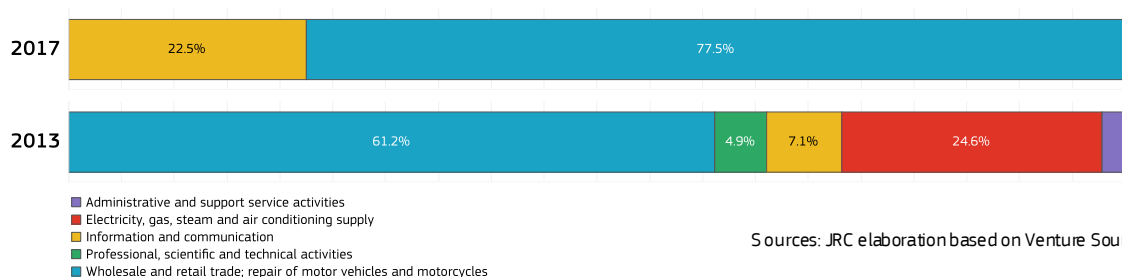
Venture capital by stage of financing (in % of GDP) | Lithuania | 2013-2017



Sources: JRC elaboration based on Venture Source.

- There was an increasing trend in venture capital funding until 2015.
- In 2013 and 2014 start-up stage venture capital investments dominated, while in 2015 the share of later-stage venture investments increased.
- The sharp decline in 2016 and 2017 could be due to data availability problems, which stem from missing information on the amount of VC investments in the database.

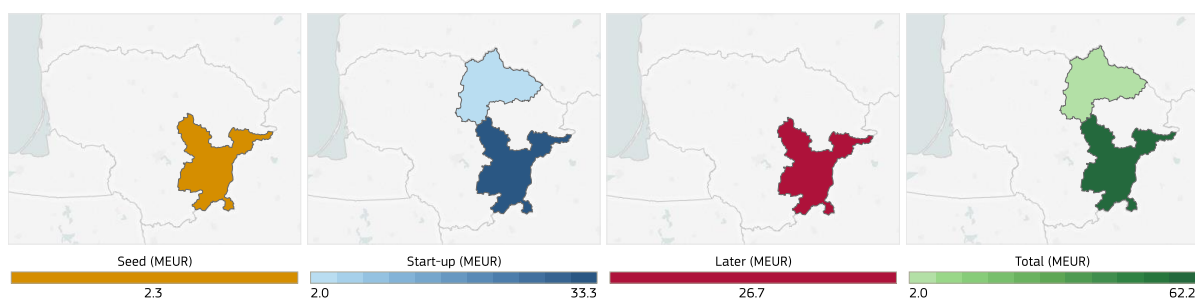
Sectoral distribution of VC investment (in %) | Lithuania | 2013 & 2017



Sources: JRC elaboration based on Venture Source.

- The sectoral distribution of VC investments is not diversified. Both in 2013 and 2017, most VC investments were made in wholesale and retail trade, repair of motor vehicles and motorcycles. Also information and communication sectors attracted some VC investments.
- In 2013, around one quarter of VC investments were made in electricity, gas, steam and air conditioning supply.

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



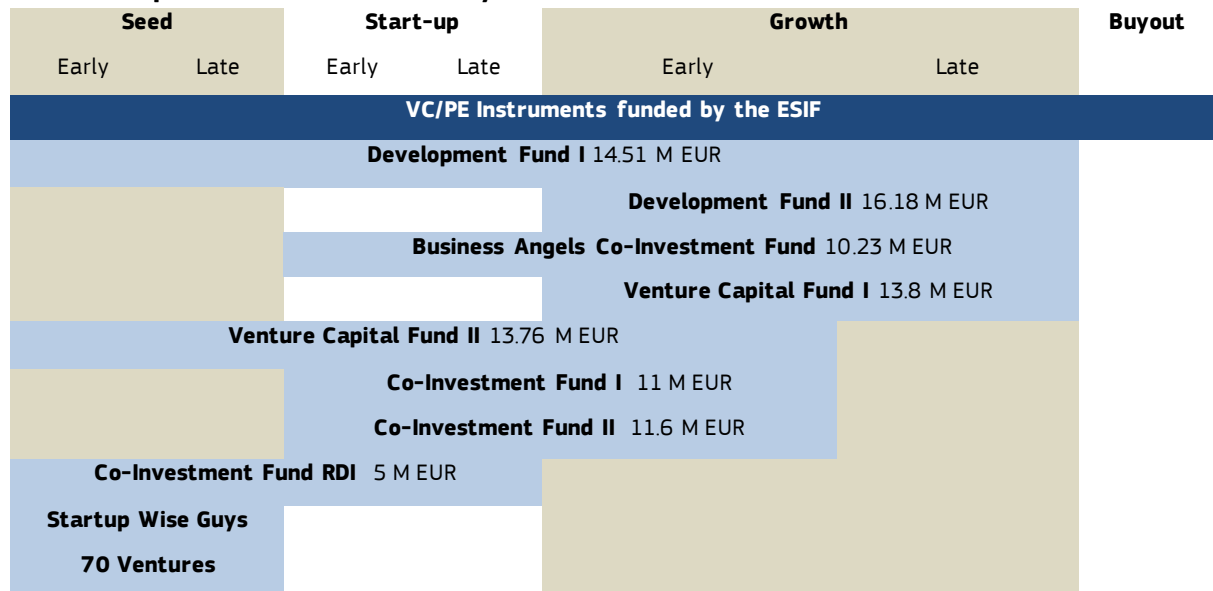
Sources: JRC elaboration based on Venture Source.

- VC investments are concentrated in the capital city of Vilnius and Vilnius County.

5. Finance-related policy measures

Policy	Total budget	Eligibility criteria	Years of implementation	Assessment
“Verslo konsultantas LT” provides SMEs with professional business consultancy services	6 M EUR	SMEs active for less than a year, or between 1 and 3 years (no direct competition between these groups)	Implemented once in 2016 Ongoing implementation since 2018	The measure was said to be relevant, but its implementation is facing difficulties and no evidence of impact was found.
“Verslumas FP” is a measure which funds various financial instruments such as risk capital, risk-shared loans, guarantees, accelerators etc.	128 M EUR	SMEs at their various stages of development (cf. the section 1.2 on funding)	Since 2017	This measure helps SMEs overcome one of the key barriers to scaling up, namely access to finance. Initial evaluation results are positive, but given the short time frame since the launch of this measure, further assessment is needed.
“Invest FP” is a tool to fund risk-shared loans.	48 M EUR	SMEs or small enterprises that are active up to one year and need a loan of more than 25 000 EUR	Since 2017	This measure helps SMEs invest into new production lines and/or technology facilities and upgrade their business. However its implementation is slow, therefore no data for assessment is available.
“Technoinvestas FP” is a measure which funds financial instruments that target innovative enterprises with R&D activity.	22 M EUR	SMEs active for less than five years, or which have an HEI as a shareholder at the time of investment and are active in any area of Smart Specialisation	Since 2018	This measure is very recent, therefore no assessment is available.
“Inostartas” is a measure that provides young innovative start-ups with subsidies to develop their products	4.5 M EUR	SMEs active for less than 1 year or between 1 and 3 years (no direct competition between these groups)	Since 2018	This measure was initially targeted at new start-ups, but the funding requirements restricted participation to those SMEs that have already developed a product prototype and were in a later stage of development.

Venture Capital Instruments funded by the ERDF



- In addition, in 2017 a start-up visa was introduced. It is designed for innovative start-up founders from third countries, who may apply for a temporary residence. Furthermore, Startup Employee Visa was introduced. It facilitates migration procedures for skilled workers from third countries who are going to be recruited by companies with high technological potential.

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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