European Commission

2019 SBA Fact Sheet

LITHUANIA

Key points

Past & future SME performance[1]:

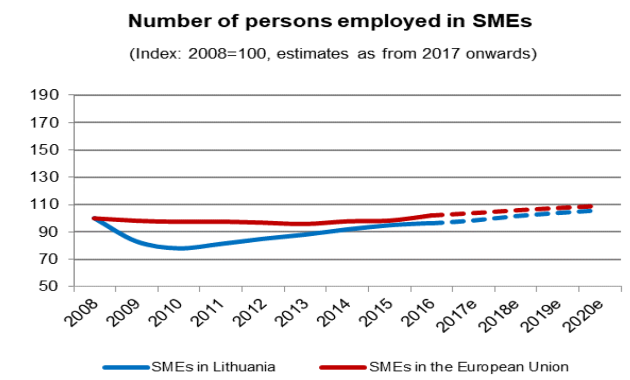
SMEs play an important role in Lithuania's non-financial business economy. In 2018, they generated 69.4% of value added and 75.9% of employment, exceeding the EU averages of 56.4% and 66.6%. In 2014-2018, Lithuanian SMEs' overall SME value added increased by 39.1%, similar to the 38.0% growth of large firms. SME growth in Lithuania is predicted to remain strong, with value added expected to rise by 15.7% in 2018-2020, as against 11.8% for large firms. SME employment is likely to increase by 4.1% by 2020, equivalent to more than 30,800 new jobs and corresponding to 95.9% of projected new jobs in the overall economy.

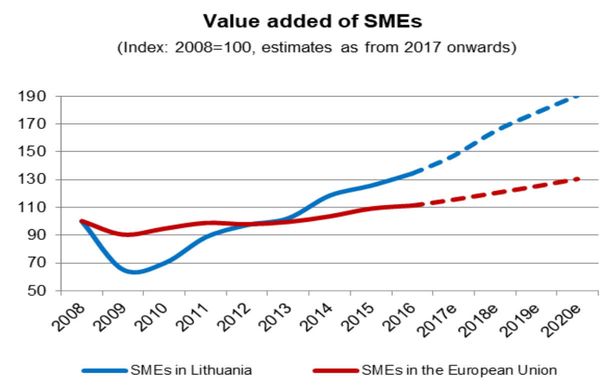
Implementing the Small Business Act for Europe (SBA):

Lithuania's overall SBA profile remains strong. In the reference period (2018 and the first quarter of 2019), it performed slightly above EU average for the SBA principle 'responsive administration' and was in the top two for State aid & public procurement and internationalisation. It received average scores on single market, skills & innovation and environment, but below average on 'second chance' and access to finance. As far as entrepreneurship is concerned, its performance could not be evaluated for lack of recent data. Since 2008, its scores have improved substantially in skills & innovation, access to finance (although its performance in this area is still below the EU average) and single market, but deteriorated markedly on 'second chance'.

SME policy priorities:

Despite substantial efforts and tangible improvements, access to (traditional bank and alternative) finance remains a major challenge for many Lithuanian SMEs. In context of the 'second chance' principle, Lithuania should maintain work to improve the time needed, the cost involved and the conditions for resolving bankruptcies. SME stakeholders would like to see a more consistent application of the 'think small first' principle. Despite above EU average scores in State aid & public procurement, Lithuania missed important green procurement policy targets[2]. In view of the current situation on the labour market, it should continue to work on closing the skills gap by improving efficiency and training at all levels. It also needs to step up efforts to support SMEs' transition to the green economy.





About the SBA fact sheets:
The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

Table of contents

1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Lithuania		*EU-28*	Lithuania		*EU-28*	Lithuania		*EU-28*
	Number	Share	*Share*	Number	Share	*Share*	Billion €	Share	*Share*
Micro	184,523	93.1%	93.0%	298,289	30.0%	*29.7%*	4.1	20.5%	*20.8%*
Small	11,147	5.6%	5.9%	234,753	23.6%	*20.1%*	4.5	22.5%	*17.6%*
Medium-sized	2,118	1.1%	0.9%	222,116	22.3%	*16.8%*	5.3	26.4%	*18.0%*
SMEs	**197,788**	**99.8%**	**99.8%**	**755,158**	**75.9%**	***66.6%***	**14.0**	**69.4%**	***56.4%***
Large	325	0.2%	0.2%	239,296	24.1%	*33.4%*	6.2	30.6%	*43.6%*
Total	**198,113**	**100.0%**	**100.0%**	**994,454**	**100.0%**	***100.0%***	**20.2**	**100.0%**	***100.0%***

These are estimates for 2018 produced by DIW Econ, based on 2008-2016 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries, and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs play an important role in Lithuania's non-financial business economy. In 2018, they generated 69.4% of the economy's value added and 75.9% of employment, exceeding the respective EU averages of 56.4% and 66.6%. On average, SMEs in Lithuania occupy around 3.8 people, close to the EU average of 3.9. Average SME productivity (calculated as value added per person employed) was approximately €18,500 in the reference period, less than half the EU average of €44,600. Although it has caught up impressively over the past two decades, the fact that productivity is still below the EU average reflects remaining barriers to investment, skills mismatches, relatively low firm dynamics and a large informal sector[3].

In 2014-2018, overall SME value added increased by 39.1%, similar to the 38.0% growth of large firms. SME growth rates varied depending on firm size: micro firms generated a rise of 67.8% in value added, whereas the value added of medium-sized firms grew at a lower rate of 25.4%. SMEs created 72,200 jobs, 4.6 times more than large firms (15,700). Overall SME employment surpassed 2008 levels for the first time in 2018, by 1.6%. Overall SME growth accelerated in 2017-2018, with value added and employment up by 12.0% and 3.1% respectively. Below we focus on two sectors that are particularly important for SMEs.

The *construction* sector has been one of the fastest growing in terms of SME value added. SME value added in the sector in 2014-2018 increased by 64.8%, far above overall value added in the non-financial business economy (38.8%), and employment by 10.7%. As a result, SMEs in the sector accounted for 11.3% of total SME value added in 2018. They significantly outperformed large firms, which saw 0.9% less value added and 10.7% less employment. Official data show that 87.3% of building permits issued in Lithuania in 2018 were for the construction of residential buildings, which are usually built by small firms[4]. Such construction is highly dependent on factors such as private income level, the availability of mortgage loans and consumer confidence, and favourable economic developments in 2014-2018 allowed SME construction firms to thrive. The market environment for large firms was a lot more volatile, with public contracts for civil engineering projects increasingly going to fewer companies[5].

SMEs in the *manufacturing* sector accounted for a large proportion (18.3%) of total SME value added in 2018. They generated consistent growth in 2014-2018, with value added rising by 31.2%, which is nevertheless below the rate in the overall non-financial business economy, and employment rising by 9.7%, which corresponds exactly to the overall rate. Micro and small firms grew faster than medium-sized firms in the sector, which benefited from an increase in foreign demand (over 63.8% of production was exported)[6]. Other significant factors in the growth of micro firms were greater domestic demand, driven by a rise in real wages[7], and the fact that many foreign companies chose Lithuania as a manufacturing location. In 2010-2017, a total of 100 foreign manufacturers established or expanded operations in the country, at an average rate of 12 companies a year[8]. The 2018 *Manufacturing Risk Index* report[9] ranked Lithuania as the second most attractive location in the world for manufacturing investors, mostly medium-sized companies, thanks to relatively low labour costs and a favourable business environment.

In 2018, 11,771 new companies of all sizes and sectors were registered, 3.8% more than in the previous year[10,11]. Of these, 10,457 were SMEs, an increase of 6% from the previous year[12]. A total of 4,118 SMEs deregistered, slightly fewer than in 2017 (4,199)[13]. In all, 2,090 bankruptcies were filed, 29.7% fewer than in 2017[14].

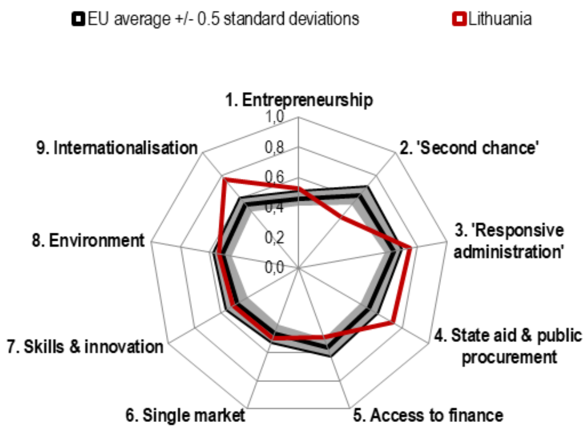
As per the data collected by the European Startup Monitor 2019 project[15], 72% of the Lithuanian startups that responded to the online questionnaire were set up by one male founder or an all-male team of founders. 6% were set up by one female founder or an all-female team of founders. The remaining 22% were set up by at least one man and one woman. In terms of their stage of development, 28% are in the pre-seed or seed stage, 50% in the start-up stage, 11% in the steady stage and 11% in the growth stage. Regarding financial aspects, 72% are operating at a loss, 17% currently break-even and 11% are profitable. Of those start-ups that are operating at a loss, 77% expect to break-even in less than 2 years, while 23% expect that it will take them over 2 years to break-even. 61% have a turnover between €1 and €500,000; 28% report having no turnover yet and the remaining 11% have a turnover of over €500,000. They have 11 employees on average, of which around 25% work on a part-time basis. On average they plan to hire 4.6 people within a year.

Many firms have successfully scaled up in recent years. The latest available data indicate that 1,781 (10.9% of all firms in the business economy[16] with at least 10 employees) were high-growth firms in 2016[17]. This is slightly higher than the EU average of 10.7%.

In 2018, SMEs in the specialised *knowledge-intensive services* and *high-tech manufacturing* sectors, both of which are usually R&D-intensive, accounted for 22.4% of SME value added in manufacturing and services. This is still significantly lower than the EU average of 33.0%; the backlog can be partly explained by the shortage of highly skilled workers (many of whom have emigrated to countries with higher salaries since Lithuania joined the EU in 2004). Also related to the lack of highly qualified workers are a fragmented research infrastructure and shortcomings in the education system[18].

Overall SME growth in Lithuania is forecast to remain strong, with value added of SMEs in the non-financial business economy expected to rise by 15.7% in 2018-2020, exceeding the 11.8% rate projected for large firms. SME employment is likely to increase by 4.1%, equivalent to more than 30,800 new jobs by 2020 and corresponding to 95.9% of projected new jobs in the overall economy.

2. SBA profile[19]



Lithuania's overall SBA profile remains strong, as in previous years. It performs above the EU average in 'responsive administration' and is one of the top two performers in State aid & public procurement and internationalisation. It still scores well below EU average on 'second chance' and access to finance, and has average scores on single market, skills & innovation and environment. Its performance in entrepreneurship cannot be evaluated for lack of recent data.

Lithuania has no specific strategy for SBA implementation. SBA measures are largely introduced under the 2014-2020 entrepreneurship promotion action plan (*2014-2020 m. Lietuvos verslumo veiksmų planas*), which addresses many of the topics and aims of the SBA, the plan for reducing administrative burden (*Administracinės naštos mažinimo priemonių planas*), which is updated on an ongoing basis, and the government's general legislative agenda.

In general, Lithuania is at an advanced stage in implementing the SBA. It has taken a significant number of policy measures to improve business conditions for SMEs. Access to finance, 'responsive administration' and internationalisation continue to be key policy priorities, as reflected in the large number of measures implemented since 2008. Furthermore, the government is putting increased emphasis on skills & innovation, for which two important measures were introduced in the reference period. Overall, the measures it has introduced have an impact on all SBA areas. Starting with a number of important policy initiatives in priority areas such as access to finance, 'responsive administration' and skills & innovation, recent governments have been improving the conditions for SMEs in almost all areas of the SBA.

However, challenges remain. In particular, more needs to be done in the area of 'second chance', where the time needed and cost involved in resolving bankruptcy issues are comparatively high. SME stakeholders would like to see a more consistent application of the 'think small first' principle. Some important targets were missed in the area of State aid & public procurement. Many of these challenges relate to gaps in competences in both the public and private sectors (discrepancies between job descriptions and objectives on the one hand, and the ability to perform required tasks and deliver on objectives on the other). As far as access to finance is concerned, while the government was focusing on measures to support alternative forms of financing SMEs, such as angel and venture investment and crowdfunding, SMEs' perception is that less traditional lending has been available[20].

Many of the measures to date are linked to action pillar three (access to finance) in the entrepreneurship action plan (e.g. loan guarantees, portfolio loans and venture capital). Pillars four (entrepreneurship) and six (SME digitalisation) have also received significant attention, with less action seen on pillar one (better regulation).

In 2018 and the first quarter of 2019, Lithuania adopted a substantial number of measures (21), addressing 7 out of the 10 policy areas under the SBA.

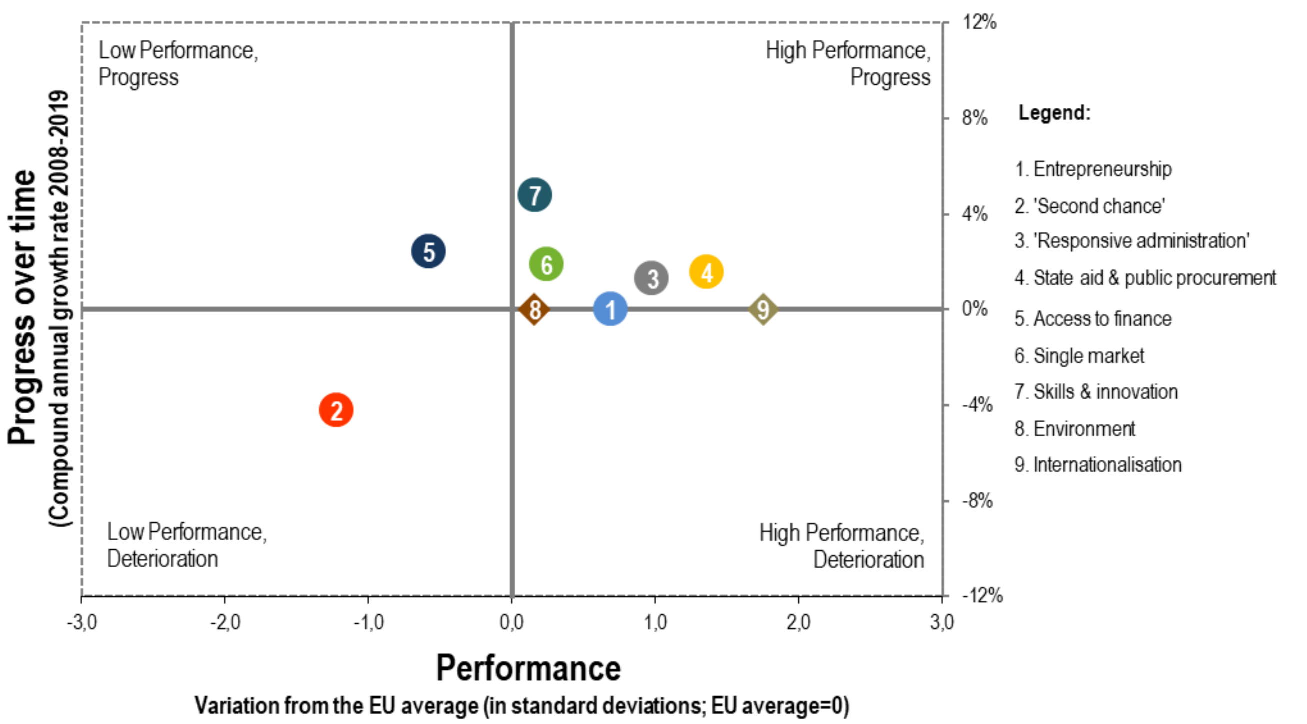
Overall, stakeholders acknowledge that substantial progress has been made in implementing the SBA. As regards new policy measures, most progress in 2018 was made in the areas of access to finance, where nine measures were introduced (which nevertheless did not prevent the situation from deteriorating – see above), and 'responsive administration' (four measures). Two other areas, skills & innovation and internationalisation, each saw two new measures, while entrepreneurship and 'second chance' were each targeted by one measure. 'Think small first', entrepreneurship, skills & innovation, 'responsive administration' and access to finance are also addressed on a secondary basis by measures aimed primarily at other principles.

No new policies were brought in for State aid & public procurement, single market and environment. Conditions in these areas are already largely in line with SBA requirements, thanks to initiatives taken in previous years.

Major policy developments in the reference period were the Law on Insolvency (*Juridinių asmenų nemokumo įstatymas*) and the Law on Technology and Innovation (*Technologijų ir inovacijų įstatymas*). Insolvency legislation has undergone frequent amendment. For example, the Enterprise Bankruptcy Law (*Įmonių bankroto įstatymas*) has been amended 35 times since its adoption in March 2001. The Law on Insolvency of Legal Persons, adopted by parliament on 13 June[21], covers the areas of restructuring and bankruptcy, which were previously regulated by separate laws, expands the scope of regulation and introduces new 'second chance' guarantees and opportunities. The Law on Technology and Innovation addresses *inter alia* the research, development and innovation (RD&I) support system. Innovation demand for SMEs could be stimulated by provisions such as that allowing the government to determine how many public procurement contracts (in absolute or percentage terms) are to be awarded by means of innovative public procurement.

The government continued its active business support strategy, with the flagship 2014-2020 entrepreneurship action plan and the 2014-2020 innovation development programme.

SBA performance of Lithuania: state of play and development from 2008 to 2019[22]



Note: The scores presented in the chart above are not fully comparable to those displayed in previous versions of the fact sheet. This is due to a review of the framework of indicators used to assess performance across the SBA principles. Only the aspects with sufficient background data are presented. The value for progress over time was set to 0% in case of insufficient data and marked in the above chart by a diamond shape. For more details, please consult the methodological note on the webpage of the SME Performance Review: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

3. SBA principles[23]

3.0 'Think Small First'

The 'think small first' principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs' interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

Lithuania has implemented the main elements of the 'think small first' principle since 2008. The opinions of the Small and Medium-sized Business Council, which was established in September 2008 to represent the business community, are taken into account when SME-related legislation is proposed. Representatives of the council participate in the work of many groups, including the Commission for the Supervision of Better Regulation working group established by the government in December 2013 to discuss matters related to the reduction of administrative burden. The Law on Legislative Framework requires that any new law or regulation affecting businesses enters into force on a pre-determined date (1 May or 1 November). This enables businesses and other stakeholders to keep up to date with forthcoming regulatory changes, allowing them to plan and budget for new measures and minimising additional costs. Since January 2012, regulatory impact assessments have been conducted to monitor administrative burden at national and municipal level. Public institutions have to evaluate potential administrative burdens arising from prospective legislation and develop plans for addressing them.

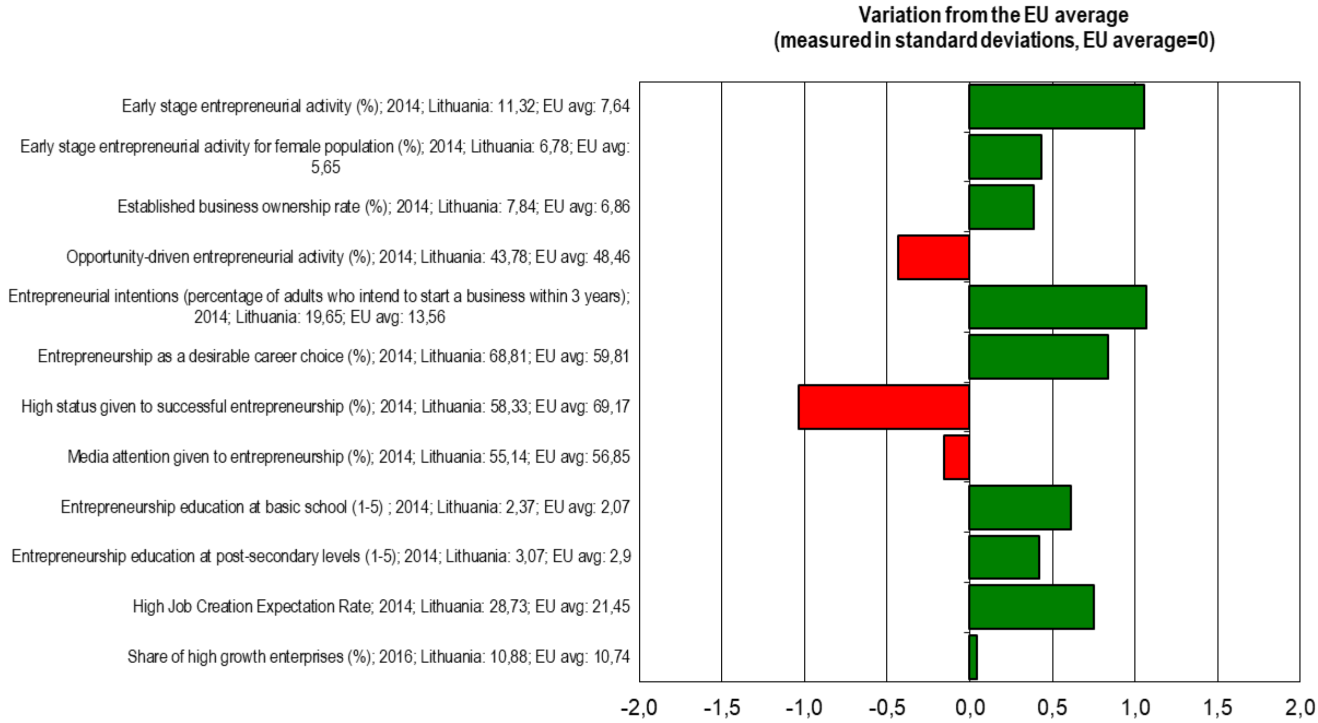
Nevertheless, there is scope for improvement. The impact of regulation on business competitiveness is subject to systematic assessment, but impact assessment procedures are not always followed and assessments are often only superficial. The 'SME test' is established, but not used systematically. As a result, many legislative initiatives are not assessed. Some SME stakeholders argue that they should have a more prominent role in the design and drafting of legislative proposals.

Progress in the reference period was rather modest. Only one new measure was introduced: a government support programme for starting economic activity in rural areas (*Parama ekonominės veiklos pradžiai kaime*), which was adopted in November 2018 to facilitate the diversification of the economy by fostering the creation of small partnerships and promoting non-agricultural employment. Natural persons (e.g. craftsmen) or newly established companies can apply for a subsidy of up to €40,000. This is an uncomplicated programme with a simplified application procedure. All costs are eligible, provided they are needed for implementing the business plan. The programme is partly funded from the European Agricultural Fund for Rural Development.

Two measures introduced in the reference period support the 'think small first' principle as their secondary target:

- amendments to the regulation on the use of cash registers (primarily targeting 'responsive administration') grants SMEs with a yearly turnover of less than €300,000 a longer period to comply with the regulation; and
- a measure on portfolio guarantees for factoring transactions (*Portfelinės garantijos faktoringo sandoriams*), adopted in April 2018, primarily targets access to finance, but only SMEs are eligible; the measure is thus in line with the 'think small first' principle.

3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

The only recent data available for comparing Lithuania's entrepreneurship performance with the EU average are those regarding the proportion of high-growth enterprises, which decreased from 11.2% in 2015 to 10.9% in 2016 (i.e. still within the EU average). A new indicator has been added in this year's fact sheet: high job-creation expectation rate (6 or more jobs in 5 years). The proportion of early or nascent entrepreneurs in Lithuania who expect to create 6 or more jobs in 5 years is much higher than the EU average.

In line with the continued growth of the Lithuanian economy and thanks to a generally favourable business environment, the number of operating SMEs rose to 84,510 at the beginning of 2019[24]. As mentioned above, 2018 alone saw 10,457 new SMEs registered. As in previous years, at the beginning of 2019 most SMEs were active in trade (29.1%, or 24,700) and services – professional, scientific and technical (12.3%, or 10,400), transport and storage (9.8%, or 8,300).

In 2018, the technology start-up community grew by 58%, to more than 500 companies, and attracted more than €70 million of venture capital – 1.7 times more than in 2017.

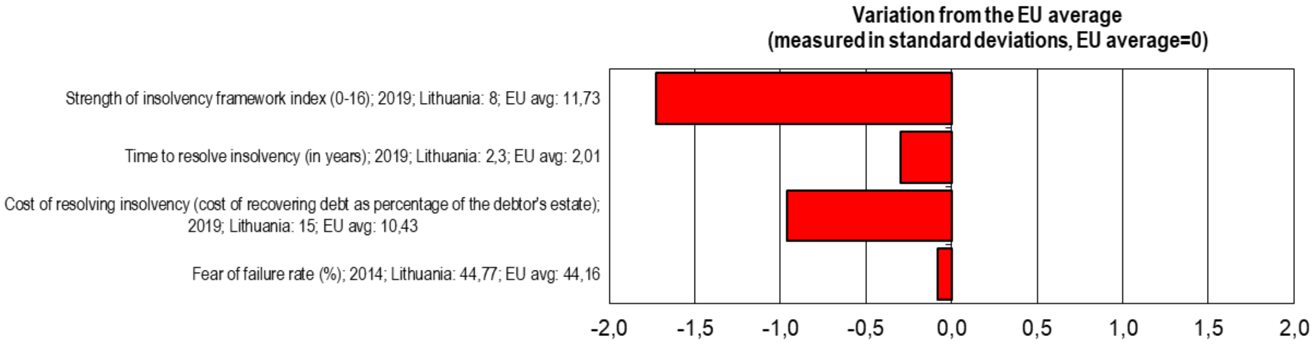
Since 2008, the government has introduced a number of measures to support start-ups. These have included financial incentive schemes, such as Entrepreneurship Promotion Funds I and II, financed by the European Social Fund and established in 2009 and 2015 respectively, which provide loans and subsidies for starting a business. In addition to soft loans, business start-ups can apply for guarantees to cover part of the collateral required by credit institutions, and technical support programmes, such as the 'first year of business service basket' (May 2011), operated by Enterprise Lithuania, or '*Spiečius*' co-working spaces in cities and towns (the first opened in June 2016 in Alytus). New ('start-up visas') immigration legislation to attract ambitious entrepreneurs from outside the EU was introduced in January 2017. New immigration rules ensure a fast-track permanent residency process for entrepreneurs setting up high-tech start-ups. Last year, 178 foreign start-up founders applied under the programme (41% more than in its first year).

2018 was another successful year for financial technology (fintech) in Lithuania and saw it consolidate its status as one of Europe's leading fintech hubs. The number of fintech companies in the country rose from 117 to 170, and the industry now employs around 2,600 specialists. To operate in the EU, fintech companies must obtain a licence issued by a Member State. The Bank of Lithuania (*Lletuvos Bankas*) can issue licences in as little as 3 months – two to three times faster than other institutions in the EU. To date, it has issued three specialised banking licences (SPBs), 33 payment institution licences (PIs) and 47 electronic money institution licences (EMIs)[25]. The sector is highly international: 30% of all fintech companies operating in Lithuania are headquartered abroad. Fintech companies from the United States, the UK, China, Singapore and Israel have large teams in Lithuania, having been attracted by a favourable regulatory environment and the possibility of testing their innovative financial products or business models at little cost in a live environment, with real consumers (see section 4)[26].

Most of the key actions planned under the entrepreneurship principle have been implemented since 2008. These include the introduction of entrepreneurship education in secondary and tertiary education, encouraging students to develop positive attitudes to entrepreneurship and gain practical skills by setting up temporary companies developing and selling real products and services. However, some aspects of the principle still need to be addressed, particularly as regards support for business transfers.

One new measure was introduced in the reporting period to complement existing programmes: the Law on the Development of Social Business (*Socialinio verslo plėtros įstatymas*) was formally announced in May 2018. It identifies areas of social impact (integration of those with disabilities, retirees, those of pre-retirement age, the unemployed, refugees, etc.) and areas of activity (the provision of social services on the Ministry of Social Security and Labour list, environmental protection, biodiversity, culture, human rights, etc.). It also lays down procedures for granting and removing 'social business entity' status and specifies forms of state support, such as a preferential profit tax rate and the right to use state or municipality property free of charge. Finally, it lays down principles for measuring social impact.

3.2 'Second chance'



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. It is the SBA principle on which Lithuania performs worst. The country continues to score below EU average and there has been a downward trend in its performance in this area since 2008. In 2019, the costs of resolving insolvency amount to 15%. Lithuania's insolvency framework index is the second worst-performing of all Member States'.

Nevertheless, Lithuania has adopted a number of measures addressing the 'second chance' principle since 2008. Big efforts have been made to improve the insolvency framework and speed up insolvency procedures. For example, since 2015, courts have appointed bankruptcy administrators in bankruptcy proceedings using a computer programme. Regulations have been amended to allow asset sales by electronic auction in the context of bankruptcy proceedings. These changes were designed to ensure transparency in the appointment of administrators and shorten proceedings. They were implemented by amendments to the Enterprise Bankruptcy Law (*Įmonių bankroto įstatymas*) in December 2015 and followed regulations to improve aspects of insolvency procedures, e.g. the calculation of bankruptcy expenses and the remuneration of administrators. With so many amendments to the Bankruptcy Law, there is legislative momentum to adopt the Law on the Insolvency of Legal Persons (*Juridinių asmenų nemokumo įstatymas*), which will consolidate and update the bankruptcy and insolvency legislation. Support measures planned by the Ministry of Finance include the launch of a plan to prepare an early warning system for improved insolvency risk assessments, and promoting good practice and training.

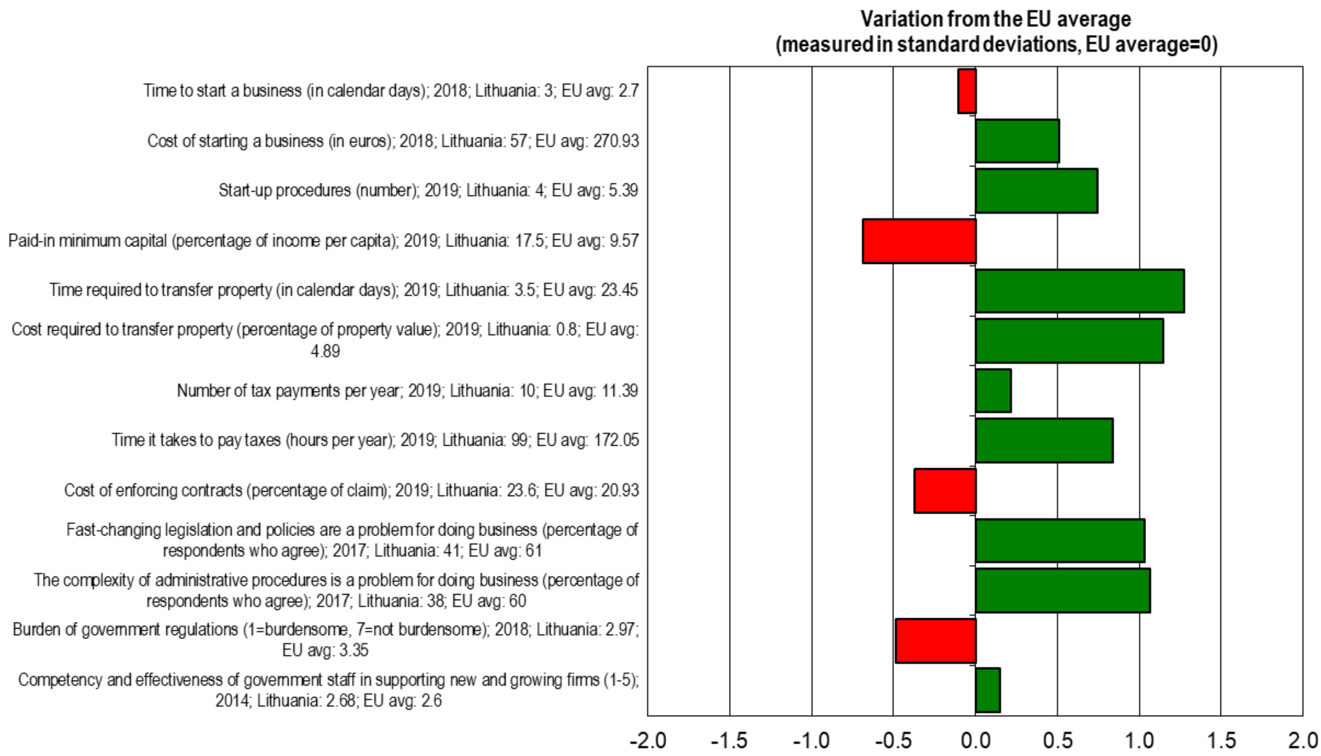
Measures have been introduced to improve the public image of honest failed entrepreneurs. For example, success stories have been publicised of entrepreneurs who have made a successful second attempt at starting a business. However, the stigma of failure persists and re-starters are not always treated on an equal footing. Efforts are being made to implement the available tools effectively and maximise their impact.

Two legislative initiatives were introduced in the reference period.

- Amendments to the Law on the Bankruptcy of Natural Persons (*Fizinių asmenų bankroto įstatymo pataisos*), adopted in May 2018, are aimed at improving the bankruptcy process for natural persons. The amendment that is most relevant to business is a provision for a single bankruptcy process for several natural persons who share assets or liabilities. This is important in cases involving non-incorporated businesses (sole proprietorships or partnerships where several people own the same assets). There are also plans to introduce a simplified procedure for addressing technical deficiencies in the plan for solvency recovery; and

- The Law on the Insolvency of Legal Persons, announced in October 2018, regulates restructuring and bankruptcy processes, and the activity of insolvency administrators (areas previously regulated by separate laws). It expands the scope of regulation and introduces new 'second chance' guarantees and opportunities. The government has approved the draft law and sent it to parliament.

3.3 'Responsive administration'



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

'Responsive administration' refers to public administration being responsive to the needs of SMEs. Lithuania continues to perform above EU average in this area and has made progress since 2008. The time required to start a business decreased from 3.5 days in 2017 to 3 days in 2018. Also, the cost of starting a business has fallen significantly, to €57, thanks to the possibility of online registration. Paid-in minimum capital requirements have continued to fall in the last 3 years, hitting 17.5% in 2019 — well below the 2008 level of 46.2%. The time required to pay taxes decreased from 109.3 hours in 2018 to 99 in 2019, supported by a reduction in the number of tax payments per year (11 in 2018, 10 in 2019). The changes are mainly in response to increases in the proportion of businesses that perceived fast-changing legislation and policy (41% in 2017 against 36% in 2015) or the complexity of administrative procedures (38% against 34%) as a problem when doing business.

This SBA principle has been the focus of substantial activity and all of its key components have been implemented.

The regulatory reform agenda was launched in 2008, when the government adopted a better regulation programme setting out its main principles and objectives in this context. Better regulation reforms include requirements to assess the impact of new regulation, engage with stakeholders and reduce administrative burden at municipal level. These general orientations have led to various initiatives.

The Law on Administrative Burden Reduction (*Administracinės naštos mažinimo įstatymas*) came into force in 2013. It introduced a new monitoring body, the Better Regulation Supervisory Commission (*Geresnio reguliavimo priežiūros komisija*) and two-year administrative burden reduction plans (*Administracinės naštos mažinimo priemonių planas*). The plans include concrete measures such as the simplification of licensing procedures.

Better regulation measures include intensive use of ICT. A government portal provides citizens and businesses with a single point of access to all public administrative services – the e-Government Gateway (www.epaslaugos.lt). E-services are being developed in areas such as taxation, social insurance, the registration of legal entities, patenting, etc.

Nonetheless, there remains room for improvement in the effectiveness of some measures. Although the time allocated to consultations with stakeholders on new regulation that may affect them has been extended, it is not always adequate. Requirements for proportionate regulatory impact assessment (RIA) are largely in place, but RIA is often used to justify choices already made. The quality of the supervising institutions' monitoring should be improved[27]. Business representatives understand the need for monitoring, but think that the institutions lack effective interoperability.

According to calculations by the Ministry of the Economy and Innovation, the reduction of the administrative burden on business in 2018 was worth a total of €103.9 million, allowing individual businesses to save €6,000 or more thanks to a new procedure for the introduction and use of cash registers, updated hygiene rules for restaurants and simplified procedures for electricity grid connection.

Several 'responsive administration' measures were introduced in the reference period.

- In amendments to the regulation on the use of cash registers (October 2018), the Ministry of Finance changed the procedure for installing and using cash registers. It gives users of modern cash registers longer to comply with the obligation to fill in paper journals, thus reducing their administrative burden. It is estimated that the 43,319 entities in Lithuania that use cash registers will save €1,666 a year as a result. The implementation of the amended regulation requires investment in new IT solutions. The compliance deadline differs according to entities' revenue and the type of cash registers they use. Companies with annual revenue of below €300,000 will have to comply by 1 May 2025.

- Since May 2018, the Ministry of Economy and Innovation (MEI) has been implementing a project on reducing administrative and regulatory burden in municipalities (*Adminstracinės ir kitos reguliavimo naštos mažinimas svaivaldybėse*). This involves assessing administrative and adaptation costs for business in five municipalities (Vilnius city, Kaunas city, Druskininkai, Visaginas and Klaipėda region) that were selected after a call to participate. The objective is to identify and evaluate administrative burdens for business and prepare recommendations for reducing it by €1 million. General recommendations will be prepared for all municipalities, *inter alia* on the evaluation and reduction of regulatory burden. There are also plans to train municipality employees.

- In order to reduce administrative burden further and based on a preliminary review in 2016, MEI is implementing a project to:

    - evaluate compliance costs in three selected sectors (chemicals, manufacturing and transport); and

    - draft legal proposals for reducing administrative and other compliance costs by €2.5 million.

  The project is also a pilot for fitness checks, which have never previously been done in Lithuania.

- In October 2018, the government approved the 2018-2019 plan of measures for reducing administrative burden (*Administracinės naštos mažinimo 2018-2019 metais kryptys (priemonių planas)*). Three regulatory areas were selected:

    - energy (generation, supply and use);

    - healthcare institutions; and

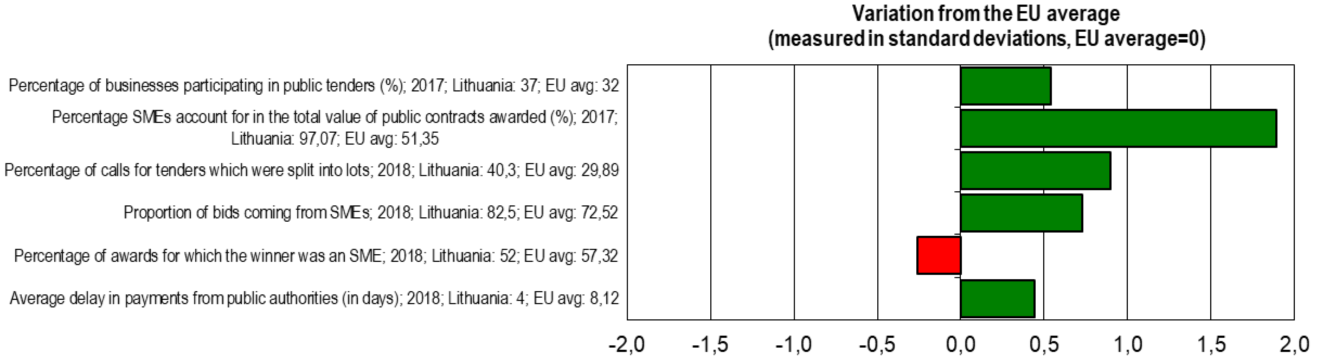
    - the agricultural sector.

  The institutions responsible will have to identify excessive, duplicating or irrelevant obligations to provide information, and draft appropriate legislative amendments. MEI will coordinate the implementation of the plan and provide methodological support.

- In October 2018, the State Food and Veterinary Service (*Valstybinė maisto ir veterinarijos tarnyba*) amended the good hygiene practice rules for food service companies (*Geros higienos praktikos taisyklių viešojo maitinimo įmonėms pakeitimas*). The 2009 rules required restaurants and other food service companies to fill in self-check logs four times a day. As there are 7,189 food service companies in Lithuania, the administrative burden has been significant. The amendment replaced the requirement with a provision for logs to be recorded only in the event of discrepancies (which the Service had found to be very rare).

- In the light of practical issues affecting the application of regulated authorisation schemes, MEI made a number of amendments to licensing policy so as to improve the drafting of legislation on services and licensing laws and regulations. Changes were also initiated to eliminate paper licences in favour of the licensing information system introduced in 2015.

3.4 State aid & public procurement



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators from the Tenders Electronic Daily (TED) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tenders which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year's.

Lithuania performs above EU average in this area: following an upward trend since 2008, it is the second best performer. In 2017, the proportion of the total value of contracts that was secured by SMEs was the second highest in the EU (97.1%, up from 30% in 2013). In terms of the absolute value of contracts won by SMEs, Lithuania is no 1. In 2018, the public authorities' average payment delay was 4 days, compared to an EU average of 8.1 days. The proportion of calls for tender that were split into lots increased from 34.4% in 2015 to 40.3% in 2018.

Since 2008, Lithuania has implemented most aspects of the State aid & public procurement principle, developing policies and strategies to promote strategic procurement in the areas of SMEs, environment (green procurement), innovation and social responsibility.

The revised Law on Public Procurement, which came into effect on 1 July 2017, requires that contracts be divided into lots on the basis of quantitative and qualitative criteria, so as to make it easier for SMEs to participate in public procurement (the simplified procurement arrangements allow such division, but do not require it). To avoid excessive requirements regarding bidders' financial capacity, which often prevent SMEs from participating in public procurement, the law limits minimum required turnover to twice the estimated contract value. It also allows contracting authorities to make direct payments to subcontractors. Many procurement procedures are conducted online. An e-procurement portal launched in August 2008 covers all the pre-award phases of public procurement: e-notification, e-access, e-submission and e-awarding. The recently added e-account information system enables Lithuanian public institutions to issue electronic rather than paper invoices in the context of public procurement contracts.

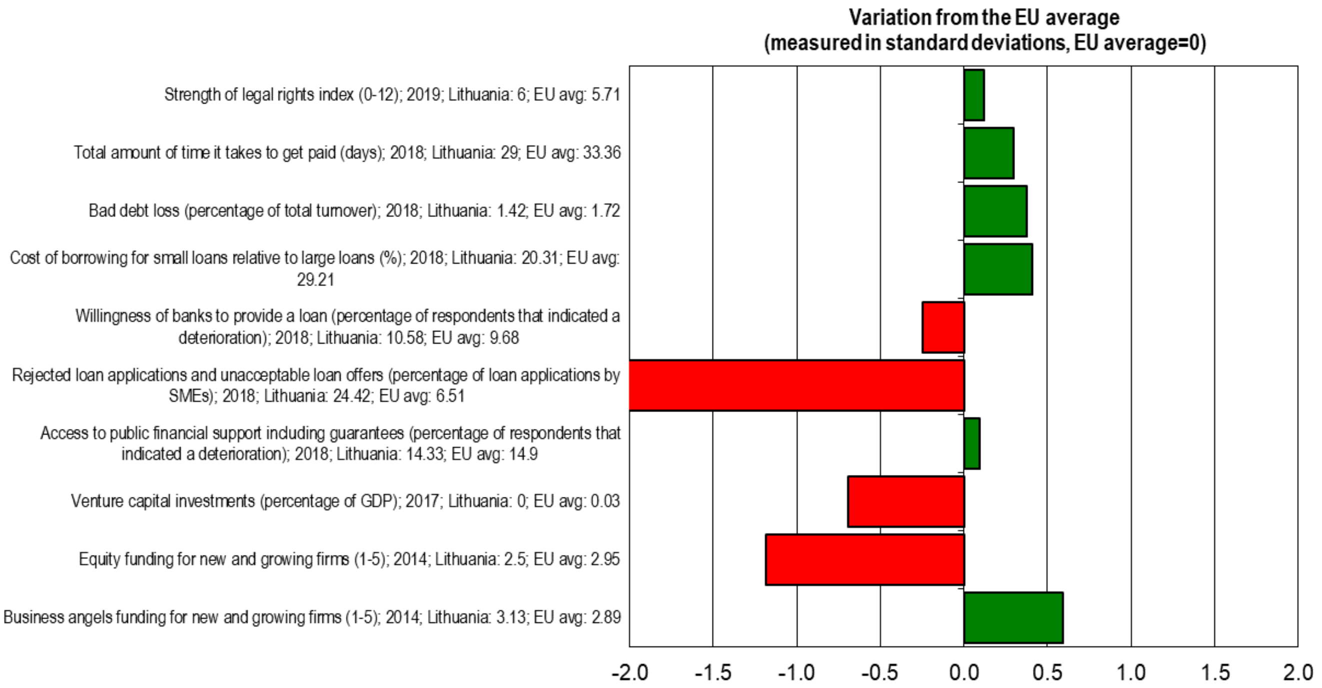
The 2014-2020 national innovation development programme highlights the importance and potential of the procurement of innovative products and innovation partnerships. Its strategic goal is to make the national economy more competitive by developing an effective system for promoting economic innovation. In December 2012, the Ministry of Economy published innovative public procurement guidelines covering the purchase of goods, services or works of better quality, more adapted to procurers' needs, and increasing demand for innovation in the market.

In 2015, the government established guidelines for pre-commercial procurement. The aim is to facilitate the development of new products, stimulate demand-oriented innovation and speed up innovations that address the needs of the public sector.

The 2014-2020 national progress programme set a 50% 'green public procurement' target for the environment-friendly purchase of goods, services and works by 2020[28]. As from 2016, all contracting authorities have to apply green criteria as applicable when procuring products.

No new measures were introduced in the reference period. The majority of key measures were already in place, but their implementation could be improved.

3.5 Access to finance



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Although following an upward trend since 2008, Lithuania performs below EU average on access to finance. Its performance deteriorated compared with last year's fact sheet, in both absolute and relative terms (i.e. as compared with the EU average). For example, the average time to secure payment from customers increased significantly (from 22.3 days in 2017 to 29 days in 2018). Lithuanian SMEs have trouble in obtaining loans. The country has the second highest proportion of rejected loan applications (24.4% in 2018, up from 24.1% in 2017) and more SMEs than in 2017 perceive banks as reluctant to provide loans. SMEs also perceive a deterioration when it comes to access to public financial support, including guarantees. Furthermore, Lithuania has one of the lowest rates of venture capital investment (as a percentage of GDP).

The government has focused on measures to support alternative ways of financing SMEs, such as angel and venture capital investment and crowdfunding. It has introduced clearer but more flexible legislation on the latter and injected public funds into venture capital funds, thus facilitating equity funding. Nevertheless, SMEs' perception was that the overall availability of SME financing has deteriorated, notably due to reduced traditional lending. A survey conducted by the Bank of Lithuania in July 2018 revealed that it is harder for SMEs to secure bank lending. Although enterprises indicated that banks' financing conditions remained broadly unchanged, the number of rejected loan applications has risen considerably. Small firms and construction sector enterprises were most affected by tighter lending conditions[29].

Access to finance has been a priority for the government in recent years, resulting in significant improvements to the availability of financing options for SMEs. Since 2008, Lithuania has implemented a number of measures to improve SMEs' access to finance, including microcredits, a loan guarantee scheme, subsidies to partially cover interest payments, and legislative amendments to allow for the establishment of specialised lenders and thus strengthen competition in the still highly concentrated banking sector. Other financing instruments addressing SMEs' specific financing needs throughout their life cycle have been introduced from 2010 onwards. Risk capital funds for early-stage financing were set up with the assistance of the European Investment Fund and SMEs have had access to subsidies for special purposes such as support for research, investment in eco-efficiency and aspects of the green economy. The Law on Crowdfunding removed legal barriers to the establishment and operation of crowdfunding platforms. It stimulated the introduction of new forms of financing, significantly alternative financing and investment opportunities in Lithuania.

Several key measures were implemented in the reference period.

- In February 2019, new rules for investment funds came into force, creating what Government claims to be one of the most innovative regulatory frameworks for funds in the EU. Among other things, the package revised investment and diversification limits for pension funds investing in venture capital, private equity and other alternative asset classes. This increased their ability to participate in the venture and private equity market;
- In 2018, a survey on the 'improvement of the investment environment for institutional investors in Lithuania' was finalised. It was sponsored by the European Commission via the structural report support programme and carried out by the European Bank for Reconstruction and Development. Lithuania is now implementing the report's recommendations for developing its capital market by attracting institutional investors and giving enterprises greater access to capital;
- The 'industry digitalisation LT' measure (*Pramonės skaitmeninimas LT*), implemented in May 2018, provides industrial SMEs with subsidies for:
  - technology audits to assess digitalisation opportunities (€20,000 subsidies); and
  - investment in industrial processing equipment with integrated digital technologies, in accordance with the audit recommendations (micro and small firms: up to €1 million; medium-sized firms: up to €2.9 million).
- 'Avietė' crowdfunding loans (*Sutelktinės paskolos 'Avietė'*), set up in October 2018, are granted through crowdfunding platforms. Platform operators sign cooperation agreements for implementing the loans and select business projects for co-funding. The number of operators is not limited and contracts can be concluded throughout the implementation period until the funds are used up (the total amount earmarked for the scheme is €4,615,000). The maximum amount per loan is €10,000 and funding can be provided for up to 40% of the total loan amount and up to 36 months. Currently, the loans can be accessed via the FinBee crowdfunding platform, but other platform operators may join up in the future. It is for the operator to decide what types of project to fund. FinBee provides loans for investment and working capital (except for the re-financing of older loans and residential property).
- As from April 2018, portfolio guarantees for factoring transactions (*Portfelinės garantijos faktoringo sandoriams*) have been available to guarantee up to 80% repayment. The transaction limit is €1,875,000 or, for businesses engaged in freight services by road, €937,000. The maximum funding period per transaction is 12 months. On expiry of the period, SMEs may be offered a new factoring transaction. A guaranteed portfolio can include both export and local factoring transactions (with a right of recourse).
- As from February 2018, export credit guarantees (*Eksporto kredito garantijos*) have been available to reduce exporters' non-marketable risk by covering up to 90% of actual losses when a buyer fails to pay or goes bankrupt. They are provided to SMEs that have been operating for more than a year with an annual income of over €100,000. Other conditions are that:
  - the buyer must pay within 2 years;
  - products must be made in Lithuania;
  - export is to non-EU and non-OECD countries; and
  - the total amount of all guarantees per exporter cannot exceed €1 million.
- The Accelerator Fund, financed under the European Regional Development Fund (ERDF) and set up in February 2019, is aimed at promoting the growth of micro and small businesses, boosting entrepreneurship and creating a favourable environment for risk capital investments. It will

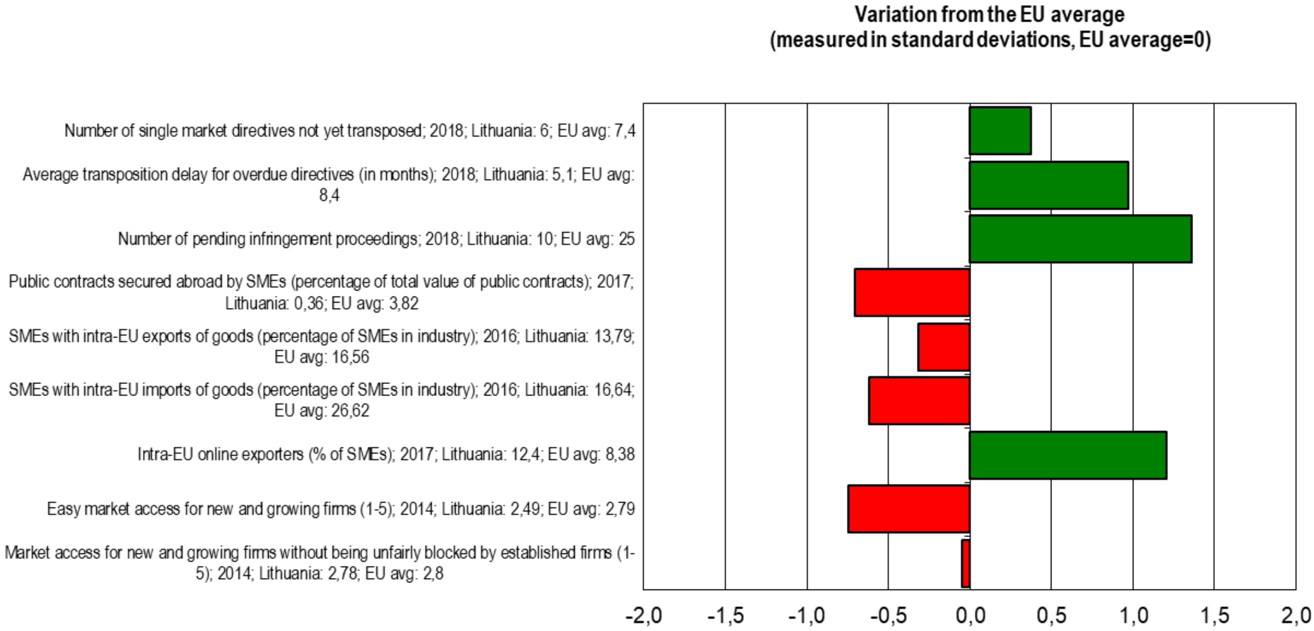
provide seed capital and invest in the fast development of micro and small enterprises, providing them with mentoring, training and consultancy services. It is implemented by two fund managers ('Start-up Wise Guys' and '70 Ventures'). The total size of the fund is €15.66 million, of which €13.47 million is provided by the State/ERDF.

- The Business Angels Co-investment Fund (*Bendrai su verslo angelais investuojantis fondas II*) was established by a team of business angels in July 2018 and is financed from the ERDF. The total fund is €10.49 million (€10.23 million from the State/ERDF and €260,000 from business angels). SMEs selling to the EU and other markets can apply for investments of up to €600,000 from the fund and additional investment from the business angels; the total must make up at least 50% of the total investment.

- The Seed and Venture Capital Fund II, (*Ankstyvosios stadijos ir plėtros fondas II*), financed by the ERDF, was set up in December 2018. UAB Iron Wolf Capital Management was selected to implement it and set up the Iron Wolf Capital Fund. The total amount of the fund is €16,545,000, of which €13,760,000 is from the State/ERDF. It will provide SMEs with early-stage (seed, start-up) and later-stage (expansion) financing to reduce the gap between science and business. Much of the investment will be in SMEs operating in smart specialisation. SMEs will be offered expert assistance in identifying innovative technology ideas with commercial potential. The fund will also be used to implement business acceleration activity.

- The Development Fund I (*Plėtros fondas I*), financed under the ERDF, was also set up in December 2018. The objective is to provide capital for a diversified investment portfolio in micro, small and medium-sized enterprises seeking to enter new markets or sectors, or to create new products. UAB Practica Capital was selected to implement the measure and set up the Practica Venture Capital Fund. The total fund is €22 million, of which €14.5 million is from the State/ERDF. It will focus on early-stage venture capital investments in the Baltic region, investing €200,000 to €2 million as seed capital or cross-industrial investment in early and selected growth-stage ventures and thus supporting innovation- and technology-driven businesses.

3.6 Single market



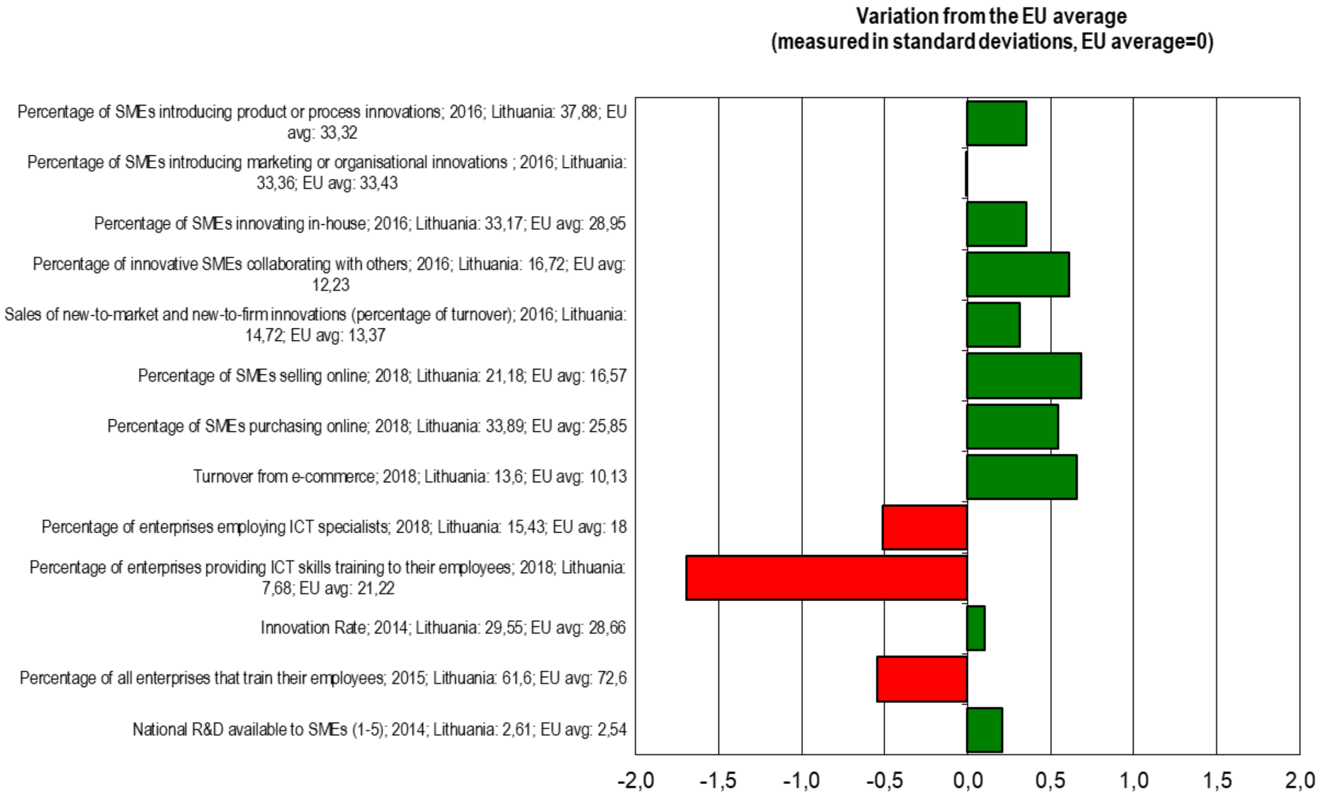
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Lithuania continues to perform in line with EU average on the single market principle, with solid overall progress since 2008. Detailed analysis, however, reveals that its results are mixed. Progress has been driven by decreases in the number of single market directives not yet transposed into national legislation (from 8 in 2017 to 6 in 2018) and the number of pending infringement proceedings (from 13 to 10). Also, the average transposition delay decreased slightly, from 5.7 months in 2017 to 5.1 in 2018. However, only 13.8% of Lithuanian SMEs exported within the EU and 16.6% imported from other Member States in 2016. These results are slightly better than those in 2015.

In recent years, Lithuania has taken relatively few important measures in this area, partly because of progress made since 2008. In December 2009, it established a point of single contact (PSC) for services and products (https://www.enterpriselithuania.com/en/), in accordance with the EU Services Directive. This provides SMEs with support regarding the single market; however, it is not interconnected with the e-Government Gateway, but only allows firms to request a licence online in some cases. In 2017, Enterprise Lithuania, a public agency that operates the PSC, launched a project to implement a ‘second generation’ PSC, which will integrate all e-services for business in one portal, covering the whole business life cycle and enabling cross-border users to access the services. The Lithuanian SOLVIT centre (SOLVIT is the problem-solving network in which Member States work together to solve problems caused by public authorities’ misapplication of EU internal market law) and internal market information (IMI) system maintained their excellent performance in 2018 (Single Market Scoreboard) and are developing a higher profile. The overall number of SOLVIT cases in 2018 decreased by 12% compared to 2017, although SOLVIT LT’s ‘target awareness actions’ led to almost twice as many business cases being submitted (from 4 in 2017 to 7 in 2018). SMEs are involved (e.g. via public consultations and participation in technical committees) in developing standards with the Lithuanian Standards Board, whose portal provides small firms with free information on relevant standards in their industry.

No new measures were introduced in the reference period. Despite the low priority of this area, the SBA recommendations have generally been addressed satisfactorily.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

While Lithuania continues to perform in line with EU average in skills & innovation, the trend of improvements since 2008 continued in the reference period. However, results for individual indicators are mixed: while the percentage of SMEs purchasing online grew (33.9% in 2018 against 25.2% in 2017), the proportion selling online fell slightly (21.2% against 21.9%). The turnover generated from e-commerce increased from 11.8% to 13.6%. However, there is still room for improvement on skills-related indicators. The proportion of enterprises employing ICT specialists decreased slightly (from 16.4% to 15.4%), as did the proportion of SMEs providing their employees with specialist ICT training (from 9.8% to 7.7%). Private investment in R&D is only 0.3% of GDP, which is a fifth of EU average and one of the lowest rates in the EU (2019 European Semester country report).

Since 2008, Lithuania has implemented a range of measures that encourage innovation and its commercialisation. For example, the popular Intelektas LT and Intelektas LT+ programmes provide funding for R&D activity and for building R&D capacity in companies. Innovation vouchers encourage SMEs to conduct feasibility studies and small-scale research with the help of public research organisations. Other incentives, such as R&D tax relief and tax incentives for income from selling intellectual property are helping companies to reinvest more in innovation.

More recently, the government introduced a subsidy for firms investing in new, high-impact technologies, in order to make the latest technologies more affordable for SMEs.

As regards skills, there is a growing consensus between stakeholders and the government that shifts in the job market will require substantial changes in the education system. A greater aptitude for continuous learning is also needed. A range of funding and employer-led programmes introduced to address the skills gap includes subsidies for employees to study for professional qualifications, apprenticeships in companies and access to external experts.

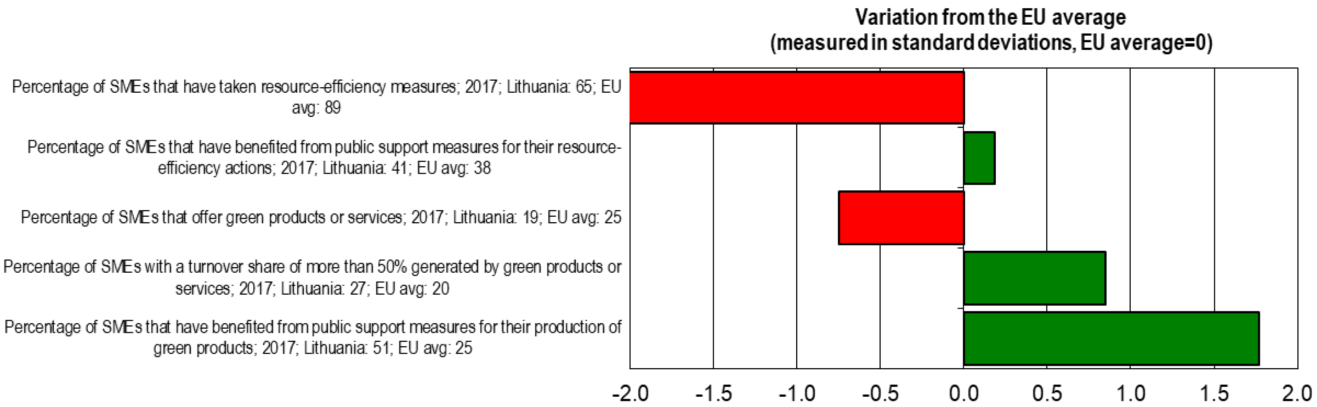
Two new measures were introduced in the area of skills & innovation in the reference period.

- The Law on Technology and Innovation (*Technologijų ir inovacijų įstatymas*) was adopted in June 2018 and came into force in January 2019. It aims to establish a harmonised legal framework for the public administration of science, technology and innovation. It provides the basis and guidance for the development of future support measures for research, development and innovation activities in companies. Previously, experimental development, such as technology activities, had been regulated by the Law on Science and Studies. The new law sets out the stages in the innovation cycle and the principles for supporting R&DI activity in all kinds of entity. It also reviews the R&DI support system. It provides for the establishment of a governmental research, technology and innovation council, and an innovation promotion fund that would support innovative businesses, especially start-ups.

- The Inostart (*Inostartas*) measure, which started in April 2018, supports product ideas/concept development, product or service development and the employment of researchers in SMEs. It provides subsidies for:
  - early-stage product development, from product concept to prototype;
  - development from final prototype to the test production batch of the final product; and
  - hiring a scientist who can help to create prototypes or products.

Applicants can be companies up to 1 year old (applying for the first activity) or companies from 1 to 3 years old. The maximum subsidy is €49,000 and the support intensity depends on the region – companies operating outside major cities (Vilnius and Kaunas) can be compensated for up to 85% of eligible expenses.

3.8 Environment



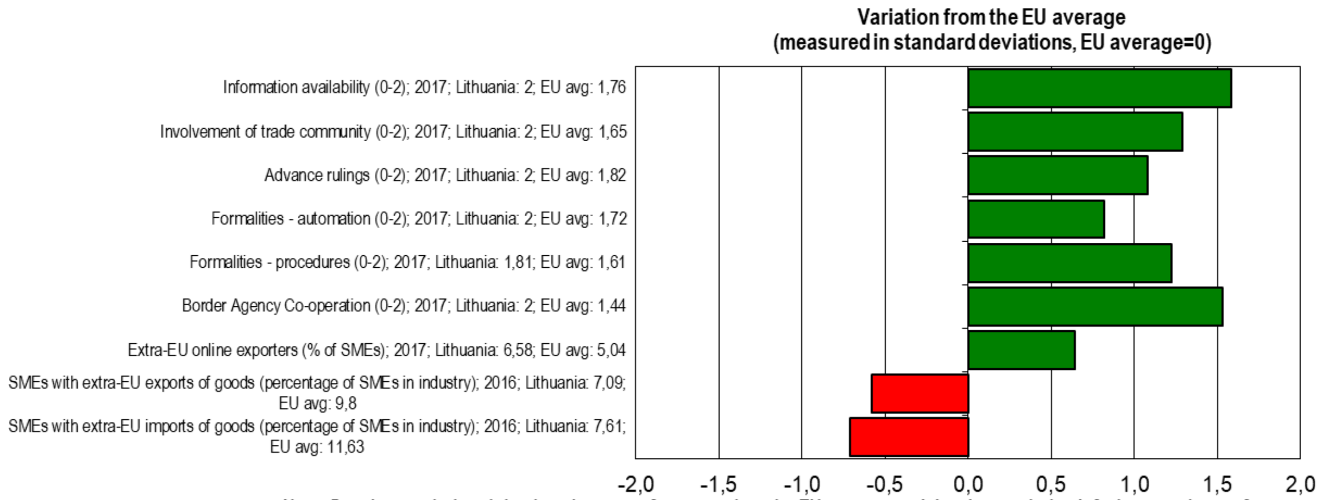
Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Lithuania's performance on the environment remains unchanged compared to last year's fact sheet, and is in line with EU average. Again, its detailed results are mixed. The proportion of SMEs that benefited from public support to produce green products increased from 28% in 2015 to 51% in 2017. However, the proportion generating 50% of turnover from green products or services fell from 34% to 27%. There is still room for improvement as regards SMEs' resource-efficiency measures, where the country ranks well below EU average.

Lithuania has implemented several key measures since 2008 to help SMEs to be eco-efficient and compete in the green economy. The 2008-2011 green procurement action plan provided industry with incentives to invest in green products and services. The 2013 green industry programme, with two sub-schemes – 'green industry partnerships' (*Žaliosios prmonės partnerystės*) and 'green industry small projects' (*Žaliosios pramonės mažieji projektai*) – encouraged SMEs to develop or improve green products and eco-efficient processes. It provided Lithuanian business with significant impetus and opened up new opportunities for international cooperation. Building on that experience, new measures were introduced to promote energy efficiency and investment in energy-efficient and environment-friendly technology. The 'renewable energy sources in industry+' programme encouraged SME investment in renewable energy. The 'eco-innovation LT' (*Eco-inovacijos*) programme helps SMEs to install environment management systems and production technology, while 'eco-innovation LT+' (*Eco-inovacijos LT+*) supports the introduction of eco-efficient production technologies. These measures were continued in 2018.

Given the efforts of recent years, no new measures were introduced in the reference period.

3.9 Internationalisation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Lithuania performs above the EU average and is the second best performing country in this area. Nevertheless, the percentage of SMEs exporting goods outside the EU decreased slightly from 2015 to 2016, from 7.3% to 7.1%. In parallel, the percentage importing goods from outside the EU increased from 7.3% to 7.6%, which is below the EU average. However, Lithuania ranks among the top performers on information availability, involvement of the trade community, advance rulings, formalities (automation) and border agency cooperation.

Exports are vital for the Lithuanian economy and a great deal of policy attention has been devoted to internationalisation. Measures have been taken since 2008 to maintain export positions in foreign markets, penetrate new markets and promote exports of higher value-added goods and services. In 2009, the government approved the 2009-2013 export development strategy, which provided for key support measures, including subsidies for participation in international fairs, exhibitions and missions, market research, training and consulting, and export guarantees. The same year, the Ministry of Economy established the Enterprise Lithuania agency (*VšĮ 'Versli Lietuva'*) to support SMEs and encourage Lithuanian exports. Substantial policymaking efforts in this area since 2008 have helped to mitigate disruption from 2009 onwards (the effects of the financial crisis) and 2014, when recession in Russia and Russian counter-sanctions substantially reduced the value of exports to Russia. Work on internationalisation has resulted in the implementation of all but one of the SBA principles. The component that is lacking is the umbrella organisation for all internationalisation support. However, this is somewhat offset by the fact that existing agencies coordinate activities.

Lithuanian SMEs are quite ambitious in exploiting new markets. The 2018 AB SEB Bank (*AB SEB Bankas*) survey shows that the proportion of companies with such ambitions (16%) is twice as high as in Estonia. In Latvia, only 6% of SMEs are planning to enter new markets[30].

In 2018, the nominal annual growth of goods and services exports was weaker than in 2017 (8.7%, as against 18.6%)[31], but still above the long-term average. Key drivers were previous investments, increased production capacity and access to new markets. Slower growth of goods exports to the EU and CIS countries was to some extent offset by exports to other markets. More subdued growth of goods and services exports is projected for 2019. Growing political uncertainty in some European countries, protectionist trade measures and Brexit could further dampen export growth. Another challenge is that it remains concentrated in low value-added activities: exports of high-tech goods account for only 3.6% of total exports[32].

Two measures were implemented in the reference period.

- The Internationalisation LT agency (*Tarptautiškumas LT*) started in January 2018. It has identified six prospective sectors (three traditional industries and three high-tech sectors) and will be developing entry strategies for two target markets in each sector. Selection criteria include market size and growth potential, the interests of Lithuanian business, export opportunities and export trends.

  The selected high-tech sectors and markets are:

  - IT (Sweden and Germany);
  - biotechnology and pharma (Germany and the USA); and

- high-tech engineering (Germany and France).

The low-tech sectors and markets are:

- furniture (Germany and France);
- food and beverages (Germany and the Netherlands); and
- engineering (Germany and France).

Companies will be able to prepare their own individual market-entry strategies and plans. Pilot export promotion measures in the selected markets will be implemented over three years. The measure seeks to strike a balance in supporting fast-growing, high value-added but small high-tech sectors and traditional sectors that are less profitable but larger; and

- Export Credit Guarantees, (*Eksporto kreditų garantijos*), which INVEGA (a state-incorporated financial entity) introduced in February 2018. INVEGA commits to sharing risks with exporters by covering up to 90% of actual losses when a buyer fails to pay in line with the contract or goes bankrupt. This allows exporters to protect themselves against default by a foreign buyer. The risks to be covered may be political and/or commercial. The guarantees are for exports of goods produced in Lithuania (as demonstrated by a certificate of origin issued by the Lithuanian Chamber of Commerce, Industry and Crafts) to countries of non-marketable risk.

4. Interesting initiative

Below is an example of an initiative from Lithuania to show what governments can do to support SMEs.

The Bank of Lithuania’s ‘fintech sandbox’

In 2017, the Bank of Lithuania launched a ‘fintech sandbox’ – a set of testing arrangements that enable fintech companies to offer consumers innovative financial products and test business solutions. The sandbox facilitates financial innovation in Lithuania’s financial market, especially where regulation of any activity that relies on financial innovation is insufficient or unclear.

The sandbox also helps the Bank of Lithuania understand in advance and mitigate the possible effects of financial innovation on consumers and the financial system, identify emerging risks and eliminate or reduce regulatory shortcomings. Participants can test their innovative financial products or business models in a live environment, with real consumers. They get consultations from the Bank and enjoy certain benefits that are pre-agreed with the regulator, including temporary exemption from some supervisory requirements. Once their innovations have undergone testing successfully, companies can shift to the usual operating environment.

The sandbox is one of the steps that the Bank of Lithuania and the Ministry of Finance have taken to make Lithuania an attractive place for fintech development. Favourable financial regulation and a conducive business climate attract companies from other countries. In 2018, about 170 fintech companies operated in Lithuania, as compared with 117 in 2017. Over the year, the number of employees working in the sector grew by 700, to 2,600. Among the key success factors have been the close cooperation between the public sector institutions responsible for the development of the financial sector in Lithuania and the involvement of private partners who have helped to spread the message and raise awareness worldwide.

References:
https://www.lb.lt/en/news/lithuania-s-financial-regulator-launches-its-regulatory-sandbox
https://www.lb.lt/en/regulatory-sandbox
https://www.lb.lt/en/news/lithuania-s-fintech-results-in-2018-rising-potential-and-world-known-market-players
https://en.delfi.lt/business/lithuania-made-a-triple-jump-into-becoming-the-european-fintech centre.d?id=77038673

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

grow-spr@ec.europa.eu

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

https://ec.europa.eu/growth/smes

Endnotes

[1] The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

[2] *2019 European Semester country report – Lithuania*, European Commission staff working document.

[3] *Boosting productivity and inclusiveness of Lithuanian economy*, OECD working paper; http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=ECO/WKP(2018)77&docLanguage=En

[4] Data from the Department of Statistics;
https://osp.stat.gov.lt/statistiniu-rodikliu-analize?hash=b344b540-fb22-405d-a33c-e01e6d2a7aa1#/
(Click on 'Building construction', then 'Indicators of building permits for construction of new buildings' and finally 'Number of building permits for the construction of new non-residential buildings' and 'Number of building permits for the construction of new residential buildings').

[5] *Public procurement in the construction sector 2014-2016*;
https://vpt.lrv.lt/lt/naujienos/statybos-sektoriaus-viesieji-pirkimai-2015-2016-m

[6] Press release from the Department of Statistics;
https://osp.stat.gov.lt/informaciniai-pranesimai?articleId=6098585

[7] *Lithuanian Economic Review* (March 2019), Bank of Lithuania;
https://www.lb.lt/uploads/publications/docs/21745_b8411e0efb7eed61cacb485c1db4d329.pdf

[8] *The manufacturing landscape in Lithuania*, Invest Lithuania;
https://investlithuania.com/key-sectors/manufacturing/

[9] *Manufacturing Risk Index 2018*;
https://www.ahk-balt.org/fileadmin/AHK_Baltikum/user_upload/Manufacturing_Index_2018_final.pdf

[10] *Ūkio subjektai 2019 m. pradžioje*, Department of Statistics;
https://osp.stat.gov.lt/naujienos?articleId=5510903 osp.stat.gov.lt/informaciniai-pranesimai?articleId=6071086
These are national data, which may not be directly comparable with Eurostat data (possible variations in definitions, etc.).

[11] http://www.lpsk.lt/2018/02/01/statistikos-departamentas-paskelbe-2017-m-pagrindinius-ekonominius-ir-socialinius-rodiklius/

These are national data, which may not be directly comparable with Eurostat data (possible variations in definitions, etc.).

[12] '*Per metus įregistruota mažų ir vidutinių įmonių*', data from the Department of Statistics;
https://osp.stat.gov.lt/statistiniu-rodikliu-analize#/
These are national data, which may not be directly comparable with Eurostat data (possible variations in definitions, etc.).

[13] 'Number of small and medium-sized enterprises removed from the register over the year', data from the Department of Statistics;
https://osp.stat.gov.lt/statistiniu-rodikliu-analize#/

[14] *Review of bankruptcy and restructuring of enterprises and bankruptcy of natural persons in January–December 2018*, Audit, Accounting, Assets Valuation and Insolvency Service;
http://www.avnt.lt/assets/Nemokumas/Duomenys-ir-analiz/2018-mAPZVALGA2019-02-01TP.pdf

[15] www.europeanstartupmonitor2019.eu

[16] Due to data availability, the data on high-growth firms refer to the 'business economy' only, i.e. sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

[17] In line with Commission Implementing Regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees at the beginning of their growth and average annualised growth in number of employees greater than 10% a year, over a 3-year period. The proportion of high-growth enterprises is the number of such enterprises divided by the number of active enterprises with at least 10 employees. The data on high-growth enterprises are from Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 15.4.2019).

[18] References to research and innovation in the *2017 European Semester country report – Lithuania*, European Commission, 2017.

[19] The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

[20] *Review of the survey of entreprises (2018/2)*, Bank of Lithuania;
https://www.lb.lt/en/publications/review-of-the-survey-of-enterprises-2018-2

[21] https://www.lrs.lt/sip/portal.show?p_r=35435&p_t=266921

[22] The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at:
http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/

[23] The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

[24] 'Number of enterprises in operation', 'Number of small and medium-sized enterprises registered over the year', Department of Statistics;
https://osp.stat.gov.lt/statistiniu-rodikliu-analize#/ (viewed 1.5.2019).

[25] *Lithuania's fintech sector grows 45% in 2018 as Google and Revolut awarded licences*;
https://www.startuplithuania.com/news/lithuanias-fintech-sector-grows-45-2018-google-revolut-awarded-licences/

[26] *Bank of Lithuania to launch regulatory sandbox*, Emerging Europe; https://emerging-europe.com/news/bank-of-lithuania-to-launch-regulatory-sandbox/

[27] *Is the Lithuanian business monitoring system effective?*, National Audit Office report (20 March 2018); http://www.vkontrole.lt/audito_ataskaitos_en.aspx?tipas=15 (viewed 12.4.2018).

[28] *Dėl 2014-2020 metų nacionalinės pažangos programos patvirtinimo*; https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.439028

[29] *Review of the survey of entreprises (2018/2)*, Bank of Lithuania; https://www.lb.lt/en/publications/review-of-the-survey-of-enterprises-2018-2

[30] https://www.seb.lt/sites/default/files/web/document/Baltic_business_summit/bbo_2018_eng.pdf

[31] *Lithuanian Economic Review* (March 2019); https://www.lb.lt/en/publications/lithuanian-economic-review-march-2019

[32] *Lietuvos eksporto apžvalga 2018*; https://www.verslilietuva.lt/wp-content/uploads/2019/03/Lietuvos-eksporto-ap%C5%BEvalga-ir-tendencijos.pdf