

ANNUAL REPORT OF 2011 REGARDING «CURRENT SITUATION AND PROSPECTS OF SMEs IN GREECE»

SUMMARY OF ANNUAL REPORT OF 2011



Contractor: ICAP GROUP A.E.

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1. INTRODUCTION

This deliverable in hand constitutes the summary of the Annual Report for 2011 regarding "The Status and Prospects of SMEs in Greece", elaborated on behalf of the General Secretariat for Industry, in the framework of implementation of actions of the National Observatory SMEs.

The report summarizes the key points and the main findings of a series of deliverables elaborated by the contractor regarding the analysis of the impact of the economic crisis on the operating conditions and development of SMEs, the presentation of the current situation and the exploitation of their prospects and possibilities for dynamic presence and contribution at sectoral, regional and national level. Moreover, these deliverables set out proposals and actions in order to support SMEs' competitiveness, by taking into account the EU priorities and directives, the opinions and suggestions of the business community, the impact of the current economic circumstance as well as some good practices, and the results of primary research conducted by the Contractor on a sample of 800 SMEs. More specifically, the deliverables outlined in this report are the following:

- Section A: SMEs in Greece.
- Section B: Developments in the business environment
- Section C: Sectoral and clustering dimension of the business activity of SMEs in Greece.
- Section D: Proposed actions to strengthen the Entrepreneurship and Competitiveness of SMEs.

2. DEVELOPMENTS AND TRENDS OF SMEs IN GREECE

On a global basis Small and Medium Enterprises are considered to be a powerful economic, political and social group. The important role of SMEs in some economies is confirmed by their contribution to the Gross Domestic Product, while in some others by their participation in employment and / or the export activity, or by a combination of these factors. In any case, however, SMEs are rightly regarded as the main drivers of the European and the national economy, since in Greece, they comprise 99,9% of all enterprises and in EU 99,8%. These statistics, as well as other quantitative data that will be presented in this report, are extracted from the Eurostat Structural Business Statistical database¹ and they are also used in the Annual Report 2010-2011² that presents an up-to-date picture of SMEs.

Furthermore, the Commission's political recognition of the central role of SME's in the EU economy has been reflected by the adoption of numerous European initiatives that have been undertaken in order to strengthen their overall situation in the context of the current financial and economic crisis. Some of them are:

- The Lisbon Strategy: mainly since 2005 this strategy proposed the implementation of a framework of actions in order to boost the growth and employment of SME's
- "Europe 2020": this European growth Strategy for the decade 2011-2020, has identified the improvement of business environment, in particular for SMEs, as one of the seven flagship initiatives for growth
- the Small Business Act (SBA)³, initiative, which is built around ten principles and several concrete policies and legislative actions, invites both the Commission and the Member States to tackle the obstacles that hamper SMEs' potential to grow and create jobs.

¹ The data of the Eurostat Structural Business Statistical database are available up to 2007, while in a recent report for SMEs, Eurostat, in cooperation with Ecorys, Cambridge Econometrics and national statistical offices of member –states updated these data up to 2010 and forecasted them up to 2012

² Annual Report on EU Small and Medium sized Enterprises 2010-2011

³ Communication of the Commission: «"Think Small First" - A "Small Business Act" for Europe» (COM(2008) 394 final, 25/6/2008)

2.1 MAIN CHARACTERISTICS OF GREEK SMEs – CURRENT SITUATION

2.1.1 Key figures

According to the 2010 – 2011 Annual EU Report⁴ and the SBA fact sheet for Greece⁵, that are delivered in the framework of SME Performance Review (SPR) during the implementation of Small Business Act initiative, in 2010⁶, the Greek micro - businesses (with less than 10 employees) had a very high share of the total number of enterprises, compared to the EU-27 average (96,5% versus 92,1%), while at the same time they represented 96,6% of SMEs, exceeding by about 4 percentage points the EU average. At similar levels underlie the corresponding figures for the year 2011, with micro - businesses accounting for 96.5% of Greek SMEs.

The importance of Greek SMEs during the same year, is also reflected in their share on employment: the SME sector employs 85,7% of total number of employees of Greek businesses, with micro – enterprises having an extremely high share in job creation, both regarding the total number of SMEs (67,5%), and the total number of Greek enterprises (57,8%). The contribution of small enterprises (having 10-49 employees) in employment was also significant during 2011, since their corresponding share in total employment in Greece was 17,4% and almost 20,3% in SMEs' employment (these rates remained at the same levels in 2010).

However, in spite of the dominance of Greek SMEs both in terms of the number of enterprises and employment, their *contribution to the value added* is relative low. In fact, SMEs represent 71,7 % of total value added, while micro – enterprises in 2011 manage to create only 35,4% of the value added. Instead, large enterprises, with more than 250 employees, while accounting only 0.1% of total enterprises in Greece and 14,4% of all jobs in Greece, contributed by 28,3% to the value added, during 2010 and 2011.

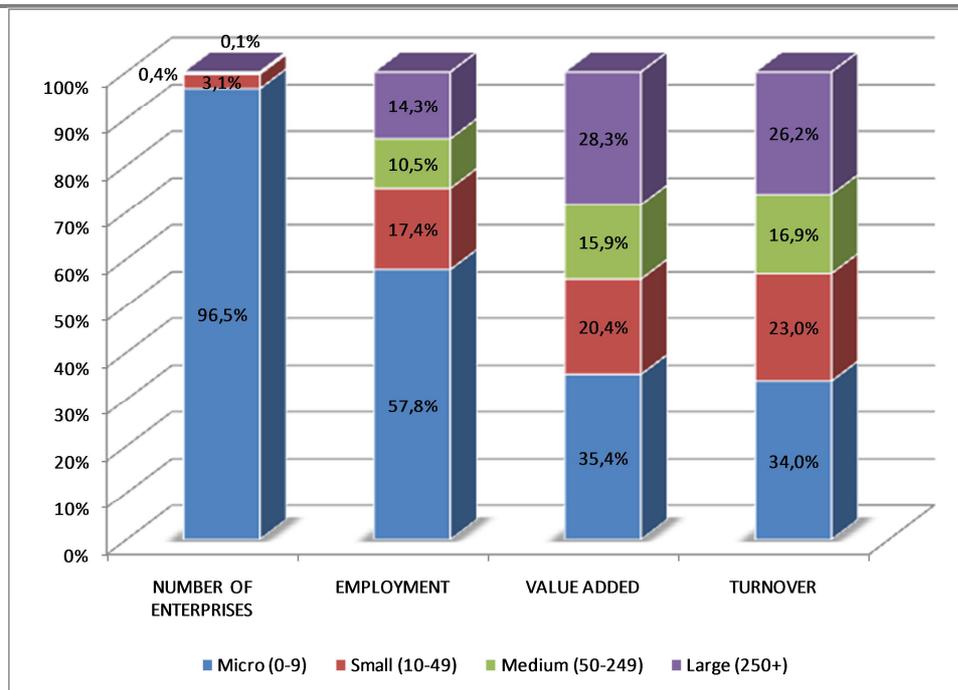
The main SMEs' business volumes are depicted to the following figure.

⁴ Annual Report on EU Small and Medium sized Enterprises 2010-2011

⁵ SBA Fact Sheets (GREECE 2010-2011)

⁶ Data for 2010 are estimates, have been produced by Cambridge Econometrics and ECORYS, considering as basis the data during the period 2002-2007 that come from the Structural Business Statistics Database (Eurostat).

Figure 2.1: Number of enterprises, employment, value added and turnover of Greek SMEs (2011 – estimates)



Source: SBA Fact Sheets (GREECE 2010-2011) / Annual Report on EU Small and Medium sized Enterprises 2010-2011 / Cambridge Econometrics

The following figures depict the trends of the main business volumes of Greek SMEs during 2003-2011 (number of enterprises, employment in enterprises and value added of enterprises) in comparison with the corresponding volumes in EU-27.

Figure 2.2: Number of enterprises (*)

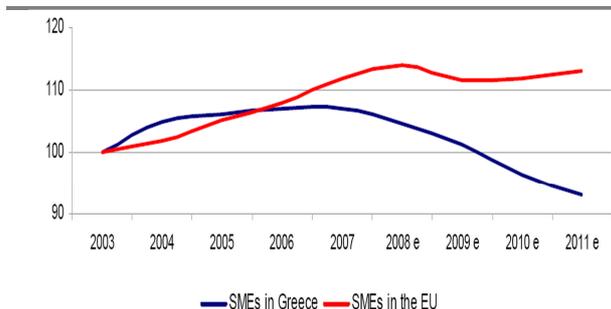


Figure 2.3: Employment in enterprises (*)

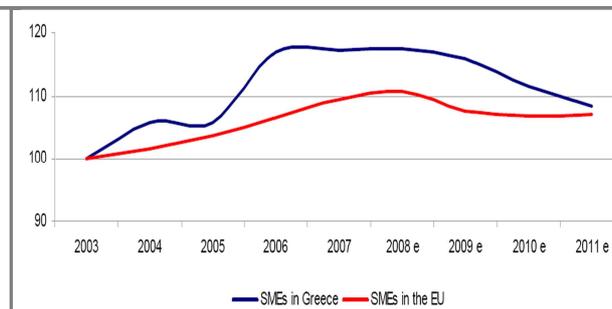
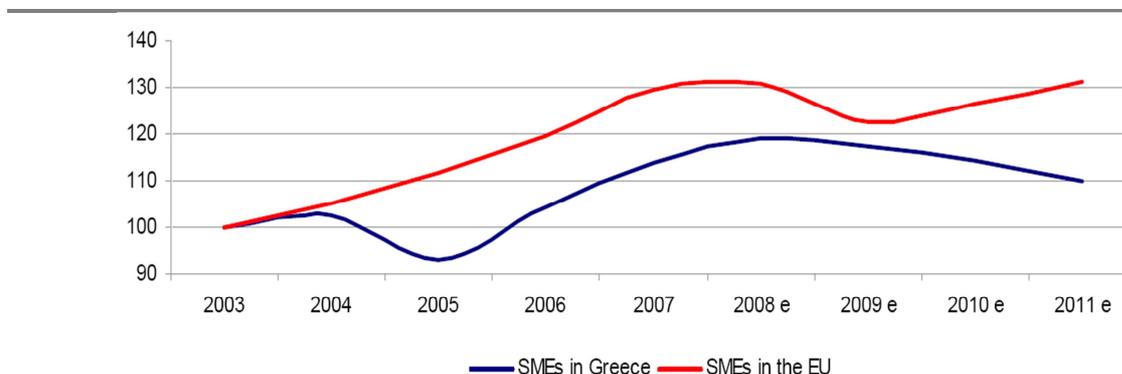


Figure 2.4: Value added of enterprises (*)



Index: 2003 = 100, estimations as from 2008 onwards

Source: SBA Fact Sheets (GREECE 2010-2011)

Sector wise, SMEs in Greece are more likely to be active in trade. In fact, regarding their number Greek trade enterprises vastly exceed the EU average(42% versus 31%). Almost in all sections of economic activity the lion’s share belongs to micro – enterprises, except in electricity, gas and water sector where small enterprises represent 78,05%, followed by medium and large enterprises, which account respectively 18,29% and 3,66% of the total, and in the mining - quarries sector where a considerable share (24,73%) corresponds to small businesses.

According to the results of the last review of Small Business Act initiative, which was launched on February 2011, despite the fact that Small and Medium Enterprises (SMEs) remain the back bone of the Greek economy, in terms of the number of enterprises, the widespread deterioration of their position caused by the current economic crisis and the policies followed up until recently in order to address their problems, led to a negative or decreased SMEs’ performance in several activities / sectors. More specifically the current situation of Greek SMEs as presented in the Annual EU Report for 2011, is summarized below.

2.1.2 Number of SMEs and job creation

The number of Small and Medium Enterprises (SMEs) during 2005-2012, suffered considerable declines, that was even more intense during 2009-2011 following the recession of the Greek economy. In 2010 the largest decline concerned the reduction in the number of enterprises of this sector (by 4,77%). Especially in 2011, which was the fourth consecutive year of recession for the country, the picture of SME performance was even more negative. In fact, the total number of Greek SMEs has fallen over the last few years, meaning that in absolute terms, there were approximately 62.287 fewer enterprises in 2011 than in 2009, corresponding to a loss of 144.604 jobs.

Regarding job creation during the same period (2005-2012), the largest decline has been recorded in 2010 (3,8%), where almost 84.800 jobs were lost compared to 2009. This recession, expressed as a percentage of employment, continued softer in 2011, and according to estimates made by Cambridge Econometrics and Ecorys, it was reduced by 2,78% (about 59.710 jobs). More specifically, the jobs in the sector of distributive trade, which concerns the largest number of enterprises, were declined considerably during 2010 and 2011, representing a decrease, compared to 2009 and 2010 respectively, of 2,68% and 2,3%. This decline corresponds to a total loss of 43.704 jobs during 2009-2011. Moreover, it is noteworthy that the construction sector, during 2010 turned in the worst performance in terms of job creation, by a shrinkage of 10,1% compared with the previous year, while the corresponding percentage for 2011 was 5,42% (meaning, in absolute terms, there were approximately 40.681 fewer enterprises in 2011 than in 2009). The electricity, gas and water sector gradually shrinks regarding employment since 2007, with the largest decrease of 7,3% to be recorded in 2010.

2.1.3 Access to finance

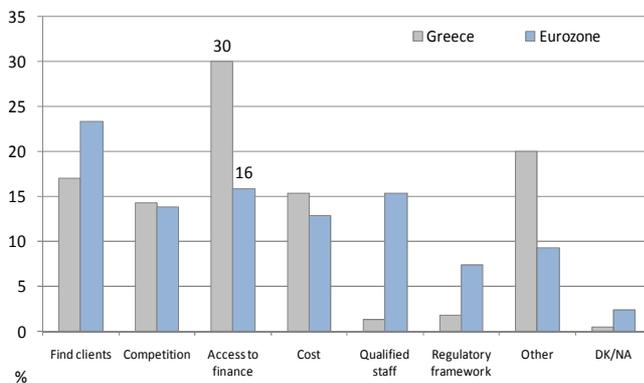
The annual competitiveness report of the World Economic Forum (WEF)⁷ for 2011-2012 and the corresponding Executive Opinion Survey that is used as a tool for capturing vital information from business executives at a global level, demonstrates that the access to financing is the second most pressing problem for the Greek business development for 2011, concentrating 13,8% of responses. Moreover, regarding with the ease of access to bank loans, Greece occupies the 111th place out of 142 countries.

⁷ World Economic Forum (2012), "The global competitiveness report 2011-2012", Geneva, Switzerland.

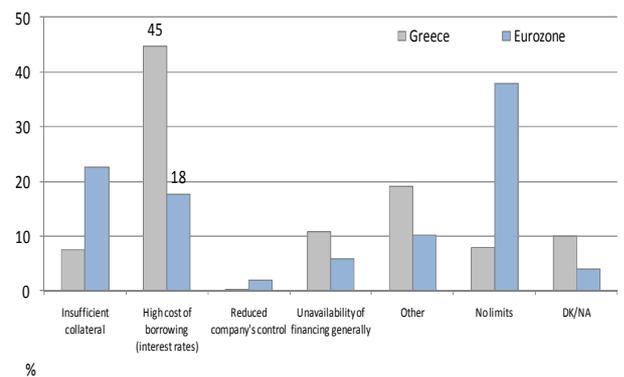
In addition, based on the last biannual primary research conducted by the European Central Bank⁸ on SMEs' access to finance, 52% of respondents thought that the availability of bank loans has been deteriorated during the reporting period (April - September 2011), while regarding the basic obstacles to obtain a loan, 45% of SMEs recognized the extremely high cost of borrowing (interest rates). Finally, it is worth noting that this survey revealed that the majority of companies (52%) did not use grants or subsidized bank loans (in the form of guarantees, subsidized interest rates, etc.), since such funding was not applicable to their business.

Figure 2.5: Main results of the European Central Bank survey on the access to finance of SMEs (April 2011– September 2011)

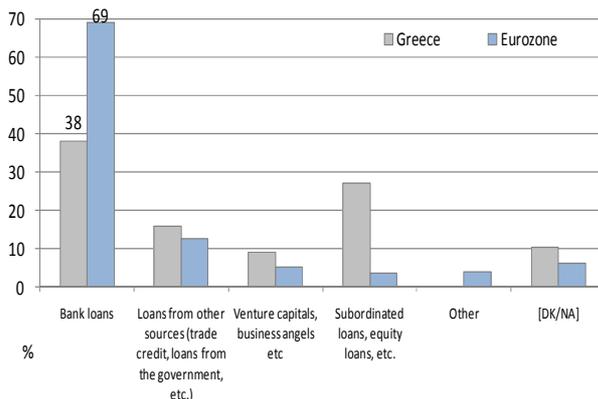
(a) Most pressing problem of the current business activity



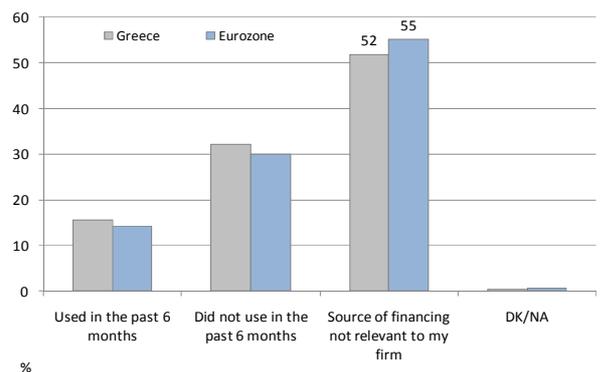
(b) Limiting factor to obtain external financing



(c) Preferred external financing source



(d) Grants or subsidized bank loan



Source: ECB, "Survey on the access to finance of small and medium-sized enterprises in the euro area 2011-2012"

⁸ European Central Bank (2011), "Survey on the access to finance of small and medium-sized enterprises in the euro area 2011-2012", December. For Greece, the survey was conducted on a sample of 500 firms, of which 485 were SMEs (with less than 250 people)

2.1.4 Internationalization – Exports

The study conducted during Spring 2009 by the European Commission⁹ provides a comprehensive overview of the level of internationalization of Greek SMEs. According to the data provided, more than 30% of Greek SMEs has direct export activity, while the EU average is 25%. By examining the six modes that determine internationalization e.g. a) direct import , b) direct export, c) foreign direct investment, d) technological cooperation with foreign enterprises, e) subcontractor to foreign main contractor and f) having foreign subcontractors, Greece during 2006-2008 had the first rank, since more than 80% of SMEs stated to be active in any of these six forms of international activities.

Regarding the export activity of small and medium sized enterprises, the most recent and valid data available derive from the Observatory of European SMEs¹⁰ and cover the years 2005 to 2007. According to this, more than half of enterprises report that they are not involved in exports, with 86,9% of micro enterprises reporting no export activity, while the proportions of small and medium enterprises reach correspondingly up to 68,2% and 63,5%. The vast majority (92,5% in 2005) of micro-enterprises with export activity, reports a turnover derived from exports less than 150.000 €. Moreover, over 83% of businesses with 10-49 employees stated that their exports are less than 1 million.

Despite the relative good performance of Greek SMEs regarding the level of internationalization, the indicators that shows the degree of ease in developing international activities, reveal a rather ominous picture. Thus, based on the available indicators measuring internationalisation, in the SBA fact sheet of 2010, Greece trails the EU area average: the time required to export (20 days in Greece) is double the EU average (11,71 days), while the number suggests that for Greek enterprises it costs more to trade across borders than for the average EU enterprise (1.153 USD in Greece vs EU average of 1.043,46 USD).

In addition, the survey of the European Observatory for SMEs, which outlines the general characteristics of SMEs in EU-27 records the following findings:

- in Greece, more than half of enterprises (66,6%) with 50-249 employees, which during 2006-2007 reported export activity, stated that they had no barriers at all and another 9,1%

⁹ Survey 2009, *Internationalisation of European SMEs EIM/GDCC*

¹⁰ *Flash Eurobarometer No 196 – Observatory of European SMEs*

considered the lack of suitable products / services as the main constraint in developing international activity,

- the most important barrier in the perception of micro and small enterprises (that during the same period were internationally active), was the lack of knowledge of external markets (respectively 40,9% and 18%),
- four of the five enterprises roughly, stated that in the event of increase of competition they would develop marketing activities, while 87,6% of them answered that they would undertake actions for the improvement of quality of provided products or services,
- almost six of the ten enterprises reported that they would differentiate their products in order to be active in new markets, or they would undertake actions for developing strategic collaborations or actions for cost reduction, in case of increased competition. Finally, only 17,4% of the small and medium-sized enterprises would decrease their production in order to cope with conditions of intense competition.

The main trends of Greek SMEs' internationalization is depicted in the following figures: the first one depicts the performance of Greece in comparison with other EU-27 member - states regarding the export activity of SMEs, while in second one are presented the divergences of Greece from the EU-27 average in various indicators of internationalization.

Figure 2.6: Percentage of SMEs with direct export in 2006-2008 by country (EU-27)

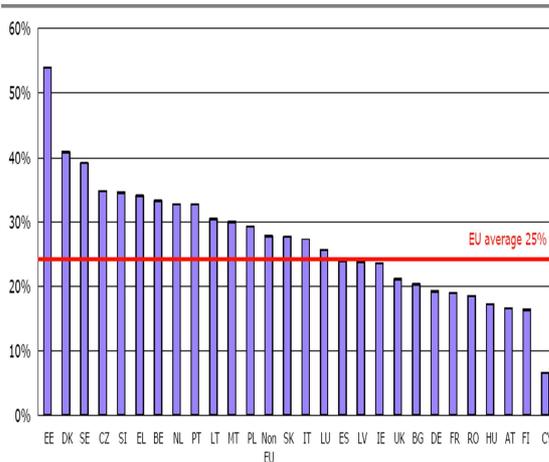
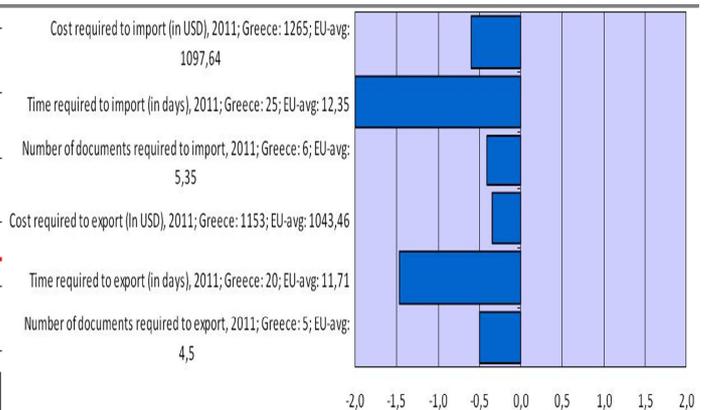


Figure 2.7: Distance from the EU-27 average – Internationalization indicators



Source: Survey 2009, Internationalization of European SMEs EIM/GDCC

(measured in standard deviations, EU-average=0)

Source: SBA Fact Sheets (GREECE 2010-2011)

2.1.5 Business activity – Entrepreneurial profile

The unfavorable economic situation in Greece is fully depicted in the indicators of entrepreneurship that are recorded in the survey of Entrepreneurship in Greece which is conducted by the Foundation for Economic and Industrial Research (IOBE) in cooperation with the Global Entrepreneurship Monitor (GEM)¹¹. These indicators form the demographic characteristics of Greek entrepreneur and therefore those of the owner / manager of a SME.

In this framework the largest increase in **entrepreneurship**¹² is recorded in 2008, when 23,6% of the population between the ages of 18 and 64 had some kind of business activity. This picture changed dramatically in 2010, when the incidences of the fiscal crisis became severe. Thus, only 19% of population aged between 18-64 had undertaken some kind of business activity in 2010, reaching the same percentage of 2007. This shrinkage is due to the fact that the decline in early - stage entrepreneurship reached 5,3% of population (versus 9,9% in 2008), that is the lowest rate for the period 2005-2010 and in particular due to the reduction of nascent entrepreneurs (who in 2008 accounted for 5,3% of the population aged between 18-64 years, compared to 2% in 2010). Therefore, it is concluded that the economic recession has prevented people between the ages of 18 and 64 to complete the necessary actions to start a new business.

The trends of business activity in Greece during 2005-2010 as well as the main reasons for business discontinuance / suspension are depicted in the figures below

¹¹ *Entrepreneurship in Greece during 2010-2011– The «small» entrepreneurship in a crisis, January 2012, Entrepreneurship Monitor of the Foundation for Economic and Industrial Research (IOBE) as Greek partner of the Global Entrepreneurship Monitor (GEM)*

¹² *For the calculation of entrepreneurship the following indicators are examined: 1) total early-stage entrepreneurial activity (TEA) that comprises a) Nascent entrepreneurs which have already undertaken the necessary actions and intend to start a new businesses, or they are in the first three months of running a new business b) new entrepreneurs that are owners-managers in established firms that operate more than three months, but less than three and a half years., 2) established entrepreneurs eg. entrepreneurs that are owners-managers of firms that operate more than three and a half years and 3) total entrepreneurial activity that comprises the above groups of entrepreneurs*

Figure 2.8: Trend of main indicators of entrepreneurship (*)

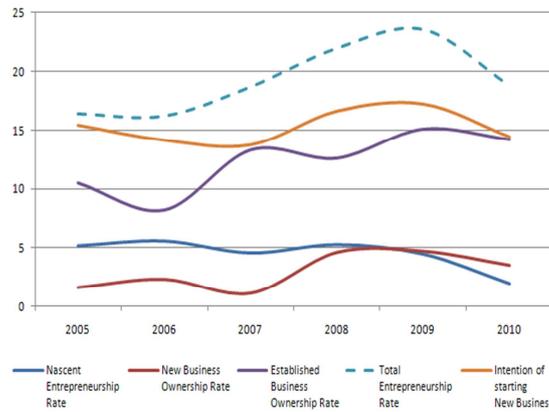
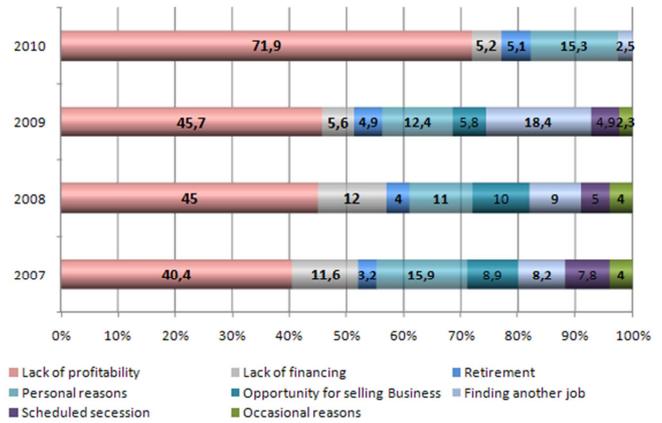


Figure 2.9: Reasons for business discontinuance, or suspension in early - stages (*)



(*) % of population between the ages of 18 and 6

Source: Entrepreneurship in Greece during 2010-2011– The «small» entrepreneurship in a crisis – IOBE - GEM

Furthermore, according to the same survey, the last years, there has been a significant reduction in **women entrepreneurship** from 7,7% in 2008 to 4,1% in 2010, while men entrepreneurship recorded an even greater reduction during the period 2008-2010 (from 12,1% in 2008 to 6,9% in 2010). It is also noteworthy that, while the past years women’s involvement in early---stage entrepreneurship started later than men’s (ie between 35-44 years versus 25-34 years), in 2010 the majority of female entrepreneurship shifted in the age group of 45-54 years. Thus, in 2010 the average age at which the two sexes are involved in early---stage entrepreneurship is significantly converged, with women entrepreneurs to start their business on average at age 40,6 years old and men at the age of 41,1 years old.

Regarding the **educational attainment level**, the survey of IOBE-GEM revealed that in 2009, six out of ten entrepreneurs had completed secondary education, while in 2010 less than five out of ten stated that they have graduated from secondary school. In 2010, only 4,8% of population aged between 18-64 years has a master of PhD, versus 19,6% in 2009 and 26,6% in 2008.

Moreover, while in 2008, one out of three early - stage entrepreneurs came from the lower **income group**, in 2009 this percentage was significantly reduced and has been transferred to the middle-income group. The economic crisis changed again the distribution of entrepreneurs based on their income, since in 2010 it was recorded almost equal percentage of early-stage entrepreneurs both in low and middle income groups.

As for the motives that push early stage entrepreneurs into starting businesses, the survey revealed the following:

- traditionally the opportunity – driven entrepreneurship was the main motive of early – stage entrepreneurs in order to start a new business, however in 2010 only 38,6% of them declare as a motive for entering entrepreneurship, the opportunity. By examining in depth the indicator of opportunity – driven entrepreneurship, it is noted that the work independency motivates a greater proportion of early-stage entrepreneurs (20%), compared to income growth,
- in 2010, 1,5% of population between the ages of 18 and 64 declare that they have been pushed into starting businesses out of necessity because they had no other work options and they needed a source of income, versus 2,3% the previous year.

In 2010, 3,3% of population between the ages of 18 and 64, stated **business discontinuance**, or suspension of a business owned or participated in the management, while in 2009 this indicator showed moderate increase (2,6% versus 1,8% in 2008). Regarding the main causes of business discontinuance, the following findings are recorded:

- in 2010 seven out of ten early -stage entrepreneurs that stopped their business activities, declared that the reason for discontinuance was the lack of profitability,
- high rates are also recorded for entrepreneurs who retired during 2010 (5,1% in 2010 versus 3,2% in 2007),
- in 2009, the percentage of population between the ages of 18 and 64 that declare that finding another job was the main reason for discontinuation / suspension of business activity, amounted to 18,4% and it has been decreased in 2010 to just 2,5% of the population.

According to the survey Flash No 283 Eurobarometer "Entrepreneurship in the EU and beyond"¹³ Greece is ranked second, after Cyprus, among 36 countries in the preference for **self-employment** versus wage-employment relationship. Approximately three quarters of Greek respondents would prefer to be self-employed, for reasons related to personal independence and self-satisfaction (73%), while about two out of ten respondents mentioned that the freedom to choose their own time and space for working was the key reason for preferring self-employment (18%) or the better income

¹³ "Entrepreneurship in the EU and beyond", Flash Eurobarometer 283, December 2009

prospects (22%). In contrast, respondents who expressed greater preference to wage-employment relationship, reported the existence of regular and fixed income as the main reason for this preference (61%), while nearly three out of ten respondents reported job stability. Finally, about half of the respondents experienced the uncertainty about their income as the biggest risk / fear of taking up a new business, while 47% reported the fear of a possible bankruptcy, and one in three the uncertainty of job, as the main reasons for fearing of starting a business activity.

2.1.6 Adoption of ICT

According to i2010 benchmarking framework regarding the usage of Information and Communications Technologies (ICT)¹⁴ in Member States, the percentage of Greek companies with 50-249 employees having a permanent connection to the Internet is extremely high (94% in 2010 versus 91% in 2011). Furthermore, more than half of small enterprises had fixed broadband access in 2011 (73%), but showing a decrease compared with the previous year by five percentage points.

Regarding the adoption of ICT by micro – enterprises (with 10-49 employees), as expected, they record lower rates, since only one out of four companies use LAN and Intranet or extranet, and only 11% use open source operating systems. The performance of medium enterprises was much better, since half of them use LAN and internet or extranet, while 22% use open source operating systems.

Figure 2.10: Enterprises with Internet connection: fixed broadband access

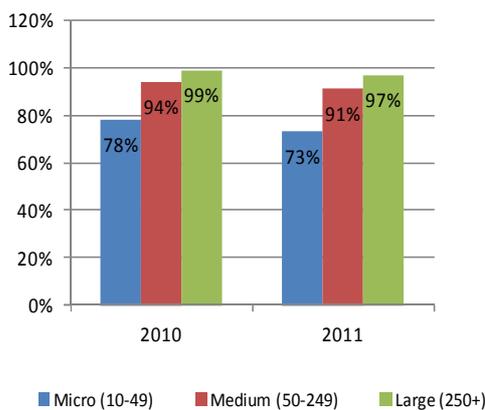
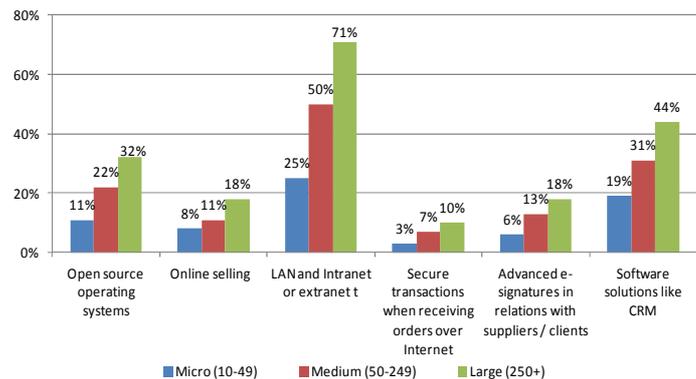


Figure 2.11: Indicators of ICT adoption



Data 2010

Source: Eurostat, Information society statistics

14 Source: Eurostat, http://epp.eurostat.ec.europa.eu/portal/page/portal/information_society

Finally, the degree of Internet use seems to be in a quite low level (between 30% - 36%) in all three categories of Small and Medium sized Enterprises, regardless their number of employees, with little or no change between the years 2010-2011. In fact, 93% of enterprises with 50 to 249 employees use the Internet for their transactions with public organizations, while the corresponding rate for micro enterprises was in 2010 74%. The main reason for using the Internet for their transactions with public organizations is either for informational purposes or to receive or send forms.

2.1.7 Innovation

The degree of innovation in Greece, according to the Survey of Entrepreneurship for the year 2010-2011¹⁵, is low in SMEs, provided that in 2010 only 13% of early-stage entrepreneurship¹⁶ believe that the products / services they offer or will offer are completely new for the target clients, while two out of three companies feel that the products / services will not be innovative for any customer.

Extremely low is the performance of SMEs in 2011 regarding the adoption of new or improved processes or production methods (17,5%), while a better performance shows the 35% of SMEs that reported that over the past 12 months have introduced a new or significantly improved product or service to the market (research of the European Central Bank and the European Commission on "Access to finance of small and medium-sized enterprises in the euro area"¹⁷).

¹⁵ See footnote 11

¹⁶ Early-stage entrepreneurship: see footnote 12

¹⁷ Survey of ECB / European Commission "Access to finance of small and medium-sized enterprises in the euro area"(April – September 2011)

Figure 2.12: Innovation in early stage entrepreneurship

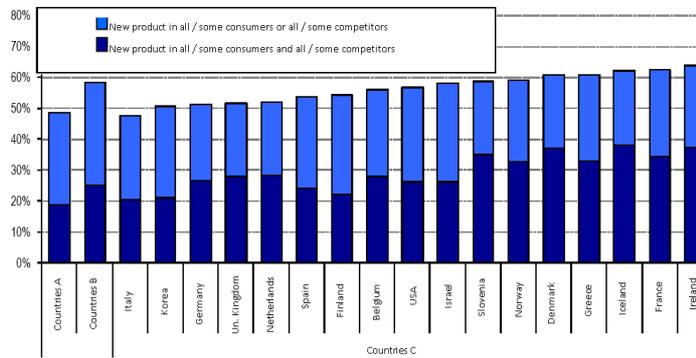
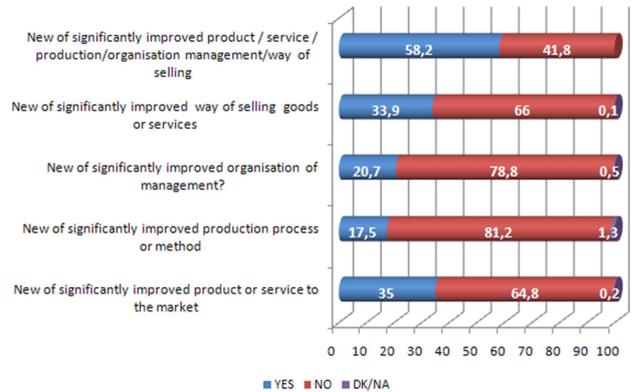


Figure 2.13: Innovation factors in Greek SMEs



Data 2008-2010

Data 2011

Source: Annual survey of Entrepreneurship in Greece – IOBE - GEM

Source: Survey of ECB / EC "Access to finance of small and medium-sized enterprises in the euro area"(April – September 2011)

2.1.8 Competitiveness

According to the annual Report of World Economic Forum (WEF)¹⁸ for 2011 the Global Competitiveness Index (GCI) of Greece stood at 3,9 (in a 1-7 scale, with 1 being the less desirable outcome) versus 4,0 in 2010. The main reasons of the deterioration of country's position in competitiveness according WEF, are estimated to be:

- the ongoing sovereign debt crisis that push Greece to fall precipitously in the macroeconomic environment pillar, dropping to 140th position this year,
- the efficiency and the low confidence on the part of investors to financial markets (110th position),
- country's inefficient labor market (126th position).

On the contrary, according to the report, Greece has many strengths to build upon, including a reasonably well educated workforce that is adept at adopting new technologies for productivity enhancements

¹⁸ World Economic Forum (2012), "The global competitiveness report 2011-2012", Geneva, Switzerland

2.1.9 Bureaucracy

According to the Annual Report of “Doing Business” in 2012, conducted by the World Bank¹⁹, the implementation of regulation for the establishment of one – stop shop contributed significantly to the minimization of time required for starting up a business. However, Greece is far away from reaching the desired outcomes for business starting up in one day with only one procedure. In fact, in 2011 Greece took the 135th position (among 183 countries) in the index “Starting a business”, versus the 149th position occupied in 2010.

Thus, according to data provided by the World Bank, in 2011 there were required 10 procedures for starting a business (versus 15 needed in 2010), whereas the time for start up the business was eliminated from 19 days in 2010 to 10 days in 2011. However according to the report, the cost related with the startup of a business remains high and it is formed approximately to €4.000. As a percentage of income per capital the cost in question is calculated in 20,1% versus 20,7% in 2010.

2.1.10 Evaluation of Greece’s performance against SBA principles

With the view to improve the understanding of recent trends and national policies affecting SMEs in member states, the EU uses the SBA fact sheets, in where it is assessed the performance on the small Business Act ten principles²⁰.

The last available review of the ten principles at European and national level, took place on February 2011²¹. For the evaluation of national policies affecting SMEs, EU uses 62 indexes, that are grouped in the ten principles, by creating ten counterpart indexes. The performance of member states is compared with the EU average, while progress rates per country and principle were also calculated over 2005-2011.

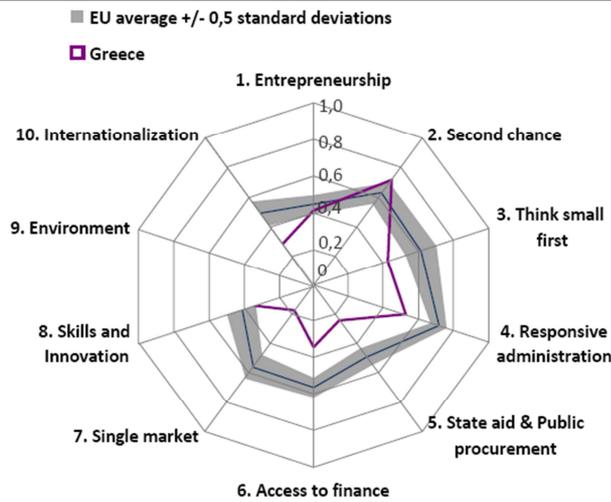
The results of Greece’s performance against the EU average are depicted below.

19 World Bank (2012), “Doing Business 2012: Doing business in a more transparent world”, Washington.

²⁰ See paragraph 3.2.3

21 European Commission (2011), “Review of the Small Business Act for Europe”, COM(2011) 78 final, 23.02.2011, Brussels. At national level, for the fact sheet for Greece see European Commission (2011), “SBA Fact Sheet, Greece 2010/11”, DG Enterprise and Industry

Figure 2.14: Greece’s performance against the EU average by SBA area



Note: The figure depicts Greece’s performance against EU average in the ten principles of SBA. The country’s scores shows the average of all indexes of each one of the ten principles. Values are normalized in a 1-10 range, with 1 being the most desirable outcome of the best performance. The EU average is between these to extreme values and is depicted in the diagram with grey. The score for the 9th principle (“Environment”) The 9th principle on the “Environment” is not assessed for countries, due to the unavailability of relevant indicators..

Source: SBA Fact Sheet, Greece 2010/11

2.2 NATIONAL POLICIES AND PRACTICES FOR THE ENHANCEMENT OF SMEs

For compliance of national policies with the respective European initiatives undertaken at EU level, the Greek government has adopted a series of measures in order to insure the most of integration of Greek regulatory framework with the European Commission’s regulations, and to further assist SMEs. Below, are summarized the most important of these initiatives and measures undertaken recently at national level, as they were described in detail in the fourth deliverable of the project entitled "Developments in the business environment."

2.2.1 Simplification of bureaucracy

In order to simplify the bureaucracy that is dominant in many procedures regarding the start up and the operation of Greek SMEs, the Greek government has adopted a series of legislative regulations and has undertaken many initiatives, such as:

- Law 3853/2010²²: introduction of “one – stop shops” for the simplification of the procedures for setting up businesses of most legal forms [for société anonyme companies (A.E.), general partnership (O.E.) and a limited partnership (E.E.)]. The new law was passed in June 2010, while it came into force in April 2011. The aforementioned initiative operates under the supervision of Ministry of Development, Competiveness and Shipping and institutes the operation of a complete, aggregate and electronic database through the activation of General Commercial Registry (Geniko Emboriko Mitroo- GEMI)²³, in which all related data of the new company will be recorded, by unifying all individual manuscript registries.
- Law 3982/2011²⁴: this law concerns the enactment of a new licensing system that comprises a) the simplification of licensing for 16 technical professions b) the acceleration of licensing and operating procedures for manufacturing enterprises, the reduction of the cost required for issuing the permits and the clarification of licensing procedures c) the simplification of licensing procedures for industrial parks.
- Law 4014/2011²⁵: simplification of procedures for environmental licensing and reduction of the number of investment projects requiring the preparation of Environmental Impact Studies.
- Law 4072/2012²⁶: the law was passed in April 2012 and besides other, it provides provisions for the improvement of business environment such as the simplification of licensing procedures of companies with the enactment of horizontal regulations in order to reassure the transparency and the acceleration of procedures needed. The second part of the law provides for a new corporate form, that is the private company (“Idiotiki Kefalaouchiki Etaireia” - IKE), a legal commercial entity, that is tailored to the special needs of SMEs, of young entrepreneurship and the extroversion. Some basic novelties for this new corporate form is the possibilities to form different statutes and the disengagement of the company participation and shares from the capital.

22 Law 3853/2010 “Simplification of procedures for the establishment of personal and capital companies and other provisions

23 The General Commercial Registry (GEMI) legislated in 2005 (Law3419/2005), but it has actually come into force in 2011 under this initiative

24 Law 3982/2011 “Fast track licensing procedure for technical professions, manufacturing activities and business parks and other provisions”

25 Law 4014/2011 “Environmental licensing projects and activities, setting arbitrary in relation to creating environmental balance and other provisions concerning the Ministry of Environment, Energy and climate change”

26 Law 4072/10-04-2012: “Improvement of the business environment- New corporate form- Trade Marks- Realtors- Regulating maritime, port and fishing matters and other provisions”

2.2.2 Liquidity support and facilitate access to finance for SMEs

In order to enhance the liquidity of Greek companies and hence SMEs' as well as to facilitate them to have access to capital, the following initiatives have been undertaken.

National Fund for Entrepreneurship and Development (ETEAN)

The National Fund for Entrepreneurship and Development (ETEAN SA) was established in 2011 with the view to enhance the financing of enterprises through revolving debt, bank guarantees and counter guarantees, joint ventures and equity participation, instead of grants, which are mainly used for the implementation of investment projects.

ETEAN SA is the successor of "Credit Guarantee Fund for Small and Very Small Enterprises S.A." (TEMPME) and upon the startup of its operation, the following funds are initiated: the "Fund for Entrepreneurship" that provides low-interest loans in order to support the small and very small enterprises, the "Fund for Energy Efficiency in households " for energy-saving projects and the "ENALION fund" for fishery²⁷. Furthermore it is worth mentioning that on March 2012, ETEAN launched a call for expression of interest for the selection of Financial Institutions for the establishment of Credit Guarantee Fund (TE-TEPIX) that it will provide investment loans to SMEs with ETEAN's guarantee.

Joint European Resources for Small and Medium-sized Enterprises (JEREMIE initiative)

The JEREMIE initiative developed in cooperation with the European Commission and the European Investment Fund (EIF) and offers EU Member States, through their national or regional Managing Authorities, the opportunity to use part of their EU Structural Funds to finance small and medium-sized enterprises (SMEs) by means of equity, loans or guarantees. The initiative does not provide Member States with direct grant, instead it provides funds through intermediate Financial Institutions and a revolving Holding Fund acting as an umbrella fund. So far, in Greece, three actions are implemented in the framework of JEREMIE initiative.

²⁷ Actions referred to each fund, are briefly described in Annex 1 of the report

Funding Agreement for the creation of a SME guarantee fund

On March 2012, the European Investment Bank signed the Funding Agreement for the creation of a dedicated guarantee fund supporting lending to small and medium-sized enterprises (SMEs) in Greece. The Fund is a joint initiative between the Hellenic Republic, the European Commission and the EIB. Established by using EUR 500 million from unabsorbed Structural Funds for Greece, the Fund will guarantee EIB loans to SMEs via partner banks in Greece totaling up to EUR 1 billion.

Motives for investments in competitiveness, technological growth and innovation

In order to provide SMEs with motives to develop in the field of competitiveness, technological growth and innovation, special initiatives have been undertaken:

- providing grants through the implementation of a set of actions (that aim for example at strengthening entrepreneurship and R&D, supporting specific sectors of the economy, strengthening initiatives in the field of green growth of SMEs, etc.) that are carried out in the framework of NSRF 2007-2013²⁸, and
- promoting economic development through the New Investment Law (3908/2011) that provides three types of incentives: tax exceptions on profits, grants and grants for leasing.

Moreover, it is worth noting that in 2010 the European Commission increased the percentage of EU funding in the Greek co - financed programs from 75% to 85%, while in late 2011 it has made an additional temporary increase of the rate up to 95%.

Finally, in order to optimize the utilization of structural funds a Task Force of the European Commission was created which, in cooperation with Greek authorities and besides other actions, aims at optimizing the utilization of structural funds through undertaking concrete actions. Finally the Law 3840/2010²⁹ (which amends and completes the law 3614/2007³⁰) introduced the release of EU funds and their use in projects and actions with high development impact.

²⁸ The main programs of NSRF that concern SMEs are briefly described in Annex 1 of the report

²⁹ Law 3840/2010 "Decentralization, simplification and strengthening of the effectiveness of the procedures of the National Strategic Reference Framework for 2007-2013 and other provisions"

³⁰ Law 3614/2007 "Management / inspection and application of development Interventions for the 2007-2013 program period"

2.2.3 Enhancing entrepreneurship

For the supporting of SMEs' entrepreneurship, the last years, have been undertaken a series of initiatives at national level, as presented below:

StartUp Greece initiative

StartUp Greece is a digital information and networking space created in 2011 and it is supported by the Ministry for Development and the Greek Government in collaboration with communities of young entrepreneurs. It aims at bringing together information and providing networking regarding Greek entrepreneurship. It is a useful tool for those interested in starting their own business in Greece, as it provides:

- an online community in which all stakeholders of entrepreneurship may be involved: entrepreneurs, young people interested in starting a business, business experts, private investors and business angels, financial organization executives, public administration officials and executives working for business and/or innovation-related bodies etc and
- a knowledge and information database that includes procedures, success and failure stories, public or private funding initiatives, entrepreneurship and innovation competitions, useful data and trends etc.

Action Plan «A Business friendly Greece»

The "Business Friendly Greece" (BFG) initiative is an ambitious action plan of institutional reforms elaborated by the Ministry of Development, Competitiveness & Shipping in cooperation with the twelve pertinent Government Ministries and in consultation with EC-ECB-IMF. The Action Plan focuses on setting 80 policy actions for the removal of the most important barriers to entrepreneurship, with implementation over the period 2011 - 2012.

This is supplemented by key policy actions and underpinning legislative actions to support entrepreneurship and competitiveness in the long term. The proposed actions / legislative policies are grouped in ten fields of business activity over the life cycle of a business: starting up a business, establishment of a business, labour and insurance matters, transportation, market operating problems, transactions with the public sector/public procurement, taxation issues, implementation of the NSRF programs 2007-2013, research and development, dissolution/ winding-up of a business.

Tax reforms

The Law 3943/2011³¹ concerns the enactment of the corporate income tax rate of legal entities (Societe Anonymes, Limited Liability Companies) is set at 20% from 01/01/2011 and is applied to the total profits. The specific law provides provisions for the reduction of the tax rate from 25% that was applied in March 2011 to 20%, in a shorter period that it was first decided (eg gradual reduction to 20% until 2014), due to the deep recession the country. According to the law, a 25% withholding tax is imposed on profits distributed by Greek legal entities. In the near future significant changes regarding tax legislation are expected.

Furthermore, another legislative intervention that have been accomplished during the last to years in order the enhancement and the support of Greek SMEs' operation, is the Law 3816/2010³². Among other provisions, this law gives the compulsory opportunity to reschedule overdue debts of legal entities that have taken loans or credits for business, professional or agricultural purposes and sets some constraints to the data elaboration of "TIRESIAS" system.

Facilitation of business succession (business conveyance)

In 26th of March 2012 took place the official inception of the transnational project "Transfer of Knowledge – Transfer of Human Capital" with the acronym TOK-TOC of Athens Chamber of Small Medium Industries, that concerns the business succession and transfer. The aim of the project is to provide to the ageing work force and to its successors, the required capabilities and knowledge for a successful SME transfer.

Furthermore, it aims at supporting experiences exchange regarding the enhancement of human capital in the framework of business succession, identifying best practices, as well as developing new support structures, creating a continuous cooperation and setting up an platform for exchanging expertise and knowledge among project partners. The project is co-financed by the program INTERREG IVC, with a total budget of €1.722. 660, and its partners are: from Greece the Athens Chamber of Small Medium Industries and the Municipality of Marathonas, the University of Strathclyde from Scotland, the Business Development Friesland (BDF) from Netherlands, the

³¹ Law 3943/2011 "Combating tax evasion, staffing of auditing services and other provisions falling within the competence of the Ministry of Finance"

³² Law 3816/2010 "Settlement of business and professional debts to credit institutions, provisions for the processing of economic behaviour data and other provisions"

Barcelona Chamber of Commerce from Spain, the Latvia Technological Park and the Municipality of Kardzhali from Bulgaria.

Trademarks

The new law on trademarks (article 121 –183 Law.4072/2012)³³ was passed in April 2012 and it is expected to come into force on October 2012. This law incorporates community guidelines and simplifies the procedures required for trademarks. In fact, law 4072/2012 introduces significant amendments for the simplification and acceleration of procedures regarding filing and registration of trademarks in Greece, the reduction of required term for the approval of filed applications though auditing of their compliance with legal requirements by one auditor. Furthermore the law upgrades the role of the Trademarks Administrative Committee, incorporates provisions regarding international trademarks and establish the procedure of electronic submission of trademarks registration as well as it reduces the amount of currently existing charges relating to trademarks.

Establishment of Central Public Procurement Agency

The Law 4013/2011³⁴ establishes the Public procurement Agency in order to enhance the supervision of national policies regarding public procurements, to ameliorate and coordinate the relevant regulatory framework, to streamline the practices pursued by contracting authorities as well as to promote the transparency in the field of public procurement.

In fact the specific law coordinates the current regulatory and legislative framework in the field of public contracts, framework agreements, public works concession agreements and dynamic purchasing systems in order to a) reduce and control the state expenditures on public procurements, b) facilitate and encourage the participation of economic stakeholders involved in public procurements and c) developing the competition in tendering procedures in accordance with the principles of transparency and equal treatment.

Furthermore, a Central Electronic Public Procurement Registry is set up in the Ministry of Development, Competiveness & Shipping for the collection, processing and publication of information concerning public contracts.

³³ See footnote 26

³⁴ Law 4013/2011: "Establishment of a Central Public Procurement Agency and a Central Electronic Public Procurement Registry"

2.2.4 Support of export activity

In order to strengthen the export-oriented enterprises, a series of legislative actions and initiatives have been undertaken during the last two years .

National Export Strategy

In December 2010, for the first time Greece has launched an ambitious and comprehensive new export promotion strategy that coordinates ministries and state bodies in an effort to overhaul Greece's approach to global markets and support an outward looking economy. On April 2010 this initiative have been reviewed. The new export promotion strategy is based on three pillars that reflect the needs and the perceptions of Greek exporter.

(a) Enlarging Greece's Export Base, i.e. the companies in Greece will produce and offer internationally competitive goods or services under a sustainable business model (product mix, innovation, equipment, human resources, inventory, economies of scale, financing etc);

(b) Exports' Promotion, i.e. the companies in Greece will commit to focus on exports and find trade partners abroad (international certifications, packaging, labeling, branding, marketing, distribution networks, clusters etc);

(c) Export's Facilitation with emphasis on the simplification of procedures, i.e. the companies in Greece will easily trade across borders via streamlined, quick and digital procedures.

Simplification of Greek regulations for external trade

The enactment of Law 4072/10-04-2012³⁵, was abolished some obsolete laws concerning exports that remained into force since 1959 and 1979. The new law, among other provisions:

- enables any merchandiser to export (General Commercial Registry - GEMI),
- an integrated digital platform (the Single Window),
- converts exporters' registry into exports' registry in order to record information about exported products combined with exporter's data, and obtains concurrent and update data through Single Window platform,

³⁵ See footnote 25

- abolishes the requirement for the exporter to sign up in specific Chambers' register at an additional cost (the registration at GEMI suffices),
- places the cluster of extroversion composed by the Panhellenic Exporters' Association (PEA), Exporters' Association of North Greece, and the Exporters' Association of Crete, in a committee for Exporter's Award in order to highlight good examples and practices of companies with export activity.

Single Window

At the end of 2011 it was announced the implementation of the Information System "Single Window" in the framework of the Operational Program Digital Convergence and five Regional Operational Programs. Its budget amounts to €1.090.000.00 and the project concerns the development of an integrated, nationwide, one – stop-shop web platform where all export trade transactions will be processed electronically through one facility. In fact, Single Window will enable the electronic processing of all procedures related to trade exports and imports, such the submission of applications, the control and issuing of certificates, licenses and other useful documents in accordance with the current national legislation.

2.2.5 Application of Small Business Act Initiative

The "Small Business Act" for Europe (SBA)³⁶, provides a comprehensive SME policy framework, promotes entrepreneurship and anchors the "Think Small First" principle in law and policy making to strengthen SMEs' competitiveness. Built around ten principles and several concrete policies and legislative actions to implement them, the SBA invites both the European Commission and the Member States to commit themselves to set out the necessary measures to improve the regulatory, administrative and business environment and to support European SMEs.

In February 2011, the European Commission reviewed the SBA initiative and presented an overview of progress made in the first two years of the SBA, by setting out new actions to respond to challenges resulting from the economic crisis reported by stakeholders, and proposes ways to improve the uptake and implementation of the SBA with a clear role for stakeholders, with business

³⁶ European Commission (2008), "Think Small First, A "Small Business Act" for Europe", COM(2008), 394 final, Brussels 25.06.2008.

organizations at the front-line. In this framework Greece set out measures and initiatives in order to coordinate and monitor of the implementation of SBA's ten principles.

National Plan for supporting Small and Medium sized Enterprises

The "National Plan for Supporting Small and Medium Sized Enterprises"³⁷, came into force by the Ministry of Development, Competitiveness and Shipping in July 2010 in order to incorporate the ten principles of EU's flagship policy initiative SBA. The plan was adopted for the program period 2010-2013, and emphasizes on areas such as extroversion, productive restructuring of SMEs, innovation, green growth. At the same time it attempts to address the liquidity problems of SMEs, particularly through the establishment of the "Entrepreneurship Fund" of ETEAN³⁸ for financing investments, the activation of the JEREMIE financial instrument for enhancing the liquidity of SMEs and the announcement of a package of subsidized programs within the NSRF 2007-2013.

National SME Envoy

Established in April 2012, by the relevant decision of the Ministry Development, Competiveness and Shipping (Decision No. 4262/515/14-4-2012), and enables Greece's participation in the network of SME Envoys in order to promote and coordinate better implementation of the SBA flagship policy initiative at national level. The decision defines the mission and functions of the National Representative of Greece for SMEs in order to promote the best possible coordination of public administration bodies on SBA matters and to open up channels of communication between the European Commission, the Greek SMEs and their representatives, as well as Public Administration. The National SME Envoy is responsible for coordinating, evaluating, monitoring and reporting on the uptake of the SBA in the Members States, stepping up efforts to disseminate widely information on SME-policy actions and promoting the exchange of good practices. It also addresses the specific needs and priorities of SMEs at an early stage so as to take into account when designing national policies and programs.

³⁷ Ministry of Development, Competiveness and Shipping "National Plan for supporting Small and Medium sized Enterprises 2010-2013, Actual support: Supporting contract of SMEs», OP Competitiveness and Entrepreneurship, July 2010.

³⁸ National Fund for Entrepreneurship and Development (see paragraph 2.2.2)

3. DEVELOPMENTS AND TRENDS OF SMEs IN EUROPE

3.1 SMEs IN EUROPEAN ECONOMY

The Annual Report on European SMEs³⁹ presents and analyses the most important trends for EU SMEs in 2010/11. It is based on data extracted from the Eurostat Structural Business Statistical database, which at the time of writing had data up to 2007. These data were updated to 2010 and forecasted up to 2011, using data gathered from national statistical offices, by Ecorys together with Cambridge Econometrics with financial support from the European Communities

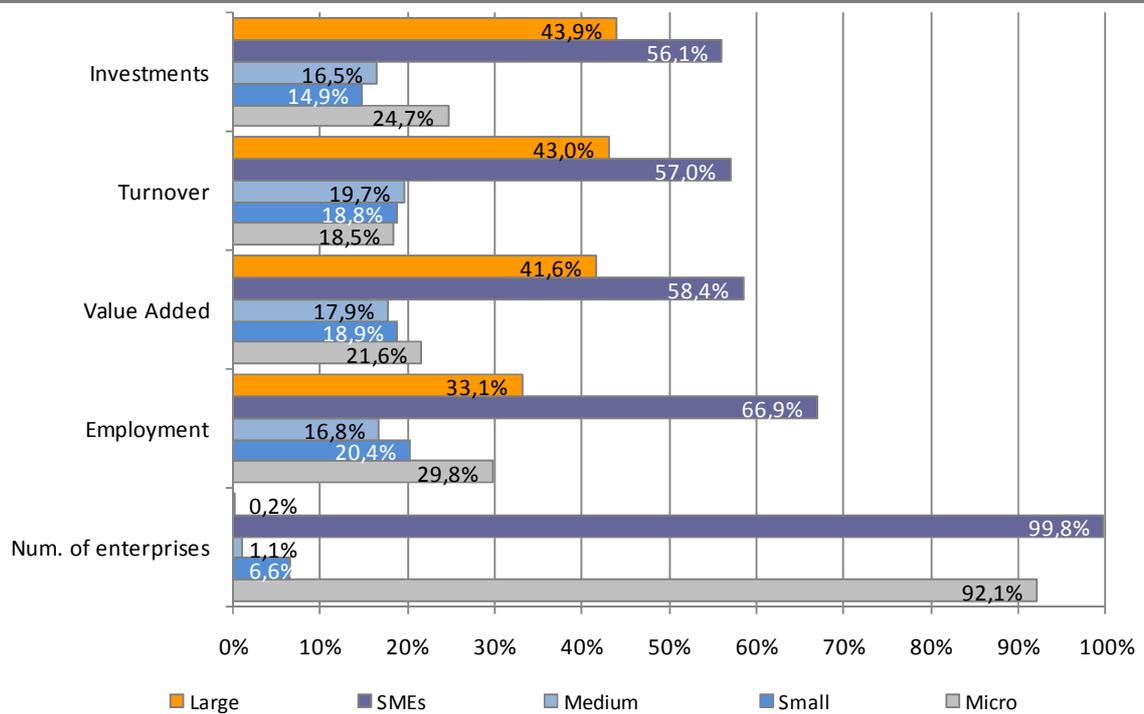
Based on these data it is clear that despite the reduction in their number (about 2%) after the 2009 crisis, SMEs remain the backbone of the European economy, representing approximately 99,8% (20,8 million) of the total number of firms (NFBE). The vast majority of European SMEs (92,1%) belongs to the category of micro enterprises. This is in stark contrast with the number of large enterprises, accounting for only 0,2 %.

The participation of SMEs in the European economy is still significant. So in 2010 the added value of European SMEs amounted to 3.493 billion, representing 58,4% of the total, while large companies accounting only 0,2% of the population, produced 42% of the product of the economy.

In employment terms, European SMEs while covering 66,9% of the total, show a significant reduction in the average number of employees per firm (in 2007 it is estimated that SMEs provided on average about 4,3 persons, while in 2010 this value formed to 4,21 and in 2011 there was a further reduction in the size of 4,18). It is also noteworthy that according to the latest review of European Employment Observatory (EEO) in 2010, self-employment (i.e. businesses that consist of only one person) in the EU-27 have shown considerable resilience to the economic crisis than other SMEs. Specifically, in 2009 there was a one percent fall in the number of self-employed, whereas there was a 2% drop in the number of dependent employees. Indeed, in some EU countries (including Greece, Latvia and the United Kingdom), even an increase in self-employment has been observed.

³⁹ *Annual Report on EU Small and Medium sized Enterprises 2010-2011*

Figure 3.1: Main characteristics of SMEs (EU-27, estimates for 2010, % of total of NFBE)



Source: Elaborated data of Eurostat/National Statistics Offices of Member States/Cambridge Econometrics/Ecorys

Regarding the **average wage** in EU-27 SMEs and large enterprises, it is recorded that in 2010, the average weekly wage of large firms was 2,6 times higher than that of micro- businesses. Overall, among the different groups of SMEs, there is wage differentiation, with micro offering on average quite low pay levels vis-à-vis the small and medium enterprises.

A general conclusion arising from the Annual Report on European SMEs in 2010-2011 is that on the level of individual Member States, there were some considerable differences in trends of **growth**. So the majority of countries in EU-27 indicate growth (ie positive growth rate of gross value added) which is however accompanied by a negative growth rate of employment, amounting to a jobless recovery. Furthermore the Annual Report identified two other groups of SMEs which collect fewer countries: (a) those that have positive growth rate of both GVA and employment, and (b) those that have a negative growth rate of both, GVA and employment.

The diverging SME trends along these three different country groupings is –at least to some degree - due to differences in macroeconomic, export and innovation performance as well as other factors, such as:

Investments: based on estimates made by Eurostat in collaboration with Ecorys and Cambridge Econometrics, the trend of investment in the EU-27 (investment / value added) has not been improved and remains at low levels. Specifically, in 2010 the trend for making investments amounted to 17,2% for SMEs in NFBE, compared with 17,6% in 2009 and 19% in 2008. The sector with particular strong investments was mining and quarrying and basic goods, while on the other end of the scale was construction.

Innovation: According the results of “Innovation Union Scoreboard 2010” (IUS) of Directorate General Enterprise and Industry, based on 25 Innovation and Research Indicators, the following categories for the EU 27 Member States were identified:

- *Innovation leaders:* countries that their potential for innovation is well above that of the EU27 average (Denmark, Finland, Germany, Sweden),
- *Innovation followers:* their innovation level is close to that of the EU27 average (Austria, Belgium, Cyprus, Estonia, France, Ireland, Luxembourg, Netherlands, Slovenia and the United Kingdom),
- *Moderate innovators:* their innovation level is below that of the EU27 average (Czech Republic, Greece, Hungary, Italy, Malta, Poland, Portugal, Slovakia and Spain),
- *Modest innovators:* their innovation level is well below that of the EU27 average (Bulgaria, Latvia, Lithuania and Romania).

Further analysis of the behavior and performance of European SMEs in innovation, highlights some common features. According to the annual review of European Commission for SMEs in 2010-2011 and the Directorate General Enterprise and Industry, the majority of EU SMEs relies on customers, suppliers or other networks and clusters in order to reach better innovation performance, rather than on strong investments in R&D.

The potential for innovation in SMEs has been hindered by a few problems, including access to finance for riskier projects, access to new technologies, complex and costly Intellectual Property (IP) rights, a shortage of qualified personnel and limited resources. One of the main deterrents for innovation is the inability of SMEs to adopt and make use of public training support.

Access to finance: according to a recent research of ECB (European Central Bank) during April to September 2011, the SMEs’ need for access to external financing in the Euro zone has been increased, while at the same period SMEs reported a worsening in their access to bank loans

(compared with the corresponding period in 2010). Furthermore, the ECB research, reported slightly lower success rate of SMEs when applying for a bank loan. Access to finance is still recorded as the second most serious problem facing SMEs in the Euro zone (concentrating 16% of respondents in both 2010 and 2011). Finally it is worth mentioning that the facilitation of access to finance is one of the ten principles of the SBA.

providing a “second chance”: the issue of "second chance" concerns honest entrepreneurs who have bankruptcy. This issue is stated as one of the ten principles of SBA since 2008. According to two researches of European Union⁴⁰, the fact that 50% of new enterprises fail to survive during the first five years of their lives, begins to deteriorate due to the economic crisis. In 2009 it is estimated that bankruptcies of businesses in the euro zone increased by 46% and continued to increase by an additional 5% in 2010. In terms of employment, this translates into 1,7 million fewer jobs in 2009, namely an increase of 22% compared with 2008.

3.2 THE EUROPEAN POLICY FOR SMEs

In order to foster the overall situation of the European SMEs, many initiatives have been undertaken in EU level. The main ones are summarized below:

3.2.1 The new Lisbon Strategy for Growth and Jobs

Since 2005, the amended Lisbon strategy for growth and jobs recognized the important role of SMEs for the EU economy, suggesting the implementation of integrated policies and guidelines at EU and national level (member – states) to strengthen their position. Specifically, the measures proposed were:

- promoting entrepreneurship and skills,
- improving SMEs' access to markets,
- cutting red tape,
- improving SMEs' growth potential,
- strengthening dialogue and consultation with SMEs and their stakeholders.

⁴⁰ «Overcoming the stigma of business failure – for a second chance policy» and «A Second Chance for Entrepreneurs: Prevention of Bankruptcy, Simplification of Bankruptcy Procedures and Support for a Fresh Start»

3.2.2 Europe 2020

The initiative “Europe 2020” is the new EU's growth strategy for 2020, that replaces the Lisbon Strategy, by introducing three key priorities:

- Smart growth: economic development based on knowledge and innovation
- Sustainable growth: building a more environmentally sustainable and competitive economy
- Inclusive growth: building an economy with high employment rate, ensuring economic, social and territorial cohesion

3.2.3 Small Business Act for Europe initiative(SBA)

In 2008 the European Commission adopts a set of ten principles to guide the conception and implementation of policies of SMEs, both at EU and Member State level. These principles that set the current single policy framework of SMEs, are:

- Create an environment in which entrepreneurs and family businesses can thrive and entrepreneurship is rewarded
- Ensure that honest entrepreneurs who have faced bankruptcy quickly get a second chance
- Design rules according to the “Think Small First” principle
- Make public administrations responsive to SMEs’ needs
- Adapt public policy tools to SME needs: facilitate SMEs’ participation in public procurement and better use State Aid possibilities for SMEs
- Facilitate SMEs’ access to finance and develop a legal and business environment supportive to timely payments in commercial transactions
- Help SMEs to benefit more from the opportunities offered by the Single Market
- Promote the upgrading of skills in SMEs and all forms of innovation
- Enable SMEs to turn environmental challenges into opportunities
- Encourage and support SMEs to benefit from the growth of markets

The content of SBA initiative has been reviewed on February 2011⁴¹, in order to reflect the latest economic developments and to be aligned with the priorities of the Europe 2020 strategy. The set of ten principles continue to be valid, but the review proposes further action in a number of priority areas:

- Improved access to finance to invest and grow
- Making full use of the Single Market
- Better integration of the principle "Think Small First"
- Helping SMEs face the challenges of globalisation and climate change
- Promoting entrepreneurship, employment and growth without limits.

3.2.4 Network of SME Envoys

As part of the Review of the Small Business Act for Europe (SBA), the Commission, in February 2011, invited Member States to nominate a national SME Envoy to complement the role of the European Commission's SME Envoy. Together with representatives of EU-level SME business organisations, the Network of SME Envoys will make up an SBA advisory group, in order to open up channels of communication between the Commission and SMEs, and their representative organizations and to act as the promoter of SMEs' interests throughout the whole Commission, ensuring in particular that the "Think Small First" principle is being applied effectively as in the new Europe 2020 strategy.

3.2.5 Access to finance for SMEs

The Competitiveness and Innovation Framework Program (CIP) constitutes the main financial instrument of SMEs at European level from 2008 onwards, mainly by facilitating venture capital investments and by providing guarantees for lending to SMEs.

Moreover, the European Commission has set up a permanent forum for financing SMEs, in order to enhance communication between representatives of SMEs, banks, market participants and other financial institutions (including the European Investment Bank). The ultimate goal is to find solutions to the major credit problems faced by SMEs, particularly in the current period.

41 European Commission (2011), "Review of the Small Business Act for Europe", COM(2011) 78 final, 23.02.2011, Brussels. At national level, for the fact sheet for Greece see European Commission (2011), "SBA Fact Sheet, Greece 2010/11", DG Enterprise and Industry

3.2.6 Extroversion

The EU strategy for SMEs listed in «Small Business Act» (SBA) for Europe, invites EU and Member States to support SMEs and to encourage them to benefit from the growth of markets outside the EU, in particular by providing specific support to the market and training activities for entrepreneurship. The review of the SBA confirmed even more the need to support the Commission in areas such as: assistance to access markets, elimination of non-tariff barriers, guidance on regulatory issues, standardization and assessment of conformity.

Regarding infrastructure support, the Enterprise Europe Network not only supports enterprises, especially SMEs, to take advantage of internal market, but also helps them to make the most of the European marketplace. The network partners in the Member States are often represented by business support organizations at national and local level, contributing in this way to the consolidation of support structures in all countries. The Network helps SMEs through the participation of more than 600 local partners around the world: usually, an SME when planning to go international is seeking support and guidance at local level, or wants to exploit the business opportunities of the single market or to expand into markets outside EU.

The renewed strategy of the Commission for the market access⁴², proposes a stronger partnership, to deliver market access, between the European Commission, Member States, and the EU business community, thus contributing significantly to support the internationalization of European SMEs. Small and medium sized enterprises are increasingly active in export markets and often face the greater challenges in addressing trade barriers. SMEs benefit from the partnership approach in both EU and non-EU markets. This is achieved, among others, through the development of local based EU Market Access Teams operating in key export markets under the auspices of the EU delegation. The European Commission's Market Access Database is another important tool of the strategy for market access. It provides rapidly accessible and reliable information with regard to applied tariffs, import formalities and documentary requirements for imports into third countries, as well as a user export guide⁴³. The new trade policy of EU⁴⁴, as a core component of the EU's 2020 strategy, confirmed the usefulness of the strategy for market access and services in order to improve access to global markets for EU businesses.

⁴² COM(2007) 183

⁴³ <http://madb.europa.eu/>

⁴⁴ COM(2010) 612

The European Customs Information Portal (ECIP) brings together in one website practical information for future traders as well as electroning learning and access to Electronic Databases⁴⁵.

Furthermore, to simplify the procedures for SMEs to access the European market, various initiatives have been undertaken. For example:

- the use of European standards that are more SME-friendly, is promoting through the setting up of SME helpdesks and portals (eg simplified electronic public procurement procedures for joint bidding),
- European code of best practice for SME support.

3.2.7 Strengthening entrepreneurship and innovation

In order to promote entrepreneurship among SMEs and developing innovative actions for business running, there have established, at European level, important initiatives. For example:

- The "European SME Week" provides a pan-European platform for entrepreneurship with more than 1.500 events and 3 million participants,
- the "Erasmus for Young Entrepreneurs" program, launched in 2009, offers on-the-job training to nascent and new entrepreneurs with a view to fostering cross-border networking and business cooperation with experienced entrepreneurs,
- the "European Network of Female Entrepreneurship Ambassadors", set up by the Commission in 2009, now consisted of about 250 successful female entrepreneurs, aims to inspire more women to become entrepreneurs.

Furthermore, *legislative initiatives* have been undertaken for improving SMEs' business environment. Particularly, at European level, most legislative initiatives foreseen by the SBA have been adopted in order to facilitate the operation of SMEs:

- directive on e-invoicing adopted by the Council in 2010,
- optional adoption of a cash accounting scheme which makes it possible for enterprises to delay accounting for VAT and accordingly the payment to the appropriate authorities, until they receive payment from their customers,

⁴⁵ http://ec.europa.eu/ecip/index_en.htm

- the Directive to combat late payment that allows public authorities to pay their suppliers within 30 days and sets an upper limit of 60 days for business to business payments (unless businesses expressly agree otherwise and if it is not grossly unfair to the creditor), adopted by the Council in January 2011,
- member States are invited to use an "SME test" in its impact assessments of legislation.

From the legislative initiatives foreseen by the SBA, the approval of Regulation providing for a Statute for a European Private Company (SPE) is still under discussion by the Council.

Competition policy

The EU policy for state aid for a long time treated favorably SMEs recognizing the particular difficulties they face because of their size. With Small Business Act initiative, the Commission proposed a new exemption regulation (General Block Exemption Regulation or GBER) regarding state aids, that consolidates into one text and harmonizes the rules previously contained in five separate Regulations, and expand the state aid categories covered by the exemption. Under the regulation, SMEs can receive investment aid of up to €7,5 million for a given project without obligation to notify the Commission. The initiative also aims to facilitate environmental protection plans and to promote female entrepreneurship.

Facilitating market access

Significant progress has been made by both the European Commission and other relevant European organizations, regarding SMEs' access to the development and use of *European standards*. In general, there is an attempt to convert the European standards more SME-friendly, while the goal of relevant standardization organizations is to support SMEs through help desks and portals.

Furthermore, regarding *public procurement*, it is estimated that simplified electronic procedures and opportunities for joint bidding have facilitated the access of SMEs to public procurement.

Regarding SMEs' access to foreign markets, in November 2010, the European Commission opened the *EU SME Centre in China*, which functions as a Support Service Provider for European SMEs. In this regard the Centre's core purpose is to assist European SMEs to establish and develop a commercial presence in the Chinese market – through export and/or investment – by providing support through the provision of information, advice, networking events and acting as a platform facilitating

coordination amongst Member State and European public and private sector service providers to EU SMEs, particularly at the crucial early stages of their market penetration strategy.

3.2.8 Human resources

The importance of human resource development in the EU-27 was recognized as part of the strategy "Europe 2020", which introduced three flagship initiatives in the fields of employment, social affairs and social inclusion. These initiatives are complementary to the following set of guidelines for the employment policies of the Member States:

- Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality
- Developing a skilled workforce responding to labour market needs and promoting lifelong learning
- Improving the quality and performance of education and training systems at all levels and increasing participation in tertiary or equivalent education
- Promoting social inclusion and combating poverty

Furthermore, in order to promote productivity and human resources development and training, major European initiatives and programs have been undertaken and are implemented with the view to enhance new or existing entrepreneurs. Examples:

- The "European Commission's Lifelong Learning Program", with a budget of nearly €7 billion for 2007 to 2013, that consists of four sub-programs: the "Comenius" program for schools, the "Erasmus" program for higher education, the "Leonardo da Vinci" for vocational education and training and the "Grundtvig" program for adult education.
- "Erasmus for Young Entrepreneurs" helps provide aspiring European entrepreneurs with the skills necessary to start and/or successfully run a small business in Europe. New entrepreneurs gather and exchange knowledge and business ideas with an experienced entrepreneur, with whom they stay and collaborate for a period of 1 to 6 months.

4. PRESENTATION OF TEN MANUFACTURING SECTORS

To illustrate the sectoral dimension of the business entrepreneurship, it was elaborated an analytical presentation of the main features of ten selected manufacturing sectors of the Greek economy, which was based on the relevant sector studies prepared by the Contractor ICAP GROUP AE. Therefore, the elements summarized below are the result of data processing of the following sector studies elaborated by ICAP GROUP AE:

- Standardized fresh vegetables (March 2012)
- Dairy products (May 2012)
- Olive oil - Kernel oil (May 2011)
- Pharmaceutical companies (June 2011)
- Plastic packaging (May 2011)
- Plastic and iron pipes (January 2011)
- Electric Installation materials <http://www.icap.gr/Default.aspx?id=1927&nt=149&lang=2> (March 2012)
- Household Furniture (February 2012)
- Agricultural supplies (February 2011)
- Medical Equipment (November 2011)

4.1 PRESENTATION OF MAIN FINANCIAL RATIOS IN TEN MANUFACTURING SECTORS

The financial sector analysis, presented below, is based on the average performance of selected companies in eight ratios, as they were formed during five years, according to their published financial data. The selection of the sampled companies was made according to their representativeness in the section under examination.

The average **gross profit margin** has increased considerably for pharmaceutical companies (33,97%) and the medical equipment companies (39,30%), while the lowest recorded performance was presented in the sector of olive oil - kernel oil and iron pipes (11,24% and 11.52% respectively).

The ratio of **net profit margin** posted on average much lower levels for the group of 20 profiled businesses in the sector of dairy products (1,55%), as well as for 8 businesses operating in the productive sector of olive oil. Furthermore, the particular ratio is registered marginal positive in the sector of household furniture (0,20%) and of pharmaceutical companies (0,71%). It posts negative rates for the examined businesses of four sectors: standardized fresh vegetables (-0,12%), plastic pipes (-0,65%), iron pipes (-2,82%) and electric installation materials (-1,19%).

The average **return on equity** registered great fluctuations, in almost all of the examined manufacturing sectors, whereas better performance of the particular ratio is posted by pharmaceutical companies as well as by those operating in the sector of medical equipment (40,49% and 46,46% respectively). On the contrary, the return on equity ratio dropped a lot for agricultural supplies companies and especially those with main activity in the plant - protection products and / or the production of propagative materials (2,71%), plastic pipes (2,59%) and iron pipes (2,57%), electric installation materials (-2,47%).

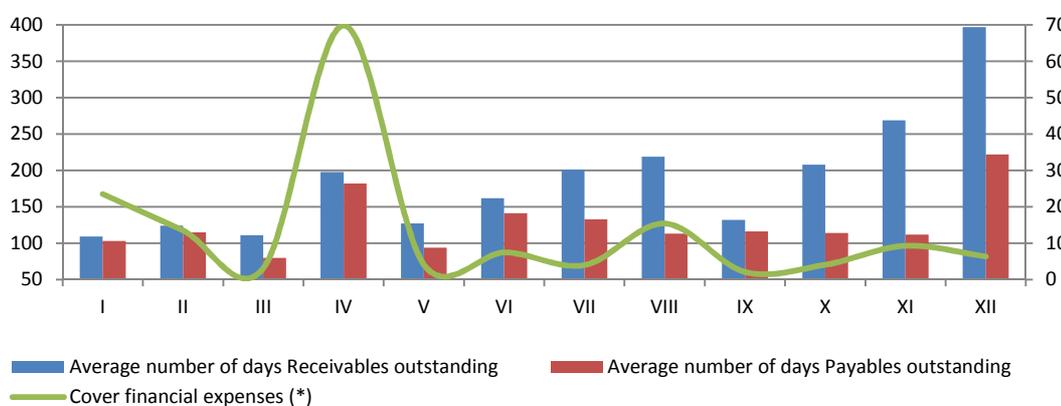
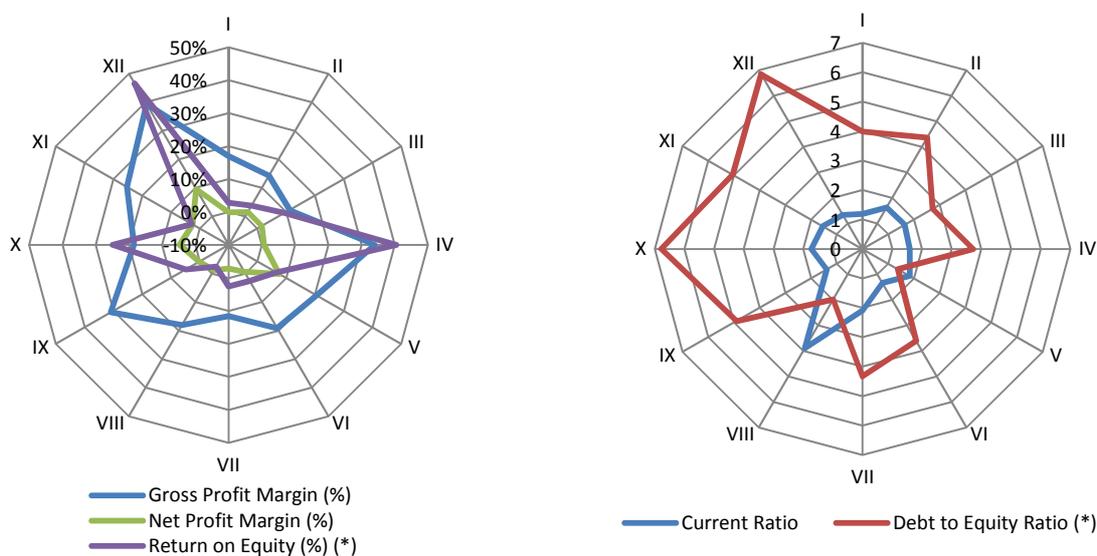
Negative performance is registered for the **current ratio** at the businesses of almost all the examined sectors. In fact, the particular ratio is lower than 2 (fluctuating from 1,19 in the sector of standardized fresh vegetables to 1,84 in the sector of plastic packaging). Two exceptions to the above performance are recorded: the businesses operating in the sector of iron pipes (2,1%) and those operating in the sector of electric installation materials (3,9).

Regarding **financial ratios**, the debt to equity average rose for the profiled businesses in the sector of medical equipment (6,84) and fertilizers (6,78), which means that the particular businesses' dependence on foreign capital is high. The average of financial expenses coverage is extremely high for pharmaceutical companies (69,84), as well as for the companies that operate in standardization of fresh vegetables (23,52) and in dairy products (13,48).

Finally the **average period for receivables** is extremely high for companies that produce medical equipment (397 days) because of the major problem regarding delays in payment from public sector, as well as for companies that operate in the sector of agriculture supplies (269 days for those businesses that are activating in plant - protection products and propagative materials and 208 days for those that are activating in fertilizers). Longer delays in payments to suppliers are registered from

medical equipment businesses (222 days), as well as from those that operate in plastic and iron pipes (141 and 133 days respectively).

Figure 4.1: Financial analysis of ten manufacturing sectors



Notes:

I	STANDARIZED FRESH VEGETABLES	VII	IRON PIPES
II	DAIRY PRODUCTS	VIII	ELECTRIC INSTALLATION MATERIALS
III	OLIVE OIL - KERNEL OIL	IX	HOUSEHOLD FURNITURE
IV	PHARMACEUTICAL COMPANIES	X	AGRICULTURAL SUPPLIES 1: Companies with main activity the blending /processing/ standardization of fertilizers
V	PLASTIC PACKAGING	XI	AGRICULTURAL SUPPLIES 2: Companies with main activity blending /processing/ standardization of plant - protection products and / or the production of propagative materials

VI	PLASTIC PIPES	XII	MEDICAL EQUIPMENT
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(*) In some sectors, the average of the particular index was calculated by excluding from the initial sample, business that shows extreme rates

Source: Consolidated Balance Sheets – ICAP Group A.E.

4.2 MAIN CHARACTERISTICS OF TEN MANUFACTURING SECTORS

In the current section covers the main findings arising from the data elaboration of ten manufacturing sectors and presents the market basic characteristics.

Sectoral structure

A remarkable dispersion is observed in two manufacturing sectors regarding either the size of business or their legal form. In fact the sector of fresh vegetables standardization is dominated by the coexistence of sociétés anonymes companies (S.A.) and Limited liability companies (Ltd) as well as by a lot of small companies of limited partnership and personal companies that hold an important share in the domestic market and in export activity. The particular sector is characterized as well of the presence of cooperative organizations of any type.

A wide dispersion is also recorded among the productive business of dairy products, mainly because of the existence of both a large number of SMEs and some large industries.

At the same time, many sectors are characterized by the presence of a high percentage of businesses that differ among each other regarding their size as well as the degree of their operation in products that are not included in the particular sector. Specifically it is worth mentioning:

- the sector of plastic packaging that comprises a plethora of products (eg. flexible types of plastic packaging such as bags, sacs, packaging films etc. and rigid types of plastic packaging like tanks, deposits etc.) and therefore the businesses that fall into it are operating with one or more product categories, while many of them operate in the production / import of other products,
- the sector of olive oil and kernel oil where a strong differentiation in business activity is recorded, since each one of them focuses in one or more of the different production stages, from the pickup of the raw data (olive, kernel) to the disposition of the final product,

- in sectors a) plastic pipes and iron pipes, b) electric materials , c) household furniture, d) agriculture supplies: import companies are operating in the trade of a large scale of products of the sector,

Finally, it is worth noting that both in the sector of medical equipment and pharmaceutical companies operate businesses with significant potential and long-standing presence in the market, some of which are subsidiaries of powerful multinationals.

Seasonal activity

Increased seasonal activity is observed in the operation of standardization units of fresh vegetables, partly due to the existence of a specific period of harvesting agricultural products and because of the limited variety of agricultural products that are offered for standardization.

Seasonal activity is also recorded in the type of employed personnel since the majority of industries does not use permanent staff. To the contrary, the majority of employees is working during certain months of the year.

Geographical dispersion

It is recorded a high degree of concentration of production facilities of standardization units of fresh vegetables and fruits in Central Macedonia and the Peloponnese.

Operational framework

The operation of the profiled manufacturing companies is determined by a series of legislative regulations that define the overall operation of the market. However, tighter regulations are enacted regarding the sector of dairy products that concern products' hygiene, quality and designation. Furthermore, the sector of pharmaceutical companies is under rigorous institutional framework at both the demand and supply, while regarding the production and processing oil companies it should be mentioned that they are characterized by the existence of the aid measures.

Market

Despite the fact that the current economic crisis has caused an almost overall decline in the capacity of the manufacturing sector and the overall economy, there are some sectors that have either increased risks either higher growth prospects.

This is the case of pharmaceutical companies, where the ongoing recession, the drastic reduction of pharmaceutical expenditure, the reductions in drug prices as well as the decline of pharmaceutical market have created chain problems (late payments, debt accumulation, reduced liquidity, etc.), endangering thus the viability of many pharmaceutical companies. Furthermore, the use of generic drugs is expected to induce significant changes in the domestic consumption of products.

The current unfavorable development of construction activity and overall the construction sector (implementation of public and private projects), entails a negative impact on the progress and development prospects in several manufacturing companies. In this context, the demand for electrical equipment, for household furniture as well as for the iron and plastic pipes is significantly reduced as it is directly dependent on the progress of the construction and building industry (mainly the private one).

Additionally, external factors produce considerable fluctuations in the demand of products in several sections. In fact, fluctuations in the price of raw materials (petroleum products) affect the companies of plastic packaging, while factors such as the price of steel, the prices of fuel and electricity affect the demand for iron pipes. Moreover, the payment delays that are observed in the Greek public sector, the debts of hospitals, as well as the "context" of product supply are some of the major reasons that affect negatively the development of both pharmaceutical and medical equipment companies.

On the contrary, the production of olive oil in Greece is extremely dynamic, since not only it exceeds the domestic demand but also it is rising up at such levels that are significant exports are registered on an annual basis. It is worth mentioning that Greece ranks third in the global production of oil, after Spain and Italy.

In terms of their turnover the examined manufacturing sectors, can be categorized into three groups according to their performance during the period 2006-2010:

a) Those with a relatively stable trend, with small fluctuations in their turnover. This group includes:

1. companies with production activity in the sector of medical equipment for which in 2010 the total turnover amounted to € 115 million, dropped by 4% compared to 2009,
2. plastic packaging companies for which the sales decline by 7% during 2009-2010 (only companies for which data is available are calculated),
3. dairy products, where total sales of manufacturing companies stood at € 1 billion in 2010, showing a marginal increase over the 2009 rate of 0,4%, (by considering only the companies for which data is available for 2010 and 2011, there was a rise in their total sales in 2011 by 0,7%),
4. standardization of fresh fruit and vegetables companies whose sales dropped in 2011 by 5% compared with the previous year (only companies with available sales data for 2010 and 2011 are calculated),

B) Those whose turnover increased

This group, as expected, includes only a few sectors due to the continuing recession of economy. In fact, the total turnover of manufacturing companies operating in the electrical installation materials amounted to € 51 million in 2010, increased by 16% compared to 2009. The sales of companies operating in plant - protection products and propagative materials reached €175,4 million in 2009, that is, an 6% increase compared to 2008.

C) Those whose turnover decreased

In 2009, the total turnover of 11 companies operating in iron pipes amounted to €347 million, which corresponds to a decrease of 34,4% over 2008. A significant decrease occurred as well, in the turnover of plastic pipes companies which in 2009 amounted to € 187 million (approximately 26% decrease over the previous year).

Regarding pharmaceutical companies it should be noted their sales besides drugs, include other products such as cosmetics, parapharmaceuticals etc., which in some cases make up a significant percentage of their turnover. Thus, according to data of the profiled pharmaceutical companies there is a decrease in their turnover by 21% during 2010 -2011 (only companies with available sales data for the years 2010 and 2011 are calculated).

Finally, an annual reduction of turnover is recorded for companies operating in the sector of standardization and processing of olive oil, which during 2009-2010 reached 12% (by considering

only the 8 main companies for which sales data were available during 2009-2010), and for those operating in medical equipment imports where the corresponding figure was reduced by approximately 16% during the years 2009-2010 (configurable to € 510,2 million in 2010).

5. ACTIONS FOR ENHANCING ENTREPRENEURSHIP AND COMPETITIVENESS OF SMEs

As mentioned above, it has been proved by a number of European and national studies and statistics that small and medium sized enterprises are the backbone of the EU-27 and Greek economy. The importance of these enterprises and especially the micro ones, which dominate over small and medium enterprises, is confirmed both in terms of numbers and in terms of job creation. However, their contribution to overall domestic productivity is not commensurate with the above sizes. In fact large enterprises i.e. non SMEs, remains marginal in terms of the number of enterprises and employment opportunities, contribute significantly to the total added value.

It is therefore evident, both at European and national level, that the enhancement of SMEs' competitiveness is crucial. Furthermore, the supporting of SMEs also consist a willingness of the European Commission and the Greek state, and is confirmed by taking a number of initiatives, with the leading one being the initiative "Think Small First: A" Small Business Act "for Europe" that consist the new integrated policy framework for SMEs in the EU-27.

Despite the considerable efforts made at EU and national level to support the activities of small and medium sized enterprises, their potential is significantly inhibited by the current economic situation, which, combined with the accumulation of structural weaknesses led Greece in most difficult period of the recent economic history. This period is mainly characterized by the continuous worsening recession and the rapidly establishment of financial crisis in almost all productive sectors of the country. In order to reverse this negative climate and to accomplish the Greek business recovery, the interest must be focused to companies which constitute the majority of Greek business environment. SMEs must be main pillar of country's development, firstly due to their important number and secondly because of their contribution in the employment. As a result, the enhancement of the appropriate mix of actions to support SMEs by taking into account the growth potential of the private sector is of major importance for the creation of recovery conditions and reliability of the Greek economy.

For the design of the proposed actions to support small and medium entrepreneurs, it was firstly taken into consideration the negative factors of the reduced liquidity as well as the limited accessibility to loan funds as a result of the Greek growing economic recession. Thus, the current

economic situation does not allow SMEs to undertake new development initiatives and reduces their potential for maintaining the market position and their responsiveness to financial obligations, so that for many of them the survival is a major threat. Thus, it is primarily necessary to include in the proposed package a pillar which will focus on alternative ways to strengthen the existing difficult economic situation of SME, and to exploit existing means that are suitable for financing small and medium entrepreneurs.

In the next phase, it is designed the second pillar of intervention which is based on three actions "Innovation - Internationalization - Human Resources Development", which are expected to boost SMEs.

More specifically, the **first pillar of intervention** is related to *SMEs' enhancement to access capital / financial markets*, in the framework of which the effort should be intensified both by SMEs themselves and the Greek State.

In this context, it is proposed to small and medium entrepreneurs to shift their interest in alternative funding sources (eg microcredits, venture capitals, business angels, etc.) and on the other hand to develop strong willingness for continuous and entire information regarding other sources for accessing capital.

From the other hand, the Greek State must intensify its efforts in order to increase SMEs' liquidity by undertaking actions such as the creation of a mechanism (specific SMEs fund) that will provide to financial institutions the necessary guarantees and the encouragement of new companies formation (venture capitals, factoring etc.) that will enforce the active participation of the private sector in the financing of SMEs. Furthermore, special attention should be given a) to accelerating absorption of existing funds that are allocated through aid programs for SMEs, b) to the full use of existing financial instruments (activation of the National Fund for Entrepreneurship and Development -ETEAN and the Credit Guarantee Fund, utilization of the funds of the European Investment Bank and European initiatives) and c) to the creation of a favorable environment that will improve the access of SMEs to financing tools (eg. setting up favorable conditions for SMEs' participation in aid programs, fully implement the 'European Code of Best Practices facilitating SMEs' access to public procurement', implementation of the principle "only once", using one-stop-shop solutions, etc.).

Under the second pillar, as previously mentioned, it is proposed to undertake initiatives in order to adopt new business practices in the following *three areas*.

Fostering innovation

The adoption of innovative solutions in the production processes and products, is one of the most crucial factor for the highlighting the competitive advantage of Greek SMEs against international competition. Thus, it is required to undertake actions in order to shift SMEs' interest into alternative forms of innovation, such as:

- the adoption of environmental innovations (such as using "green" packaging"),
- the creation of innovation networks in order to achieve economies of scale and transfer of knowledge and of best practices,
- the introduction of technological innovation,
- the exploitation of programs for enhance the participation of SMEs' human capital in research activities and
- the adoption of the model "open innovation" which is not based on the traditional approach to innovation, but instead it promotes the pursue of new ideas coming from multiple sources mainly from the international market (customers, human resources, networking between companies and research institutions) and their adaptation to domestic business practices,

The abovementioned actions can significantly contribute to the utilization of new practices by SMEs that are available for the integration of innovative initiatives

Except from the actions that the small and medium sized enterprises have to undertake, it is crucial that the Greek State intensifying its efforts in order to create favorable conditions for the development of innovative practices in SMEs. Under this principle, it is firstly proposed to undertake actions that are expected to create innovative culture in SMEs.

In fact, actions such as: a) organizing information initiatives for the business community, b) the further publicity among the various websites for SMEs of the available opportunities for financing innovation activities, c) the gathering and the dissemination to SMEs of "good practices" for innovation, are necessary in order to eliminate effects of unwillingness, lack of relevant information and expertise from the business community. Furthermore, the training of SMEs' human resources on innovation themes and the exploitation of the existing programs that finance the investment in specialized and technologically skilled employees, are the most pertinent solutions to small

economies, such as the Greek one, in which the present unfavorable conditions facilitate neither the adoption of a strict R&D model nor new investments in human capital.

Finally, further funding enhancement for innovation and the exploitation of venture capitals for the promotion of innovation / technology, will give extra support to businesses with innovative orientation.

Internationalization perspective and extroversion enhancement

The internationalization of Greek SMEs is a fundamental factor for their long-term sustainability. Additionally, there is a close relationship between extroversion and internationalization of businesses and their development and competitiveness. In this framework, the proposed actions to strengthen the extrovert nature of SMEs and their potential for internationalization, are as follows:

- the creation of a national strategy of internationalization of SMEs: at national level it is suggested that the Greek State and more specifically an export organization / entity (existing or new that it will be established for this purpose) to undertake the development of a national strategy for the internationalization and export-orientation of SMEs. This strategy is expected to facilitate access to new markets at a time when the domestic market is saturated and gives few opportunities for action. It includes a series of actions that are related to the design, implementation, monitoring and evaluation of national internationalization strategy for SMEs, while providing knowledge dissemination activities, planning of educational programs, sharing of best practices, etc.,
- the dissemination of information and knowledge regarding opportunities of internationalization: due to the availability of a large number of sources and means regarding the opportunities offered to SMEs in order to develop their export activities, it is proposed to undertake actions for the collection of all the available information regarding the potential internationalization of SMEs. More specifically, it is proposed to create a single uniform electronic platform, that it will be user-friendly (one stop shop) and tailored to the meet the internationalization needs of SMEs and it will provide valuable information to those businesses that aspire or have made the first necessary actions in a globalized environment,
- the creation of networks that will promote the internationalization and export activity of SMEs: in this framework it is proposed SMEs' participation in partnerships of research, the

creation of networks among experts in the areas of extroversion, of internationalization and innovation, the organizing of information campaigns regarding the possibilities offered for the participation of Greek SMEs in international and European cooperative programs, the further strengthening and dissemination of information on the activities and the range of services offered through the «Enterprise Europe Network-Hellas» etc.

The abovementioned actions are expected to support SMEs to boost their competitive position in a global level and to find new partnerships, suppliers and customers into new markets.

Human Resources development

The effective integration of innovation in production processes and products, is in connection with human capital, knowledge and inventiveness. The level of human resources in our country is quite satisfactory. According to international human resources indices, Greece ranks higher than other indicators (economic, technological, management, etc). In this framework it is proposed a series of actions aimed at maximizing the competitive advantage available to SMEs on job creation.

The first proposed action is to establish an integrated system for the examination, evaluation and certification of employees of small and medium sized enterprises regarding the possession of specific professional qualifications. More specifically, it is proposed to refine the National Qualifications Framework, which is expected to be completed by the end of 2012 under the supervision of the National Certification Qualifications (E.O.P.P.), in order to provide certification of qualifications of human resources that are especially employed in small and medium sized companies (possibly in specific sectors of the economy).

Furthermore, in order to upgrade and retain the necessary skills in SMEs, it is proposed to invest in continuous training and lifelong learning of both workers and managers / owners, with the perspective to improve productivity and to provide a competitive advantage for these businesses. The success of the proposed action is depending on the involvement of the Greek State that needs to undertake specific incentives to increase the participation of SMEs' employees, self-employed and managers / owners in the training programs. Furthermore it is important to reassure the involvement of training professionals that have extensive experience and expertise in the new needs of SMEs, in the design and implementation of new specialized training programs and in the development of appropriate tools (electronic platforms) for knowledge diffusion. Finally, it is proposed to develop

lifelong training programs for managers and employees of SMEs which primarily will focus on non-formal education and secondarily in informal and formal education.

The success of the above mentioned series of actions, as they are categorized in the two pillars of intervention poses a key priority: the creation a **friendly environment for SMEs** within which they will be able to better and easier conduct their business activity. The measures that are included in this framework, form the **supportive pillar** of the proposed interventions and concern:

- administrative and legislative elimination of bureaucracy: the adoption of "SME tests" for the evaluation of the impact of new policies on SMEs, the focus on SMEs while implementing regulations and the application of "fitness checks" to existing legislation in order to identify inconsistencies and obsolete or ineffective measures and to further reduce the burden on SMEs, the cost assessment of the potential impact while planning a new legislation, the establishment of a forward planning of business related legislation that will enter into force over the next budgetary period, are some of the actions that can be promoted by the Greek state in order to limit or eliminate bureaucracy,
- reducing the administration involved in granting state aid for small and medium sized enterprises, which can be achieved by taking actions such as the use of existing exception regulations (like the General Block Exemption Regulation), the access of SMEs in digital solutions and electronic platforms in order to be able to perform as many as possible information requirements with less cost and in less time, the removal of the mandatory publication of results of companies in the print media, the adoption of the principle "only once", introducing digital process procurement etc.,
- ensure a more favorable environment for SMEs throughout their life cycle, from their establishment and operation (with extension of L. 3853/2010 in order to apply for changes in the legal form of companies and for the establishment of personal companies and further reducing of the time required for the licensing issuance), to their transfer and possible dissolution (eg by creating a friendly environment that it will facilitate business succession / conveyance and will reduce the required procedures required for the liquidation of a company).

6. ANNEX I

In the following table there is a short reference to the main projects / actions in Greece that are co-financed by the Structural Funds in NSRF 2007-2013 and aim at supporting SMEs.

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
ICT			
ICT4GROWTH - Business Aid for Implementing Investment projects in the Development and Provision of Innovative Products and Value-Added Services	Support investment projects in the design, development and commercialization of innovative products and value-added services, related to or based on Information and Communications Technologies (ICT).	120.000.000,00€	O.P.DIGITAL CONVERGENCE / INFORMATION SOCIETY S.A.
Digi-mobile – Support for the development and use of innovative applications on “smart” mobile devices and tablet-PCs	“Digi-mobile” aims at supporting small Greek businesses active in the fields of tourism, culture, restaurants and catering, wholesale trade, healthcare, entertainment, environment, transport and logistics, services in general, as well as IT and telecommunications, in order to make good use of the international potential and gain access to new target groups, by offering new digital opportunities and high added-value services through smartphones.	30.150.000,00€	O.P.DIGITAL CONVERGENCE/ INFORMATION SOCIETY S.A.
Digi-content: Investments in digital broadband content	“Digi-content” aims at enhancing the creation of a dynamic and enriched Greek broadband content which is commercially exploitable. It is targeting the publishing field (publication of books, scientific and University literature, publishers, media publishing), as well as information content providers, document management companies etc.	16.643.081,45€	O.P.DIGITAL CONVERGENCE/ INFORMATION SOCIETY S.A.
Digi-retail - Support retail businesses to implement digital investment	Digital support of retailers in order to: a) improve their internal management and reduce operating costs by automating the processes of warehouse management, sales, purchasing, etc. and b) digital support of extroversion by exploiting the potential of technology their electronic	98.776.783€	O.P.DIGITAL CONVERGENCE/ INFORMATION SOCIETY S.A.

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
	promotion		
e-security: Support for businesses in order to implement e-security investments	This action will provide grants to SMEs so that they put in place the right instruments and means to cope with risks of fraud and problems arising from the use of harmful online content. The aim is for beneficiary businesses to ensure the privacy and confidentiality of corporate information, data and system integrity and availability	10.500.000€	O.P.DIGITAL CONVERGENCE/ INFORMATION SOCIETY S.A.
Digi-lodge - Support for hotel sector businesses to establish promotion websites and online reservation systems (digi-lodge)	This action will provide grants to businesses operating as hotel or tourist accommodations to develop new applications for promoting their business and establishing contacts on the Internet and to complete these applications based on existing or new computer systems	34.430.135,95€	O.P.DIGITAL CONVERGENCE/ INFORMATION SOCIETY S.A.
INOVATIVE ENTREPRENEURSHIP			
New Innovative Entrepreneurship	The Program provides financial support in the form of grants for setting up businesses created by individuals seeking to turn an innovative idea and/or proprietary know-how, which has not been commercialised so far, into enterprise innovation. In addition, there will be financial support for small and very small new enterprises with up to five (5) approved accounting periods, aiming to commercialise innovative ideas, by placing new products and services on the market, expanding-diversifying their products and services and/or improving their production and service provision processes.	30.000.000,00€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY
Innovation vouchers for small and medium enterprises	Financial aid for SMEs through acquisition of a voucher amounting to a	7.833.000€	O.P. COMPETITIVENESS AND

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
	maximum of €7,000 as a whole, in order to gain access to innovation in the form of consulting and knowledge supporting services, as well as experience, provided by specialized innovation-producing bodies, such as for example Universities, Technological Education Institutes (TEI), Research Centers, Institutes, sectoral Research and Technological Development companies.		ENTERPRENEURSHIP/ ΕΥΔΕ ΕΤΑΚ
NETWORKING			
Clusters	Development of clusters in order to boost the Greek manufacturing sector, in which participate at least 8 organizations, of which 2/3 are manufacturing firms, while the remaining organizations may come from various sectors of trade and services	-	O.P. COMPETITIVENESS AND ENTERPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY
Creation of Innovation Clusters-a Greek product, a single market: the Planet"	Creation and development of innovation clusters with the participation of academic and research institutions that are specialized in specific thematic areas and have a competitive advantage for the country, in order to stimulate innovative activity through the development of innovative products and services and to achieve economies of scale through the specialization of production and close cooperation between the members of the clusters	30.000.000€	O.P. COMPETITIVENESS AND ENTERPRENEURSHIP/ GSRT
Cooperation 2011	The aim of the Program is to enhance collaboration between the country's businesses and research bodies through common implementation of research and technological projects fostering green development,	68.320.000€	O.P. COMPETITIVENESS AND ENTERPRENEURSHIP/ GSRT

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
	competitiveness and outward orientation of Greek businesses and improving Greek citizens' quality of life.		
Supporting Groups of SMEs for Research and Development Activities	<p>Promoting innovation and research & technology and their integration into the productive sector of the country as the main drivers of growth, and competitiveness.</p> <p>Support the needs of SMEs, the development of R&D knowledge for the benefit of SMEs, solving environmental problems and link research to production.</p> <p>Improving the competitiveness of the participating companies and / or solving social problems.</p>	21.280.000€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP
European R&D Cooperation - Action for funding Greek organizations participating successfully in the Joint Calls for Proposals of European ERA-NETs	<p>Support of Greek participation in international and European R&D networking processes in various sectors (ICT, Energy, transport, environment, high value added products, production technologies, etc.) as well support of SMEs with high expertise</p> <p>Support of cooperation between research teams from EU Member States and from countries associated with the EU</p> <p>Support of knowledge exchange between researchers and of the adoption of best practices</p>	15.755.000,00 €	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP / GSRT
European R&D Cooperation - Action for funding Greek organizations in the framework of the 2nd European call of	Enhance Greek participation, especially of the most dynamic SMEs, in international and European R&D networking in the field of	2.491.989,00 €	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GSRT

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
proposal of the ENIAC Joint Undertaking/ European Nanoelectronics Initiative Advisory Council JU	Nanoelectronics Enhance the cooperation among research groups of EU Member States and from countries associated with the EU Enhance the transfer of knowledge among researchers and the adoption of best practices		
European R&D Cooperation - Action for funding Greek organizations in the framework of the 3 rd European call of proposal of ENIAC Joint Undertaking / European Nanoelectronics Initiative Advisory Council JU	»	1.765.114,00 €	O.P. COMPETITIVENESS AND ENTERPRENEURSHIP/ GSRT
European R&D Cooperation - Action for funding Greek organizations in the framework of the 2 nd European call of proposal of ARTEMIS Joint Undertaking/ Advanced Research and Technology for Embedded Intelligence and Systems JU	Enhance Greek participation, especially of the most dynamic SMEs, in international and European R&D networking in the field of Embedded Intelligence and Systems Enhance the cooperation among different organizations (eg. Among universities, companies and research Insitutes) in different and mutually complemented disciplines Enhance the transfer of knowledge among researchers and the adoption of best practices	2.708.608,00 €	O.P. COMPETITIVENESS AND ENTERPRENEURSHIP/ GSRT
European R&D Action for funding Greek organizations in the framework of the 3 rd European call of proposal of ARTEMIS (Joint Undertaking)/ Advanced Research and Technology for Embedded	»	2.860.590,00	O.P. COMPETITIVENESS AND ENTERPRENEURSHIP/ GSRT

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
Intelligence and Systems»			
Program for the integration of investment projects in special status Synergy and Networking of the Law 3908/11, for the year 2011	Support the cooperation between enterprises, research institutions and foundations, community organizations, etc. in order to develop networking and collaboration for the creation of better and more competitive products, with emphasis on interdisciplinary, inter-sectoral and interregional cooperation between companies and institutions.	50.000.000 € (grands or/ and leasing subsidy)	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP
EXTROVERSION			
EXTROVERSION - COMPETITIVENESS PROGRAM	It provides funding to SMEs, and to large enterprises under special criteria, for the beginning / continuation of the outward orientation of businesses, including their competitiveness and entrepreneurship	100.000.000,00€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY – INTERMEDIATE BODY OF THE O.P. COMPETITIVENESS AND ENTREPRENEURSHIP (EFEPAE)
EXTROVERSION - COMPETITIVENESS II PROGRAM	It provides funding to SMEs for the implementation of business plans for existing manufacturing enterprises, mainly SMEs but also enterprises under special criteria, with the view to enhance their outward orientation	50.000.000,00€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY – INTERMEDIATE BODY OF THE O.P. COMPETITIVENESS AND ENTREPRENEURSHIP (EFEPAE)
1. Extroversion program 2. Short term export credit insurance schemes	1. Bank Loan allocation, equal to the insured invoices of the exports of a company	According to the insurance coverage	EXPORT CREDIT INSURANCE ORGANIZATION (ECIO)

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
3. Medium – long term export credit insurance schemes	2. Shipment coverage against nonpayment of obligations due to commercial and political risks of the buyers (repayment period up to 1 year)		
4. Construction works insurance schemes			
5. Buyer's credit insurance schemes	3. Shipment coverage against nonpayment of obligations due to commercial and political risks of the buyers (repayment period over 2 years)		
6. Overseas investment insurance schemes	4. Shipment coverage against nonpayment of obligations due to political and commercial risks of the foreign public or private entity		
	5. Insures the credit given by a Greek bank (or a foreign bank's branch in Greece) to the foreign importer so the latter will buy Greek products		
	6. covers direct investment for the founding of a new industrial or commercial entity abroad or the participation (equity investment) in an already existing company abroad		
1. Participation in exhibitions and overall in exhibit actions	1. During 2012 there have already organized approximately 55 exhibit activities while the program of the second semester of 2012 includes participation in 31 international exhibitions, from 11 different sectors	3.000.000€ (2012 budget)	HELLENIC FOREIGN TRADE BOARD (HEPO S.A.)
2. Business and trade missions		920.000€ for the program for supporting extroversion	Program for supporting extroversion: O.P.
3. Hosting foreign companies in Greece	2. During 2012 there have already organized approximately 14 business missions in 11 different countries in several sectors by emphasizing to the Greek food and beverages	1.580.000€ for the Program for the development of targeted business meetings	COMPETITIVENESS AND ENTREPRENEURSHIP/ HEPO
4. Program for supporting extroversion			Program for the development of
5. Program for the development of targeted business meetings			
6. Program for supporting Human Resource in SMEs regarding extroversion	3. There have been already organized invitations of foreign buyers and journalists from Europe for food, drinks and ecclesiastical, from U.S. for spirits and finally from Russia, Arab countries and Europe for		

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
	<p>building materials</p> <p>4. Promotion of country's tourist product, including the special types of tourism, through the organization of business meetings with potential buyers abroad, and through a promotion program of the Greek gastronomy in foreign markets</p> <p>5. Promotion of country's tourist product, including the special types of tourism, as well as the branded and qualitative Greek products through programs for the development of targeted business meetings in Greece and in selected target markets and of promotion of the Greek gastronomy</p> <p>6. It concerns 6.800 employees in SMEs and includes the monitoring of a program of vocational training that focuses on the internationalization. The program lasts 40 hours and offers subsidy 5 € / hour training including counseling and monitoring actions regarding extraversion</p>	<p>3.500.000€ for the Program for supporting Human Resource in SMEs regarding extroversion</p>	<p>targeted business meetings O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ HEPO</p> <p>Program for supporting Human Resource in SMEs regarding extroversion: O.P. HUMAN RESOURCE DEVELOPMENT / HELLENIC MANAGEMENT ASSOCIATION – PANHELLENIC EXPORTERS ASSOCIATION – EXPORTERS' ASSOCIATION OF CRETE– EXPORTERS' ASSOCIATION OF NORTH GREECE – HEPO</p>

ENHANCE LIQUITIDY

<ol style="list-style-type: none"> 1. Fund for Entrepreneurship 2. Fund for Energy Efficiency in households 3. Fund "Enalio" 	<p>1. Actions concerning the allocation of favorable loans for six categories of investment:</p> <ul style="list-style-type: none"> • Action category A: General Business (New investment law 3908/2011) • Action category B: Technological Development, Regional Cohesion, Integrated Long Term Business Projects, Synergy and Networking 	<p>From NSRF:</p> <ol style="list-style-type: none"> 1. 460.000.000€ in Fund for Entrepreneurship 2. 396.000.000€ in 	<p>O.P. COMPETITIVENESS AND ENTREPRENEURSHIP</p> <p>REGIONAL OPERATIONAL PROGRAMS</p>
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PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
	<p>(New investment law 3908/2011)</p> <ul style="list-style-type: none"> Action category C: Youth Entrepreneurship (New investment law 3908/2011) Action category D: Extroversion Action category E: Thematic tourism, water desalination, waste management, green infrastructures and applications, RES Action category F: Innovative Entrepreneurship, Supply Chain, Food and Beverage <p>2. Supporting the integration of the energy system of the country, enhancing the sustainability, energy - saving, direct aid interventions in dwellings so as to improve energy efficiency in households. In this framework it is designed the Program « Energy Saving at Home »</p> <p>3.It provides funding to SMEs engaged in fishing, manufacturing, processing and marketing of fisheries products, as well as businesses in selected fishing areas.</p>	<p>Fund for Energy Efficiency in households</p> <p>3. 35.000.000€ in Fund "Enalio"</p> <p>The abovementioned funds are financed as well by national credit institutions</p>	<p>O.P. ENVIRONMENT AND SUSTAINABLE DEVELOPMENT</p> <p>O.P. FISHERIES</p> <p>National Fund for Entrepreneurship and Development(ETEAN)</p>
JEREMIE Holding Fund	<ol style="list-style-type: none"> Funded Risk Sharing Product (FRSP) for micro and small enterprises Microfinance – Favorable loans for micro - enterprises Co-financed loans for investments in Information and Communication Technologies ("ICT") 	<ol style="list-style-type: none"> 1. 120.000.000€ 2. 60.660.000€ 3. 180.000.000€ 	
Credit Guarantee Fund for SMEs	It will provide investment loans to Greek SMEs	500.000.000€	Structural Funds / Banks cooperating with EIB

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
COMPETITIVENESS / ENHANCEMENT OF ENTREPRENEURSHIP			
Manufacturing under new conditions	Business plans for supporting businesses to enhance their outward orientation, to develop new activities / products / services / processes and to introduce new technologies and innovations, etc.	200.000.000,00€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY – INTERMEDIATE BODY OF THE O.P. COMPETITIVENESS AND ENTREPRENEURSHIP (EFEPAE)
Entrepreneurship of women	Financial aid for the establishment of new enterprises by women in almost all economic activity sectors of the country.	30.821.554€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY – INTERMEDIATE BODY OF THE O.P. COMPETITIVENESS AND ENTREPRENEURSHIP (EFEPAE)
Entrepreneurship of young people	Financial aid for the establishment of new enterprises by young people in almost all economic activity sectors of the country	39.178.448,0€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY – INTERMEDIATE BODY OF THE O.P. COMPETITIVENESS AND ENTREPRENEURSHIP (EFEPAE)
Creation - support of new innovative businesses, mainly highly knowledge intensive ones (spin off and spin out)	Encouraging the creation and development of business innovative activities, utilization of patents that can be marketed, application of	25.000.000€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GSRT

PROGRAM / ACTION	BRIEF DESCRIPTION	BUDGET	FUNDING INSTITUTION
Clothing and footwear – New perspectives	<p>innovative investment plans and use of the knowledge generated by researchers and enterprises undertaking innovative activities in Greece and abroad.</p> <p>Financial aid to existing SMEs that operates in the sector of textiles, clothing, footwear and leather in order to create the necessary conditions to encourage innovation, and support entrepreneurship and internationalization</p>	1.781.098,00€	O.P. COMPETITIVENESS AND ENTREPRENEURSHIP/ GENERAL SECRETARIAT FOR INDUSTRY – INTERMEDIATE BODY OF THE O.P. COMPETITIVENESS AND ENTREPRENEURSHIP (EFEPAE)