

GREECE

1. Introduction

In 2020, the COVID-19 crisis significantly affected small and medium-sized enterprises (SMEs) in Greece. According to the latest European Economic Forecast, Greece's economy contracted by 8.2% in 2020.¹ SME value added declined by 19.7% and SME employment fell by 1.4%.²

The most affected sector was *accommodation and food services*, with a drop of 58.1% in SME value added and 21.3% in SME employment. The *construction* sector was the only one that grew in terms of SME value added, with a growth rate of 18.1%, while SME employment declined by 2.8%.

SMEs form the backbone of the Greek 'non-financial business economy'. In 2020, they accounted for 83.0% of overall employment and 56.7% of overall value added, substantially more than the EU averages of 65.2% and 53.0% respectively. SME productivity, defined as value added per person employed, was EUR 11 400, less than a third of the EU average of EUR 40 000. The average SME size in 2020 was slightly lower than the EU average, comprising 3 employees versus 3.7.

On SME performance in specific areas, Greece has experienced an increase in entrepreneurial and innovation activity in recent years, with the country now becoming an attractive foreign direct investment (FDI) destination for technology-based sectors. However, access to finance and the administrative burden for SMEs remain key aspects to improve in the Greek business environment. In addition, Greek SMEs are lagging behind in digitalisation, although significant steps have been made recently on the digital transition.

In 2021, substantial growth in both SME value added and SME employment is expected, which can partly offset the downturn in 2020. SME value added is predicted to grow by 14.1%, and SME employment is forecast to increase by 10.6%. While SME value added therefore remains 8.4% below its 2019 level, SME employment exceeds its 2019 level by 9.0%.

Figure 1: Number of enterprises, persons employed and value added in 2020

	 Number of enterprises			 Number of persons employed			 Value added		
	Greece		EU-27	Greece		EU-27	Greece		EU-27
	Number	Share	Share	Number	Share	Share	€ billion	Share	Share
Micro	680 038	94.6%	93.3%	1 217 952	46.9%	29.6%	8.5	19.7%	18.7%
Small	34 701	4.8%	5.7%	603 944	23.3%	19.7%	6.9	15.9%	17.0%
Medium-sized	3 819	0.5%	0.9%	331 976	12.8%	15.8%	9.1	21.1%	17.3%
SMEs	718 558	99.9%	99.8%	2 153 872	83.0%	65.2%	24.6	56.7%	53.0%
Large	522	0.1%	0.2%	442 391	17.0%	34.8%	18.7	43.3%	47.0%
Total	719 080	100.0%	100.0%	2 596 263	100.0%	100.0%	43.3	100.0%	100.0%

Source: These are estimates for 2020 produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed).

2. Key strengths

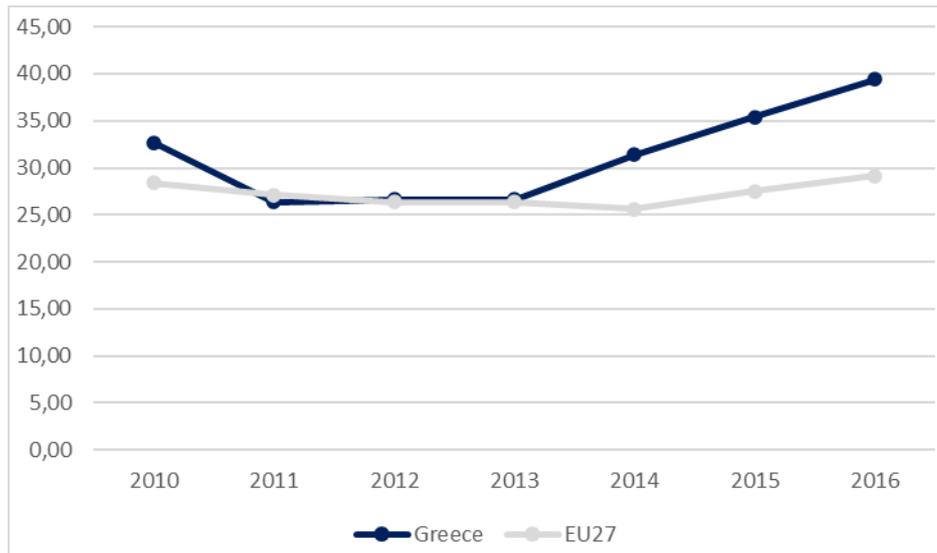
Greek SMEs are relatively good innovators

Greece has an increasing number of innovative companies. In 2016–2018, the overall share of innovative firms in Greece rose 2.6 percentage points over the 2014–2016 period, reaching 60.3%³.

Greek SMEs play a part in this relatively good performance. According to the European Innovation Scoreboard, SMEs are performing relatively well⁴ – approx. 4 in 10 SMEs innovate in-house, compared to the EU average of 3 in 10⁵. This rate has significantly improved during the last years⁶.

In addition, around 1 in 5 innovative Greek SMEs are likely to collaborate with others – more than double the EU average⁷; 20.8% of them collaborated with other companies or organisations in 2016-2018. The bigger these innovative companies are, the higher the level of cooperation⁸.

Figure 2: SMEs innovating in-house (% of SMEs)



Source: Community Innovation Survey, 2016⁹

Entrepreneurial activity is growing in Greece – now closer to the EU average

Greece is developing a dynamic start-up culture. During 2019, start-ups raised EUR 147 million, while major international companies are acquiring an increasing number of them¹⁰.

In addition, during 2019, Greece increased its share of early-stage entrepreneurial activity – which reached 8.22%¹¹ – supported by moderate economic growth and the presence of new funding instruments. While this remains below the average of innovation-driven economies¹², it is the highest recorded rate in the past decade and now closer to the EU average¹³.

In 2020, the Greek government launched the 'Elevate Greece' platform, which aims to offer targeted support to start-ups, making it easier to obtain information on specialised incentives and benefits. This will help with monitoring how the start-up ecosystem is developing at national level, also by including the national start-up registry as part of the platform¹⁴.

Greece is becoming an attractive FDI destination for technology-based sectors

Thanks to its highly qualified workforce, the focus on niches in critical technologies, and recent efforts to promote Greece as an attractive FDI destination, the country has attracted investments that could transform its economic profile, such as research centres and centres of excellence from large multinational firms. Major investments are concentrated in the main urban centres.

Examples include a robotic process automation research centre and a new data centre set up by Microsoft in Athens, as well as an innovation centre for smart cities and the internet of things (IoT) set up by Cisco in Thessaloniki. ICT investments are expected to gradually extend to more regions in Greece, as has been the case with the TeamViewer Technology Hub in Ioannina.

These investments are creating an environment that helps create high value-added clusters and ecosystems that benefit innovative start-ups.

3. Key challenges

Access to finance, including seed, start-up and growth venture capital, is a major challenge for Greek SMEs

Equity funding for new and growing firms remains underdeveloped and lags behind other EU countries. Seed, start-up and 'later stage' venture capital investment in Greece only represents less than 0.01% of GDP, compared to 0.04% of GDP in the EU¹⁵. The cost of financing and the required collateral is higher than the EU average¹⁶.

The Hellenic Development Bank, whose main mission is to support micro, small and medium-sized enterprises by making it easier for them to access funding sources to address and cover any market failures, has created the 'COVID-19 Loan Guarantee Fund'. It helps them access working capital loans by providing guarantees in a portfolio with a maximum loss amount (cap). Its objective is to mitigate the effects of the COVID-19 pandemic on businesses by boosting their liquidity with working capital loans¹⁷.

The Greek government has been actively supporting the development of the capital market through the EquiFund programme for business and start-up financing since 2018¹⁸. Moreover, it has formally announced the development of several new funds and funding instruments, such as the Faistos Fund (L.4727, Article 94), which will focus on financing 5G applications¹⁹. However, it is worth noting that the adoption of several investment programmes announced in 2019 – such as 'Made in Greece' – has not been delayed, although they are still expected to be implemented.

Greece performs well below the EU average in digitalisation

According to the Digital Economy and Society Index 2020, Greece is well behind the EU average – ranking 24th out of 28 EU Member States in business digitalisation²⁰. Only 1 in 8 Greek SMEs can be regarded as digitally advanced, while just 50% are only at an initial stage of digital maturity²¹. Only 9% of enterprises send e-invoices²² and only 11% use their websites²³ or apps for sales. These are among the lowest values in the EU. This poor performance is in line with Greek SMEs' participation in the e-commerce sector – only 9.2%²⁴ and 6%²⁵ sell or purchase online respectively, both among the lowest shares in the EU.

However, digitalisation has recently become a key policy priority in Greece. The government has launched the Digital Transformation 'bible' for 2020-2025. It will develop considerable funds and more than 300 actions in order to boost digital transformation across the entire economy. Digitalising public services is also expected to drastically reduce the red tape that affects SMEs in Greece. The COVID-19 pandemic has also had a positive effect on the digital transition of Greek SMEs in 2020. Furthermore, many digital-relevant actions both for public services and SMEs are foreseen for implementation under the Recovery and Resilience Plan "Greece 2.0".^{26 27}

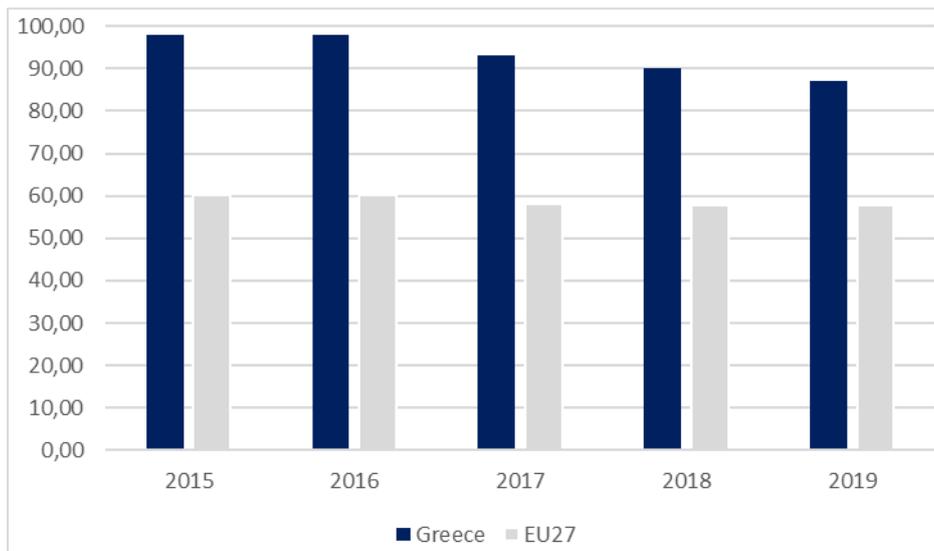
In addition, the government has announced other measures in this area, such as the measure to promote digital transformation through strong tax incentives for green and digital investments (*Εισαγωγή φορολογικών εκπτώσεων για τρία χρόνια σε πράσινες και ψηφιακές επενδύσεις*), which will be implemented in 2021²⁸.

Despite limited progress, the administrative burden remains a major issue

85% of Greek businesses find administrative procedures complex. The same applies to fast-changing legislation for 87% of companies. Although both rates have improved since 2015, they remain among the highest in the EU²⁹.

In line with this perception and according to the World Bank, the business environment in the country has improved only slightly since 2015 – mainly thanks to progress in the areas of 'Trading Across Borders' and 'Starting a Business'. However, some areas – such as 'Enforcing Contracts' and 'Getting Credit' – are not business-friendly and leave significant room for improvement³⁰.

Figure 3: Fast-changing legislation and policies are a problem when doing business (% of businesses that agree with the statement)



Source: Flash Eurobarometer 'Businesses' attitudes towards corruption in the EU, 2019³¹

The Greek government has been taking steps to reduce the administrative burden. In 2019, it launched Law 4635 'I invest in Greece and other provisions' (*NOMOS ΥΠ' ΑΡΙΘΜ. 4635 Επενδύω στην Ελλάδα και άλλες διατάξεις*)³². This aims to improve the business environment through a number of measures to simplify administrative procedures and legislation, and reduce supporting documents for applications.

4. Other key SME-related brief insights



IMPACT OF COVID-19 CRISIS ON SMES

The share of SME bankruptcies has increased since the pandemic, up from 10.43% to 16.37%. Creditors now recover a third of their loans, which is considerably less than the OECD average³³. The government launched several relief measures to mitigate the negative effects of COVID-19, such as refundable advance payments, loan guarantees and employment support schemes.



GREEN TRANSITION OF SMES

Greek SMEs continue to score below the EU average in green transition – only 74% of them have taken resource-efficiency measures, against an EU average of 89%³⁴. Few public support measures focus on this policy priority to help SMEs reduce energy use and minimise waste – only 5% of



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them have benefited from public support to produce green products, one of the lowest shares in the EU³⁵.



REGULATORY BURDEN

Internationalisation remains a challenge for Greek SMEs. Only 5.3% of Greek SMEs export and only 6.3% import intra-EU goods³⁶. Greek SMEs are also among the lowest online intra-EU importers³⁷ and exporters³⁸.

Regulatory burden remains a key obstacle to entrepreneurship. Recent reforms introduced to tackle this issue include the creation of an online platform to bring together all public sector digital services (gov.gr), the reduction of taxes and non-salary costs and the adoption of an out-of-court settlement mechanism.

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- ² The data for 2020 are estimates produced by DIW Econ, based on 2008-2018 figures from the Structural Business Statistics Database as well as provisional data for 2019-2020 from the National Accounts Database and the Short-Term Business Statistics Database (Eurostat).
- ³ National Documentation Center (2020), *Key innovation indicators for Greek companies 2016-2018. Preliminary findings*. Available at: https://metrics.ekt.gr/sites/metrics-ekt/files/ekdoseis-pdf/2020/CISstatistics_2016-2018_el.pdf
- ⁴ European Commission (2020), *European Innovation Scoreboard*. Available at: https://ec.europa.eu/growth/industry/policy/innovation/scoreboards_en
- ⁵ Eurostat (2016), *Community innovation survey*. Available at: http://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en
- ⁶ Ibid.
- ⁷ Ibid.
- ⁸ National Documentation Centre (2020), *Key innovation indicators for Greek companies 2016-2018, Preliminary findings*. Available at: https://metrics.ekt.gr/sites/metrics-ekt/files/ekdoseis-pdf/2020/CISstatistics_2016-2018_el.pdf
- ⁹ Ibid.
- ¹⁰ Greece Investor Guide (2019), *Start-ups*. Available at: <https://www.greeceinvestorguide.com/sectors/start-ups/>
- ¹¹ Global Entrepreneurship (2019), *Global Entrepreneurship Report*. Available at: <https://www.gemconsortium.org/data/key-aps>
- ¹² Foundation for Economic and Industrial Research (2019), *Annual Entrepreneurship Report 2018-2019: Support of Early-Stage Entrepreneurship*. Available at: http://iobe.gr/docs/research/RES_02_11122019_REP_GR.pdf
- ¹³ See Note 11.
- ¹⁴ Government of Greece (2020), *Elevate Greece*. Available at: <https://elevategreece.gov.gr/>
- ¹⁵ European Commission (2018), Eurostat, EVCA. Available at: <http://www.investeurope.eu>
- ¹⁶ Small Enterprises' Institute Hellenic Confederation of Professionals, Craftsmen and Merchants – IME GSEVEE, (2020), *Digital transformation and small enterprises*. Available at: https://imegsevee.gr/wp-content/uploads/2020/07/%CE%95%CF%84%CE%AE%CF%83%CE%B9%CE%B1-%CE%88%CE%BA%CE%B8%CE%B5%CF%83%CE%B7-%CE%99%CE%9C%CE%95-%CE%93%CE%A3%CE%95%CE%92%CE%95%CE%95_2020_FINAL-2.pdf
- ¹⁷ <https://hdb.gr/?lang=en>
- ¹⁸ Hellenic Republic, European Investment Fund (2020), *EquiFund*. Available at: <https://equifund.gr/>
- ¹⁹ Hellenic Parliament (2020), *Digital Governance Code (Transposition into Greek law of Directive (EU) 2016/2102 and Directive (EU) 2019/1024) - Code of Electronic Communications (Integration into Greek law of Directive (EU) 2018/1972) and other provisions*. Available at: https://www.hellenicparliament.gr/Nomothetiko-Ergo/Katathethenta-Nomosxedia/?law_id=90679c56-c4b9-40df-a4d3-ac31000071d9
- ²⁰ European Commission (2020), *Digital Economy and Society Index Report 2020 - Integration of Digital Technology by Enterprises*. Available at: <https://ec.europa.eu/digital-single-market/en/integration-digital-technology-enterprises>
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- ²⁶ https://ec.europa.eu/commission/presscorner/detail/en/IP_21_1990
- ²⁷ https://primeminister.gr/wp-content/uploads/2021/03/Greece-2_0-April-2021.pdf
- ²⁸ The Indicator (2020), *Super-discounts are coming for digital and green fixed capital investments*. Available at: <https://indicator.gr/erchontai-yper-ekptoseis-gia-psifiakes-kai-prasines-ependyseis-pagioy-kefalaioy>
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- ³⁰ World Bank (2020), *Ease of doing business in Greece*. Available at: <https://www.doingbusiness.org/en/data/exploreconomies/greece>
- ³¹ See Note 29.
- ³² Tax Heaven (2019), *Law 4635/2019 I invest in Greece and other provisions*. Available at: <https://www.taxheaven.gr/law/4635/2019>
- ³³ IMF Working Paper, *COVID-19 and SME Failures, September 2020*. Available at: <https://www.imf.org/en/Publications/WP/Issues/2020/09/25/COVID-19-and-SME-Failures-49753>
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- ³⁶ European Commission (2017), *Comext, International trade by enterprise characteristics*. Available at:

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³⁷ Eurostat (2019), *Community survey on ICT usage and eCommerce in enterprises*. Intra EU-online importers. Available at: http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=isoc_ec_ebuyn2&lang=en

³⁸ Eurostat (2019), *Community survey on ICT usage and eCommerce in enterprises*. Intra EU-online importers. Available at: http://ec.europa.eu/eurostat/web/products-datasets/-/isoc_ec_eseln2