



THE DEVELOPMENT OF SMEs IN GREECE

Policy document



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2014



Hellenic Confederation of Professionals, Craftsmen & Merchants (GSEVEE)
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Introduction

The Policy Document is the joint contribution of the social partners representing the SMEs in Greece, the Union of Hellenic Chambers of Commerce and the Task Force for Greece (TFGR) in formulating proposals and determining specific policy measures in order to tackle the problems of small and medium-sized enterprises (SMEs) in Greece.

The document intends to support the “New Growth Model – Greece 2021” strategy presented by the Greek government by proposing concrete SME related actions under the headings of the most relevant policies included in this document (see Annex 1 attached).

While taking into consideration the political growth agenda in Greece and related post-crisis constraints, Greece’s performance and perspective has to be evaluated in a European context and the broader internal market perspective Greek SMEs have to compete in. For this reason, reference is being made to a policy tool/benchmark put in place by the European Commission: The starting point is the Small Business Action (SBA) and the large number of the initiatives taken by the Greek Government to implement this in Greece. The implementation of the SBA is also a key element for the fulfilment of the ex-ante conditionality linked to the structural funds under the objective “enhancing SME competitiveness”.

Before the Policy Document was drafted, a large number of personal interviews and workshops were carried out, involving the social partners, active in the representation of Greek SMEs and who are key interlocutors of the Greek government in policy-making (GSEVEE, ESEE, UHCC, SETE). The main idea, considering that they are the persons best aware of their problems, was that their opinion and proposals would be heard.

According to the latest EU annual report on European SMEs for 2013, the SMEs of states which are vulnerable regarding public debt are facing serious problems related to liquidity, job losses and lack of value added. The only sector not affected by the above problems is the high technology (High Tech) sector. It seems that the countries which have established a solid and comprehensive approach to the implementation of SBA measures and policies are more able to support SMEs during the recession.

SMEs in Greece are currently in the fifth year of the economic crisis. Despite the fact that Greek governments have implemented certain policies for SMEs (Investment Law No 4072, Creation of private capital companies, supporting self-employment, etc.), it is clear that Greek SMEs have been affected severely and to a disproportionately greater extent as compared to large enterprises. According to the SBA Fact Sheet for Greece for the period 2012-2013, there is a significant decline in all SME sectors (Construction, Manufacturing, etc.) mainly attributed to the austerity measures (particularly tax increases and the reduction of wages and pensions), the centralised nature of businesses (which exacerbates regional inequalities) and the banking crisis (banks’ reluctance to lend to Greek companies). Moreover, the SBA Fact Sheet for Greece lists Greece’s most significant negative deviations from the European reality. Negative deviations concern, in particular, the fields of entrepreneurship, priority given to



SMEs, the response of Public Administration, financing, State aid, the single market, skills and innovation, the environment and internationalisation.

The Policy Document is not a fully-fledged text of proposals for a national SME policy. It does not include, inter alia, clearly sectoral policies, besides some on tourism, because the SETE (Association of Greek Tourism Enterprises) is a social partner. The selection of the proposals presented in the Policy Document was based on the horizontal nature thereof, the effectiveness of the measure, feasibility in the short or medium term, as well as compatibility with the general policies promoted by the EU. In order to fully record and capture the views of the social partners, their opinions are included in a separate Annex to this document.

Specifically, the policy measures are divided into three axes: The first axis concerns Business Environment Issues. In particular, taxation, competition and bureaucracy are issues which should be immediately tackled by the political leadership as part of a coherent SME policy. The second axis is related to the structures supporting entrepreneurship, as a prerequisite for developing healthy and sustainable business activity. Specifically, the need to create and support the already existing business structures is made evident. The third policy axis includes three general policy issues, which may not be directly related to the general business environment issue but are however of particular significance and are referred to as major policy issues. These issues are Insurance, Infrastructure and issues related to Access to finance.

This policy document will be presented to the Greek government and to the authorities responsible for SME policy and/or the implementation of the proposed actions.



CHAPTER 1

Small and medium-sized enterprises in Europe

Key policy lines and current situation

INTRODUCTION

The first Chapter is divided into two main sections. The first outlines the key policy lines for SMEs arising from the respective Policy Documents and the second presents the current situation of SMEs at European level, as reflected in the latest report of the European Commission on Small and Medium-sized Enterprises.

1.1. European policy on Small and Medium-sized Enterprises

It is now commonly acknowledged that small and medium-sized enterprises are the backbone of the European economy. The paramount importance of SMEs for Europe is evidenced by the large number of European and national initiatives undertaken to support them. Specifically, in the context of designing European policy from 2000 to date, a number of measures have been developed to support and assist SMEs through various initiatives/strategies¹:

The Small Business Act (SBA), namely the guide of Member States for SME-related policies and measures, is a large Initiative/Strategy to assist SMEs.

In particular, the SBA has laid down 10 principles for planning and implementing policies at EU and Member State level²:

In 2011 the Commission assessed and reviewed the implementation of the SBA based on the new needs of SMEs operating in the current economic environment. The SBA review recommends a number of new actions, in order to meet the challenges arising from the economic crisis and to further develop existing actions in consultation with Europe 2020³ :

The main conclusion to be drawn from the above is that the European Commission gives considerable significance and support to SMEs, acknowledging that they are one of the basic pillars of the economy at both European and national level.

1. For example: The Lisbon Strategy, The Europe 2020 strategy, The European initiative for small and medium-sized enterprises in Europe ('Small Business Act -SBA'), The SME envoy institution, etc.

2. http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

3. Specific Actions, such as: Smart regulation for European SMEs, Specific attention to SMEs' financing needs, Enhancing SMEs' access to the single market, Resource-efficient economy and Promoting entrepreneurship, job creation and inclusive growth

http://ec.europa.eu/enterprise/policies/sme/small-business-act/files/sba_review_en.pdf



In the context of monitoring the implementation of the SME policy and its impact both at European and national level, the European Commission publishes an annual SME Review.

1.2. SME Review 2013

The SME Review is a very important tool of the European Commission and its overall objective is divided into two sub-objectives:

- Firstly, to provide an overview of the current situation of SMEs in the Member States, their structure and their contribution to employment and economic prosperity in the European Union, and
- To analyse how and to what extent SMEs are recovering from the crisis and what the future prospects of the SME sector are.

Key information of the annual SME Review 2013⁴:

A. As evidenced by statistics, **SMEs are still bearing the brunt of the crisis more than large enterprises**

- It is noted, by observing the situation in depth and taking into account the difficulties stemming from the current economic crisis, that, although **during the 2008-2011 period SMEs resisted the crisis better than large enterprises**, in 2012 they suffered losses of about 6 10 000 jobs, i.e. a 0.7% decrease as compared to 2011. Furthermore, the contribution of SMEs to GDP fell by 1.3% from EUR 3.44 trillion in 2011 to EUR 3.390 billion in 2012. Another consequence of the crisis was that losses in employment and value added were very unevenly distributed among the Member States. It should be noted that job losses in SMEs are heavily concentrated in the more vulnerable Member States which are still affected by the sovereign debt crisis.
- European SMEs were significantly more resilient than large enterprises, to the 2008 crisis, particularly regarding employment. **However, after the crisis, recovery was equally difficult for SMEs.**
- Whilst large enterprises posted a decline in value added of EUR 8.6 billion in 2012, medium-sized enterprises posted the highest loss in value added amounting to EUR 17 billion, followed by micro-enterprises (EUR 14 billion) and small-sized enterprises (EUR 13.2 billion).. **The difference between the added value figures for SMEs and large enterprises over the period 2008-2012 reflects the weakness in domestic demand, which is a key market driver for SMEs**, whereas large enterprises benefited from improved export performance.
- The year 2012 was characterised by a decline in employment and added value by manufacturing SMEs. **The poor performance of SMEs in the manufacturing sector can be explained by the sharp decline of investment** in capital formation and innovation due to **difficult credit conditions** and the weakness of domestic demand.

B. However, over the last three years, an increasing number of Member States have seen their SMEs returning to employment growth and the creation of added value. About half of the

4. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/annual-report-smes-2013_en.pdf

27 EU countries created new jobs in 2012, adding approximately 0.5 million net jobs. SMEs in the high-tech sector and manufacturing SMEs in the general technology sector posted a substantial increase in value added between 2008 and 2012.⁵

C. The results of the SME Review may have been shaped by various other factors, mainly the impact of the recession following the 2008 economic crisis. Nevertheless, as emphasised in the summary of the SME Review, **the countries which have created a solid and comprehensive approach to the implementation of the SBA, such as Austria, Belgium and Denmark, seem better able to support SMEs during the recession.**⁶

D. Since 2008, the improvements in the performance of SMEs have been underpinned by various policy measures by the EU and its Member States, the most significant being the Small Business Act (SBA). The implementation of the SBA has contributed improving the place of SMEs in Europe, through the creation of political impetus and the convergence of policies across the different countries. During the period 2010-2012, the EU Member States implemented approximately 2400 policy measures to support SMEs. **Nonetheless, the implementation of the SBA at a national level has created a number of problems.** Moreover, it is not possible to detect a direct link between the implementation of the SBA measures and the substantial improvement in the place of SMEs in Europe. As a consequence of the economic situation, a gap was created between the policy sector and the business environment in which SMEs operate. In other words, the implementation of SBA-inspired policy measures may not match, or match only partially, the immediate needs of SMEs. The results included in the following Table confirm the existence of a gap between the policy sector and the SMEs' expectations.

Table 1. Policy Progress in relation to Market Satisfaction⁷

<i>SBA PRINCIPLES</i>	<i>Policy Progress</i>	<i>Overall Satisfaction</i>	<i>SBA Priority Market</i>
<i>Entrepreneurship</i>	Moderate	Medium	Low
<i>Second Chance</i>	Limited	Low	High
<i>Think Small First</i>	Moderate	Low	High
<i>Responsive Administration</i>	Moderate	Medium	Low
<i>State aid & public procurement</i>	Moderate	Low	High
<i>Access to finance</i>	Moderate	Low	High
<i>Single Market</i>	Limited	Medium	Low
<i>Skills and innovation</i>	Moderate	Medium	Low
<i>Environment</i>	Limited	Medium	Low
<i>Internationalisation</i>	Moderate	Low	High

5. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/annual-report-smes-2013_en.pdf

6. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/summary-paper_en.pdf

7. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/supporting-documents/2013/summary-paper_en.pdf



Based on the above, the European Commission considers that **a new policy for SMEs** is required in order to provide the necessary **stimulus for recovery**. The essential elements required for the recovery and economic prosperity of small and medium-sized enterprises include harmonised policies, the improvement of the conditions of access to finance, strong public demand for the goods and services provided by SMEs, appropriate attention to the policies regarding the labour market, the reduction of payment charges and simpler regulatory and administrative requirements.

CHAPTER 2

Small and medium-sized enterprises in Greece

The picture according to the SBA Fact Sheet for Greece⁸:

INTRODUCTION

Greece is in the fifth year of deep recession. In a country where 85 % of private employment is concentrated in SMEs and more than 50 % in micro enterprises (0-9 employees), a prolonged recession, which is exacerbated by austerity measures and the delay of absolutely vital structural reforms, has affected SMEs profoundly and disproportionately more than large enterprises.

2.1. Facts about small and medium-sized businesses in Greece for 2012-2013⁹

Even though the EU returns to the before crisis levels increasing jobs in SMEs and the SMEs added value, reducing unemployment in SMEs etc, Greece still faces problems in policies for SMEs according to data ¹⁰ (see below Table 2 and Graphics 1-3) demonstrating the continuous reduction not only of the added value but also of the number of the employees working in the SMEs. Therefore, a new policy/political framework of support is required in order to cease this decline.

8. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/greece_en.pdf

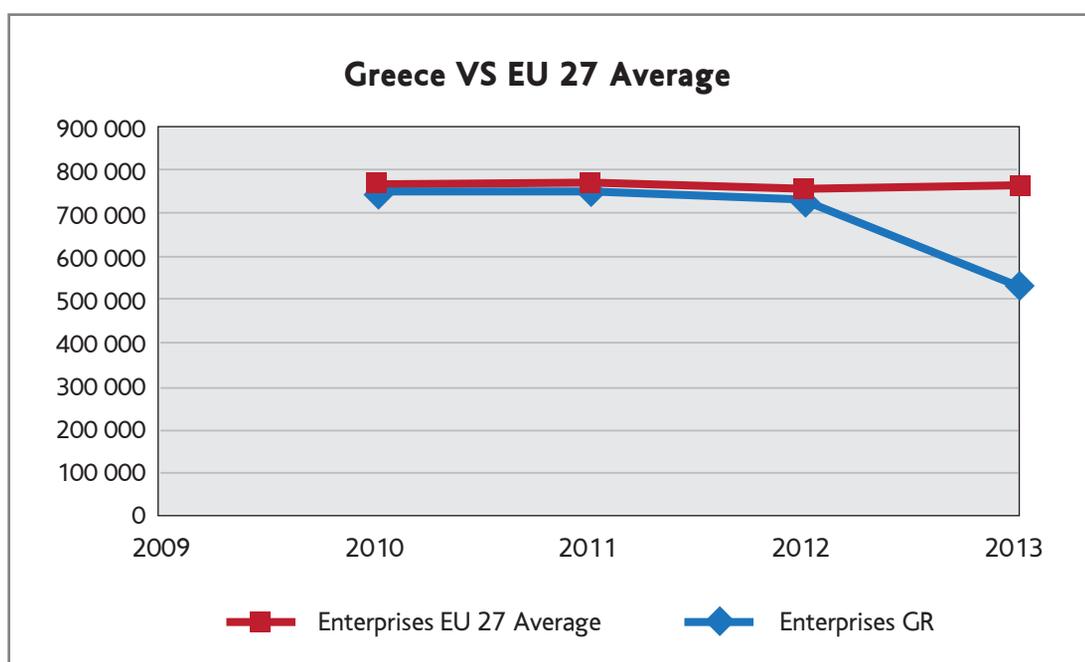
9. http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/greece_en.pdf

10. According to data from SME Performance Review 2013 http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Table 2: EU (27) average and respective data of Greece concerning the SMEs 2010-2013¹¹

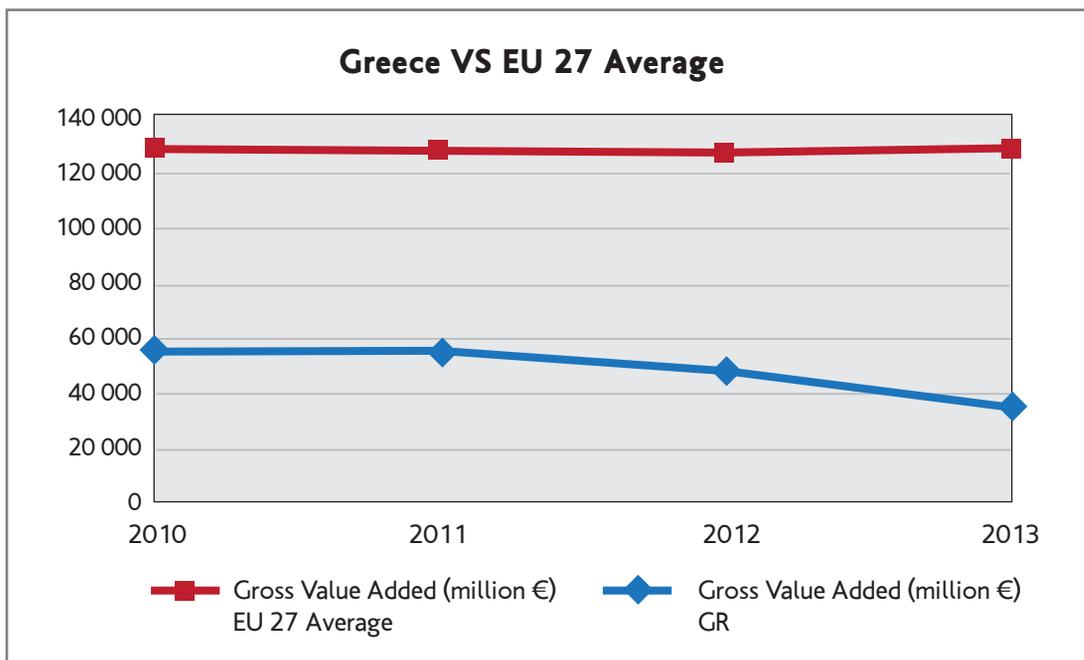
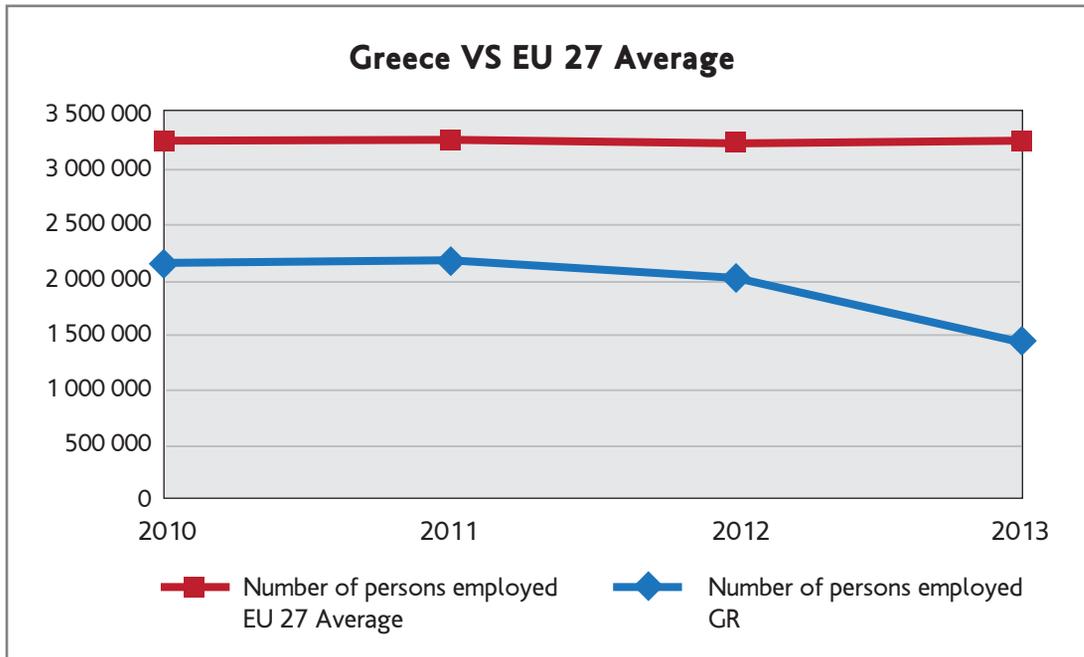
Greece	2010/2011	2012	2013¹²
Enterprises	745 677	727 883	531 059
Gross Value Added (million €)	55 000	47 000	34 000
Number of persons employed	2 150 438	1 998 453	1 426 840
EU (27) Average	2010/2011	2012	2013
Enterprises	770 973	753 920	763 486
Gross Value Added (million €)	126 186	125 755	127 036
Number of persons employed	3 239 916	3 215 360	3 225 641
Greece VS EU 27 Average	2011	2012	2013
Enterprises GR	745 677	727 883	531 059
Enterprises EU 27 Average	770 973	753 920	763 486
Gross Value Added (million €) GR	55 000	47 000	34 000
Gross Value Added (million €) EU 27 Average	126 186	125 755	127 036
Number of persons employed GR	2 150 438	1 998 453	1 426 840
Number of persons employed EU 27 Average	3 239 916	3 215 360	3 225 641

Graphic 1-3: EU (27) average and respective data of Greece concerning the number, jobs and added value of SMEs during the period 2010-2013



11. SBA Fact Sheets for Greece 2010/2011,2012 and 2013

12. SBA Fact Sheet for Greece 2013 http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/greece_en.pdf . Data for 2013 are estimates.



It is clear that **Greek SMEs have suffered profoundly and disproportionately more than large enterprises from the prolonged recession** to an extent disproportionately greater than large enterprises, considering that, in the last five years, negative growth figures are constantly being recorded for GDP at 2005 values. Prolonged recession and the steady increase in unemployment rates have had a very negative cumulative effect on companies, especially small and micro enterprises, which represent the overwhelming majority of Greek SMEs. Regarding the total number, the contribution to employment and the total added value, the SMEs sector in Greece depends on **micro enterprises** more than in other European countries. Greece is part of the group of countries (along with Spain, Portugal and Italy) where SMEs account for a higher percentage of the total employment as compared to the rest of Europe. This employment is concentrated mainly in micro enterprises, which provide more than half of the total number of jobs, whereas the respective percentage in the entire EU is about 30%.



In the **construction sector**, both SMEs and large enterprises experienced a significant downturn in the period 2008-2012. This negative development is confirmed by the steady decline in the number of building permits issued: -11.1% (2010), -28.5% (2011) and -36.7% (2012). Moreover, the construction index (covering buildings and public works) decreased by -29.2% (2010), -28.1% (2011), -26.1% (2012) and -19.0% (2013). In comparison with the sector's large enterprises, SMEs suffered the biggest decrease in the number of employees (Large enterprises: -19 %, SMEs -35%) and in value added (Large enterprises: -20%, SMEs -33%). This may be attributed to the fact that the disappearance of big public contracts has turned large enterprises towards smaller construction projects, thus displacing SMEs. In addition, some large companies have turned towards environmental/energy projects (e.g. wind farms, energy infrastructure, renewable energy sources) or waste management/recycling projects. On the contrary, SMEs are mainly active in the private market, which collapsed after 2009.

SMEs were also affected by the crisis in the **manufacturing sector**. Overall, during the period 2008-2012, the number of employees shrank by about 20% and the value added by about 10%. Again, large enterprises were the least affected in the period 2009-12, both in terms of employment (Large Enterprises: -8%, SMEs -14%) and value added (Large enterprises: -6%, SMEs -16%). The negative growth may be partly attributed to the austerity measures, particularly tax increases and other developments, such as the reduction of wages and pensions. This situation led to increased financial burden and tax obligations for enterprises, combined with a reduction in the purchasing power of consumers. These challenges are normally better faced by large enterprises than by SMEs, at least in the short term. Moreover, many tax incentives and exemptions that SMEs previously enjoyed have been removed. It is very important for the manufacturing sector that there is generally a high concentration of business activity in the metropolitan area of Athens, thus offering agglomeration advantages to SMEs, particularly micro enterprises, as regards the concentration of final demand, proximity to the sources of raw materials, external economies and economies of scale. In addition, the centralised nature of the Greek economy means that **more than 35% of Greek companies are located in the metropolitan area of Athens**. The concentration of manufacturing activities exacerbates regional inequalities, because regions face challenges such as dependence on few economic sectors and isolation from the mainland.

The trade sector recorded heavy losses because of the economic crisis, which are confirmed from the closing of almost 130.000 commercial SMEs since 2008. More specifically, the employment in trade during the period 2008-2014 declined by 23,8%¹³ but the aggravation was also recorded in all economic fundamentals. During the period 2011-2012 the smaller commercial enterprises (General partnership - OE, Limited partnership – EE, Sole proprietorships - AtE) showed significantly worse performances than the larger ones (Limited Companies– AE and Limited liability companies – EPE)¹⁴.

86,2% of the sector's smaller enterprises declared sales drop >5%, against 68,2 of the larger ones, whereas the image in the profits did not change, since 87,9% of smaller enterprises showed a decline of profits, against 75,3% of the larger ones. It should be noted that even the expectations regarding sales, liquidity and investments in fixed capital for the period 2013-2014 are significantly worse for the smaller enterprises. These developments are the result of the adoption of restrictive policies that drove to a large reduction in disposable income, in combination to the historically high unemployment but also to the considerable

13. El. STAT data for the first quarter of the year, which is the last available for 2014

14. According to ESEE's IN.EM.Y research for the Annual Report of Greek Trade which is the only one that covers smaller enterprises (OE, EE, AtE) that are not obliged to publish balance sheets

uncertainty that affected consumers' confidence. Nevertheless, the uneven dissemination to the detriment of the smaller commercial enterprises could be attributed, among others, to the harder access of SMEs to liquidity, but also to the higher suppliers' prices they are facing as well as to the different fiscal treatment.

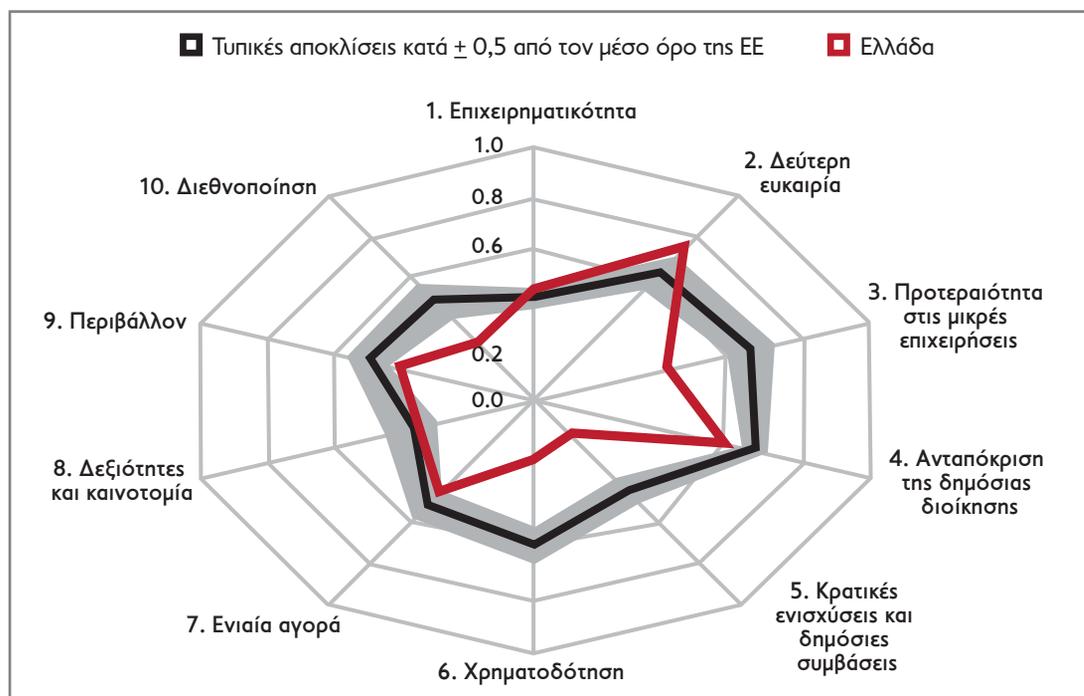
Like all companies, SMEs are also **facing the crisis** and, in some cases, the closing down of **financial institutions**. The extreme reluctance of banks to lend Greek companies because of the strict financing constraints due to the national debt crisis exacerbates the cycle of economic recession and seriously undermines the efforts of Greek SMEs to continue their activity. Almost no specialised mechanism of financial support for SMEs has been left unaffected by the current financial situation and, in general, the access of SMEs to loans, credit and financial resources is limited.

It is worth noting that, because of the limited availability of data for Greece, **the information bulletin of the SBA Fact Sheet for Greece is less complete than the bulletins of the other Member States**. Specifically, the Table including the key figures for SMEs concerns sectors for which there were available data in 2009, thus allowing only a partial picture of the SME sector in the country.

2.2 The profile of Greece regarding the SBA and the framework of the initiatives of the Greek government

The SBA Fact Sheet for Greece 2013 analyses the position of Greece regarding the 10 main SBA sectors (as analysed above), in comparison with the EU average. The figure below indicates the position of Greece and the positive-negative deviations from the EU.

Figure 4: Positive and negative deviations from the EU¹⁵



15. Source: SBA Fact Sheet for Greece 2013 http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/greece_en.pdf



Overall, the profile of Greece regarding the SBA is not satisfactory. It has few relatively strong points (mainly in the ‘second chance’ and the ‘single market’ areas) which however also present weaknesses.

In the last year, ten policy measures were implemented in Greece and related to six of the 10 SBA policy sectors. The results of the crisis led the government to prioritise access to finance and offer additional support for self-employment in the context of the existing programmes.

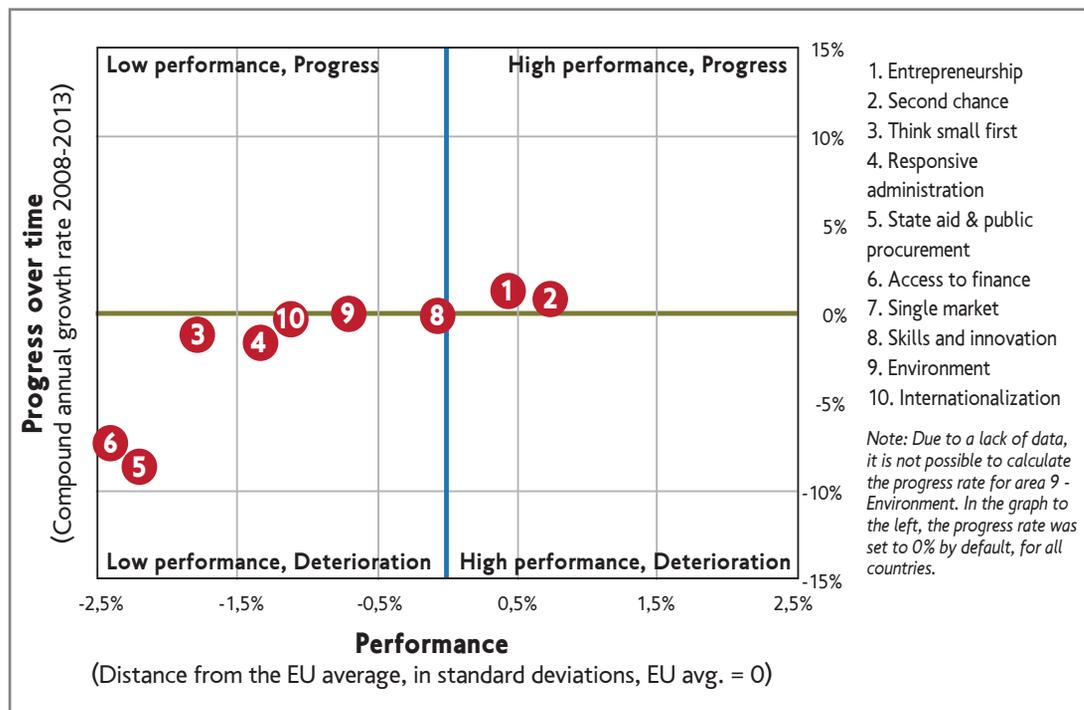
Under the SBA Fact Sheet for Greece 2013, the Greek initiatives for the SBA are the following:

- The measures required in the ‘**internationalisation**’ sector were taken by developing a national strategy for exports. However, the most important progress was made in the ‘skills and innovation’ sector, with the programme for clusters, the ICT4Growth action and the announced modernisation of the National Patent Office. The initiative for clusters is the continuation of a long-term plan for establishing strong cores of business activities which have the potential to exploit research results in order to create innovative products and services. The creation of clusters should be the pilot phase for the implementation of a broader policy. Moreover, the SBA-related performance deteriorated in certain sectors, notably in the ‘State aid’ and ‘financing’ sectors.
- The ‘Business Friendly Greece’ action plan, a significant initiative for the improvement of the performance of Greece with regard to the SBA, has been approved (Law 4072, 2012). This plan comprises several measures to **remove barriers which hamper entrepreneurship**, including provisions regarding company law, starting, establishing and closing a business, simpler licensing procedures, public procurement, taxation and absorption of structural EU funds.
- The SME envoy (the Head of the Directorate for Small and Medium-sized Enterprises), who reports to the General Secretariat for Industry of the Ministry of Development and Competitiveness, has been appointed.

2.3 Deviations from European reality (GAPS)

As said above, the Small Business Act (SBA) establishes ten basic principles for planning and enforcing policies at EU and national level. Based on these principles and the annual review SBA Fact Sheet for Greece (2013), we hereby list the deviations of Greece from the European reality.

Figure 5: Progress and performance of Greece regarding the SBA principles as compared to the EU average¹⁶



2.3.1 Entrepreneurship

In terms of entrepreneurship, negative deviation is low regarding entrepreneurial intention (i.e. adults who intend to establish their own business in the next three years), the entrepreneur’s social prestige and school education for the creation of entrepreneurial culture.

Moreover, it seems that the negative deviation regarding entrepreneurship driven by the presented opportunities and the attention of the media to entrepreneurship is high.

2.3.2 Think Small First

Except for licensing systems, Greece is below the EU average in this policy sector. Entrepreneurs still believe that the Greek authorities impose more regulatory burdens than other EU national authorities.

2.3.3 Public administration response

In this policy sector, three indicators lower Greece’s performance below the EU average: it costs much more to transfer assets (11.8% of the value of assets as opposed to 4.6% in the EU) and starting a business (EUR 910 as opposed to EUR 343 in the EU) and the minimum paid-in capital has actually increased since last year.

16. Source SBA fact sheet for Greece 2013 http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2013/greece_en.pdf



2.3.4 State aid and public procurement

The overall performance of Greece in this policy sector is much lower than the EU average and shows signs of deterioration, especially in the sector of State aid for SMEs. Moreover, the time required for public authorities to make payments has increased (2011: 66 days, 2012: 114 days), i.e. four times longer than the EU average.

2.3.5 Financing

The performance of Greece in this policy sector is well below the EU average and shows additional signs of deterioration, which is extremely worrying for SMEs. Indicators suggest that banks are extremely reluctant to grant loans to Greek companies, mainly because of the tight funding constraints due to the public debt crisis. This exacerbates the vicious circle of economic recession and significantly undermines the efforts of Greek SMEs to continue their activities. Only two indicators range within the levels of the EU average: the availability of information on credit and the difference between the interest rates for small and big loans. As to the rest, Greece is below the EU average in this SBA policy sector, regardless of which indicator is taken into account. The deviation from the EU average as regards the willingness of banks to grant loans and the percentage of rejected SME applications for loans is particularly worrying. Moreover, the total time required for payment is still twice the EU average (104 days as opposed to 52), the number of lost payments is almost twice the EU average (5.9% as opposed to 3%) and there is no improvement in the ‘strength of legal rights’ indicator. Finally, the absorption of EU funds is below the EU average.

2.3.6 Single Market

In the ‘single market’ sector, the performance of Greece is at the EU average level, but with highly divergent indicators. Moreover, Greek SMEs find it difficult to exploit the full potential of the Single Market and they are four times less likely to export within the EU and nearly five times less likely to import from other Member States. This is partly due to the country’s regional geographical position, which limits the scope of activity of SMEs mainly to the neighbouring economies, which have also been affected by the crisis: Italy (8% of total exports), Bulgaria (6%), Cyprus (5%) and Romania (4%).

2.3.7 Skills and innovation

The performance of Greece in this policy sector is in line with the EU average, but there are significant variations in the individual indicators of the individual sectors. Regarding skills, Greek SMEs and micro enterprises are much less likely, than the corresponding EU enterprises, to train their employees and their employees are much less likely to participate in educational and training sessions. The readiness of Greek SMEs to use IT in electronic buying and selling operations is also below the EU average. Regarding innovation, according to 2006 data, the performance of Greek SMEs was clearly better than the average overall performance in all indicators, however, according to the evaluation grid for innovation in the Union, in 2013, the performance of Greece in innovation was medium and below the EU average. More specifically, the figures for 2010 show some deterioration of the ability of Greek SMEs to transform market innovations and company innovations into sales.



2.3.8 Environment

The overall performance of Greece in this policy sector is slightly below the EU average and there are some deviations in the individual indicators. On the one hand, Greek SMEs are less likely to take environmentally friendly measures than the other EU SMEs. Moreover, they have received less support for this purpose. On the other hand, they enjoy the same level of support if they provide green products and services, but are much more likely to enter into 'green' markets and specialise in them.

2.3.9 Internationalisation

The overall performance of Greece in this policy sector is much lower than the average, mainly because of the time required for transactions outside the European Union. Although improvements have been made, Greek SMEs still need about 15 to 19 days for import and export activities respectively, whereas the EU average is 11 days for both. However, the cost and the bureaucratic procedures do not differ much from the EU average. In this context, Greek SMEs have far less potential than other SMEs (half of the EU average) to make transactions outside the EU. According to the latest figures from the Bank of Greece, the main export partners are neighbouring countries: Turkey (11% of total exports), Italy (8%), Germany (6%), Bulgaria (6%) and Cyprus (5%), which indicates that there are potential unexploited opportunities in more distant countries, e.g. USA (4%). Nevertheless, the sectors dominated by SMEs and leading the export activity, such as the food production sector (19% of total exports in 2013), should make more efforts to establish uniform quality standards and trade rules on export markets, exploit competitive advantages and process natural resources such as aluminium deposits, which account for 4% of total exports in 2013.

Briefly, regarding the Greek reality, taking into account the number of SMEs and the jobs they create, we believe that they must become one of the main pillars of growth for the Greek economy. As a result, the emergence and promotion of the appropriate mixture of actions to support SMEs, by exploiting the growth dynamics of the private sector, the Greek government's strong desire for economic growth, the continuing proposals from social partners and the best practices of the European Commission for SMEs, may become of major importance in creating conditions for the recovery and increased reliability of the Greek economy.

Framework and Policy Measures

INTRODUCTION

*The particular importance of a national policy for SMEs in Greece is clear, more than in the other Member States of the European Union, for the following two reasons: a. The fact that, based on all three size criteria (number, employment capacity, value added), **the importance of SMEs in Greece, especially of micro enterprises, is greater than in the vast majority of the other Member States**, and b. The fact that the **long and deep recession** has already led to a drastic reduction in the number of SMEs while still directly threatening the viability of thousands of small businesses, with well-known consequences for employment, the insurance system and government revenues.*

*The above two reasons cumulatively impose the planning of a coherent policy to support small enterprises in Greece. This is the main objective of the Policy Document and the **interventions** proposed to achieve this goal are divided into **three levels**: 1. the main policy-planning strategic objective, 2. the creation of long-term infrastructure for planning, enforcing and monitoring SME policy, and 3. the specialisation of SME policy measures per thematic area. These levels are developed in the following paragraphs.*

During the discussions, the need for proposals related to raising awareness of the interested parties concerning the European funding programmes as well as European policies affecting the SMEs, was noted.

European Commission has to emphasize on

- ✓ Raising awareness in a more efficient manner
 - ✓ Financing small and ultra-small enterprises
-

Regarding the SMEs in the tourism sector, relevant proposals¹⁷ should take under consideration the multiple benefits for the local economies.

¹⁷ See Annex 5: Proposals of INSETE for the creation of a national strategy for small and medium-sized enterprises



3.1. Main SME policy-planning strategic objective

The main SME policy-planning strategic objective is of paramount importance, since it establishes the context within which policy implementation measures and means are decided. The 'health' and competitiveness of small enterprises is obviously affected by the general economic environment of an unprecedented and long-term recession, in which all kinds of entrepreneurial activity face serious problems, no matter how soundly they are managed and organised. Although the low levels of productivity and innovation of small enterprises in Greece are not questioned, this works in favour of enforcing a policy supporting small entrepreneurship rather than a policy for its destruction.

At European level, the prevailing perception about the area of small enterprises and their importance to the economy is summarised in the following reference in the recent study of the European Commission for European SMEs in the years 2012-2013¹⁸: *'The role of SMEs is crucial for the European economic recovery - their number, employment capacity and value added constitute a large share of the European economy. Providing the right conditions in which SMEs can flourish is paramount for ensuring a sustained recovery and achieving prosperity for all EU-citizens'*. The example of the European Central Bank is also typical. Acknowledging the importance of small enterprises and the lack of relevant information, at least regarding access to finance, it launched an ongoing six-monthly survey in 2009 on the access of SMEs to finance at euro area level.

In this context, **the main SME policy-planning strategic objective should be:** *The implementation of a long-term policy supporting small entrepreneurship so that small enterprises may operate in a healthily competitive friendly business environment'*. Subsequently, policy measures and means to support small enterprises may be planned in the context of this objective.

3.2. Long-term infrastructure for planning, enforcing and monitoring SME policy.

Every set strategic objective presupposes the **existence of corresponding infrastructure for planning the policy measures and political means that serve the objective**. In Greece, there seems to be no operational corresponding policy-planning infrastructure for SMEs and the relevant measures taken derive from fragmented decision-making centres each of which serves different objectives, obviously depending on the duty portfolio it manages. Therefore, there is no: a. **text of principles** that refers to the implementation of a strategic objective of supporting SMEs in specific areas of interest for small enterprises, and b. corresponding infrastructure for planning, enforcing and monitoring **the measures taken in the above context**. The above elements are the cornerstones of the concept of long-term production of a policy for SMEs and the monitoring of its implementation. The set-up of the correspondent infrastructure will also be in line with the ex-ante conditionality in the area of the SME competitiveness in the context of the structural funds. Based on the above, it is suggested that the basic components of a long-term SME policy infrastructure be the following:

→ Enforcing the Small Business Act (SBA)

As previously mentioned and explained in detail, the Small Business Act (SBA) is the main policy vehicle of the European Commission for small enterprises.

The SBA should be the main text of principles which sets the framework of designing, enforcing and monitoring the SME policy. The plan for its implementation must be the tool for promoting the strategy for SMEs in Greece. The forthcoming implementation of a policy for growth in Greece should adequately take into account the significance of SMEs in the country.

→ Strengthening the SME Envoy institution

The SME Envoy has three main objectives: a. to promote the interests of SMEs, b. to act as the key point of reference between the Commission and the other national Representatives, and c. to contribute to the SBA assessment and reports and transfer best practices from one Member State to another. Greece has indeed appointed a SME Envoy, however, he does not seem to have the necessary duties as regards planning and monitoring the implementation of SME policy or at least specific issues related to the interests of small enterprises. It is worth noting that the communication between social partners and the SME Envoy is practically non-existent, although it should have been frequent and dynamic on account of his institutional position. Considering that the SBA is a general text of guidelines at European level, and therefore it cannot take into account the specificities of each Member State, **the SME Envoy incorporates and promotes these specificities in the national SME policy** via the demands of small enterprise operators in each country.

Therefore, the National SME Envoy should have **interministerial coordination responsibilities** aiming to plan, enforce and monitor the implementation of the SME policy.

→ Implementing the SME Test

The SME Test is a process of measuring the impact of new legislation on small enterprises.

It includes a **set of guidelines** which should be followed during the process of drafting the economic impact study as provided for in the Law on proper law-making (Law 4048/2012). Within these guidelines SME test could be added, which includes four implementation stages¹⁹:

1. Consultation with SME bodies. The European Commission has already developed tools which help to communicate the positions of small enterprise bodies.
2. Initial evaluation of enterprises expected to be affected by the new legislation.
3. Measurement of the impact on SMEs (Cost/benefit analysis).
4. Use of measures to mitigate impact, where appropriate.

Some Member States are already implementing these measures and examples and information on the implementation are posted on the European Union's²⁰ website.

19. <http://ec.europa.eu/enterprise/policies/sme/small-business-act/sme-test/>

20. <http://ec.europa.eu/enterprise/policies/sme/small-business-act/sme-test/#h2-1>



3.3. Policy measures per Thematic Area

This section lays down the policy measures per Thematic Area, which also fall into different Thematic Axes. More specifically, there are three (3) Thematic Axes which include eleven (11) Thematic Areas in total. Most of these can be integrated in the Small Business Act (SBA), either directly or indirectly. However, they also include Thematic Areas subject to sectors which are not covered by the SBA (e.g. insurance) and which arose as a combination of the particular circumstances of the Greek economic reality and the acute economic crisis that the country faces.

It is worth mentioning that many of the proposals below can be subject to finance from PA 2014-2020, namely with the co-financing of the European Structural Funds.

The Axes and Areas included therein have the following structure:

Axis A: Business Environment Issues

1. Taxation
2. Competition
3. Bureaucracy

Axis B: Business development and support issues

1. Advisory Structures
2. Innovation Structures
3. Clustering Structures
4. Education – Training
5. Structures supporting internationalisation

Axis C: Other SME Policy Issues

1. Insurance
2. Infrastructure
3. Access to finance

The following paragraphs develop the Axes and Areas under the structure ‘**Connection to SBA => Problem => Proposals**’. In particular, an attempt is made to link each area to the corresponding SBA Principle, subsequently to develop the main problems detected in each area and, finally, to present the most significant corresponding proposals. At this point, it should be noted that the problems and proposals presented in the text are a selection from a much broader set of problems faced by small enterprises, as recorded by the social partners. The set of problems faced by and proposals made by the social partners is included in the Annex to the Policy Document.

3.3.1 Axis A: Business Environment Issues

The first policy axis includes the thematic areas which directly affect the business environment in which small enterprises operate. In particular, taxation, competition and bureaucracy are issues which should be immediately tackled by the political leadership as part of a coherent SME policy. The recent SBA review²¹ states that, judging based on the criterion of effective



reduction of bureaucracy, the improvement of the business environment at a European level is slow. However, bureaucracy is only a part, albeit very important, of the overall business environment and in Greece the remaining two issues are also extremely important.

A.1. Taxation

A.1.1. Connection to SBA

The SBA refers to taxations issues related to individual Act principles, as follows:

- reduced VAT rates for services provided locally, mainly by SMEs
- taxations should not unduly impede business transfers
- any tax obstacles which do not allow single market risk capital to invest under the same terms that apply for domestic capital should be overcome
- taxation of corporate profits encourages investment
- tax incentives for environmental protection

A.1.2. The Problem

The tax burdens that small entrepreneurs have been asked to bear amidst the crisis are unaffordable. According to the latest study on VAT rates in Europe, Greece still has one of the highest VAT rates at a European level. Amidst recession, this policy reduces demand further. Greece is the country which made the most changes in the rate (eleven in total) during the last decade (2000-2011). This is only a part of one of the most important problems in the business environment in Greece, namely the constant changes in tax regulations. At the same time, self-employed workers and small and medium employers are deprived of the right to tax exemptions and the tax-free threshold. Moreover, the new Income Tax Code refers to the abolition of business tax-free reserve accounts as of 1 January 2015. The abolition of the tax-free reserve reduces drastically all business investments, let alone in SMEs which developed by transforming tax-free reserves into investments. The above problems are only some of the many problems faced by small enterprises regarding taxation. In such a volatile and unfavourable tax environment, the existing enterprises struggle to survive and any effort to engage in new business activity is practically impossible.

A.1.3. The Proposals

The following proposals are some of the most important submitted by partners in relation to the taxation area. All the proposals are included in the Annex to the Policy Document. It should be noted that it is not necessary to immediately evaluate the prospect of implementing these measures, since the country's procedures for fiscal adjustment may not permit it. However, to the extent that the Greek economy is entering a recovery process in the medium term, at least some of these proposals can be a solid basis on which to discuss taking concrete initiatives.

1. Stabilising the tax framework in order to provide security for investment.
2. **Considering the possibility of reducing the tax burden of SMEs, including VAT rates, excise duties, luxury taxes and municipal taxes.**



3. In particular, excise duties for energy greatly increase the operating cost of many businesses and affect their competitiveness, as they are many times greater than those imposed by other European countries and by the EU directives.

4. **Restoring the tax-free reserve** for productive SMEs, thus providing an alternative source of financing for investments (equity capital instead of loan), which is considered better for SMEs in times of crisis, especially considering the lack of bank financing.

5. Drastically reducing bureaucracy and simplifying the procedures for enforcing the Hellenic Tax Code for Financial Transaction Mapping and the Public Revenue Collection Code. The possibility of introducing alternative taxation methods could reduce the bureaucratic burden of businesses.

6. Sound staffing and organization of tax collecting mechanisms, more frequent and more effective auditing and creating tools for better cross-checking and emphasis in the use of electronic systems for the best cross-checking of data will help to combat tax evasion and increase confidence in the proper functioning of the tax system.

7. The **provisions of transferring** to individuals with a first-degree relationship (business succession) applying to individual and personal businesses and private limited companies should also apply to sociétés anonymes.

8. Examining the possibility of expanding the provisions on bad debts which exist for independent professionals to certain commercial enterprises.

A.2. Competition

A.2.1. Connection to SBA

The question of competition does not seem to be directly linked to any of the Principles of the Act, however, it may be integrated in the general approach to ‘think small first’ on the priority of planning new legislative proposals. This issue may be divided into the following four main categories:

- a. the black market
- b. non-existent controls of the modes of pricing
- c. danger of creation of oligopolistic markets and
- d. the problem of commercial rentals

A.2.2. The Problem

All the issues raised in the context of competition have assumed huge proportions in Greece. The black market is yet another important source of threat mainly to the sustainability of commercial and handicraft businesses, as it deprives them of significant revenues, thus affecting public revenues. At the same time, there seem to be no controls of the mode of pricing, particularly in the cases of intra-group transactions and triangular trade. The issue of commercial rental is one of those that arose mainly as a combination of the specificities of the Greek economic reality amidst a severe and long-term recession. Finally, according to an IME GSEVEE survey²², the highest concentration is detected in the wholesale trade sector, the



lowest is recorded in the retail trade sector and the concentration trends in the market seem to accelerate in time, as the size of businesses increases and their number decreases.

A.2.3. The Proposals

The proposals for addressing these problems in the context of competition are the following:

1. More effective **controls at customs** when the illegal trade products enter Greece by installing special x-ray scanners at major ports and all border gates.
2. Upgrading of local commercial markets in order to enable them to compete on equal terms with department stores and become attractive magnets for tourist (open local commercial markets).
3. More intensive **controls of the modes of pricing**, with an emphasis on intra-group transactions and triangular trade in the entire economy spectrum (manufacturing, trade, services, tourism).
4. Close market surveillance to prevent the creation of oligopolistic conditions. The role of the Hellenic Competition Commission should be strengthened in two ways:
 - on the one hand, it should be sufficiently staffed for a more close and stricter surveillance of the market and compliance with competition rules and, on the other hand, it should be given the possibility of ex-ante intervention in the context of proper law-making and providing expert opinions regarding the contribution of any new legislation to the improvement of competition rules, with particular emphasis on market conditions for SMEs (competitiveness test).
 - lift of regulatory barriers for entry in the markets should also expand to sectors other than the 4 covered by the recent OECD study, with primary emphasis on wholesale trade, transportation and any other activity or sector involved in the transit sector
5. **Strict controls of warehouses** where the merchandise of illegal trade is stored, as well as the sales network of those supplying illegal dealers, before the merchandise reaches the final consumer

A.3. Bureaucracy

A.3.1. Connection to SBA

The bureaucracy issue is one of the most important issues that the Small Business Act attempts to highlight. Firstly, as mentioned in the introduction of the business environment Axis, the recent SBA review states that, as regards bureaucracy, the improvement of the business environment at a European level is slow. Moreover, one of the 10 principles of the Act, more specifically principle No 3 'Design rules according to the 'Think Small First' principle' refers exclusively to bureaucracy issues.

A.3.2. The Problem

According to the latest SBA Fact Sheet, after Financing and State Aid and Public Procurement, Greece has the third worse deviation in the respective Principle. The main bureaucracy-related problems are: a. labyrinthine and extremely time-consuming licensing procedures, b. the general lack of information, advice and guidance-navigation for entrepreneurs through bureaucratic procedures, and c. the ambiguity of the land use scheme in many parts of the country.



A.3.3. The Proposals

The proposals for addressing these problems taking bureaucracy into account are the following:

1. Revision by Ministry of the procedures related to citizens and businesses aiming at the drastic simplification/reduction thereof.
2. Creation of **Business Service Centres** which will function:
 - a. As 'one stop shops', i.e. single contact points for each transaction of the entrepreneur with the State (establishing, licensing, dissolving a business and all the sub-procedures) with automatic document and supporting document search.
 - b. As information points. The Business Service Centres should provide information on the NSRF programmes, Investment Law, exports, access to the internal market, taxation, etc. At a later stage, they could also provide counselling and mentoring services to entrepreneurs.
3. Reform of the legal/institutional framework of the various licensing procedures aiming to quicken their completion for the proper functioning of businesses.
4. Completion of **spatial and urban planning** in order to remove the obstacles created by the ambiguity of the land use scheme in many parts of the country. **Review of commercial planning** for the balanced coexistence of SMEs with department stores and shopping centres.
5. Adoption of the OECD recommendations regarding the reduction of administrative burdens.
6. Improvement of operational procedures of General Business Registry.

3.3.2 Axis B: Business development and support issues

The second Axis is related to the structures supporting entrepreneurship, as a prerequisite for developing healthy and sustainable business activity. The key feature of entrepreneurship in a developed economy is the development of innovative entrepreneurial activities with an emphasis on high value added. The cornerstones of this type of entrepreneurship are innovation, clusters and the use of qualified and highly skilled manpower. These are the basic requirements for a modern economy to be able to develop quality products and services and operate in both the European Single Market and the international market.

Therefore, small entrepreneurs are asked to incorporate these concepts in their business activity in order to be able to cope with the increased demands of a competitive environment which is now perceived at a European and international level. However, in the vast majority of cases, it is impossible for these entrepreneurs to have all the features and skills required in order for them to incorporate the above elements in their business activity. Therefore, it is necessary that they have the necessary support from existing structures, which mainly aim to support their business activity and help them evolve in this context. It should be noted that social partners have already initiated and used such structures in the current programme period.



B.1. Advisory Structures

B.1.1. Connection to SBA

The objective of the existence and operation of business counselling structures is to strengthen an economy's entrepreneurship. In this context, the development of counselling structures is clearly detected in SBA Principle I, which refers to supporting the process of creating a business environment with an emphasis on entrepreneurship. Under this Principle, the Act even addresses small entrepreneurs and invites them to '*contribute to the creation of a better business environment by enhancing collaboration and networking*', thus obviously referring to the issue of clusters.

B.1.2. The Problem

According to the latest SBA Fact Sheet, Greece's worst performance is recorded in the Entrepreneurship Principle indicators, in particular, the indicator '*entrepreneurship driven by the presented opportunities*'. Although, the needs of entrepreneurship observed in Greece can obviously be explained by many factors, the lack of counselling structures for young people-aspiring entrepreneurs seems to be contributing to this phenomenon. At the same time and considering that in an intense economic crisis the majority of businesses mainly aim to preserve their business activity (i.e. remain open), the importance of immediate intervention and counselling support can be understood. In times of recession, businesses do not have the opportunity to invest in actions for counselling support and the redefining of their operational planning. Therefore, they are often led to irrational business decisions which affect their future viability. Regarding the creation of clusters, this task is particularly difficult in Greece, both because of the entrepreneurial culture of small entrepreneurs, who are not used to enter into partnerships, and because of the absence of relevant support and counselling structures for this issue.

B.1.3. The Proposals

The proposals for addressing these problems in the context of counselling structures are the following:

1. Supporting **individualised counselling** structures for existing businesses. The individualised approach comprises two stages. In the first stage, an attempt is made to diagnose the problems, exports activity included, that entrepreneurs face and, in the second stage, actions-interventions are suggested to entrepreneurs and always in collaboration with them.
2. Incorporation of **counselling actions** in the form of non-formal education for young people, **with an emphasis on technical education undergraduates**.
3. Supporting structures for **mentoring new entrepreneurs** at the beginning of their entrepreneurial activity (counsel-type mentoring), where the mentor is usually an experienced entrepreneur with years of experience in the same sector/profession.
4. Supporting structures for **strategic networking**, clusters and partnership support. These services include cooperative mechanisms for support through modern institutional and digital development forms of intervention in the productive ecosystems.



B.2. Innovation Structures

B.2.1. Connection to SBA

It is obvious that innovation is a key factor for determining an economy's degree of efficiency and sustainability. The SBA text approaches innovation as a horizontal concept, as several Principles of the Act's refer to it, and the Act links it both to entrepreneurship and the single market and education. However, there is a clear reference in Principle VIII '*Promoting the upgrading of skills in SMEs, as well as all forms of innovation*'. More specifically, in the context of this Principle, the Commission is asking Member States '*to promote the development of the skills of SMEs*' and '*to enhance the access of SMEs to transnational research activities*'.

At this point, it is worth mentioning that the broadness of the concept of innovation encompasses a wide range of its implementation in the entrepreneurial sector. It is for this reason the SBA approaches it horizontally. For example, research and development are considered as the main operative power of innovation, which can take place both within the business itself and in higher education institutions, thus generating issues regarding the transfer of innovation to the business or even taking up a business activity as a result of innovation. Moreover, implementing innovation in specific areas directly affecting entrepreneurship, such as funding, may affect entrepreneurship to an equally significant extent.

B.2.2. The Problem

The information on innovation in Greece is relatively vague, in the sense that, although in the latest SBA Fact Sheet all innovation indicators are above the average for the European Union, the latest European Innovation Scoreboard²³ ranks us in the 3rd out of the 4 categories of innovation, more specifically among the countries classified as 'moderate innovators', and in the Global Competitiveness Report Greece is ranked quite low regarding the 'Innovation' indicator.²⁴

In any case, small and particularly micro enterprises do not often have the opportunity to develop strategic tools for the production and integration of innovation to develop improved products and services. Therefore, there is an urgent need to create new, and support the existing, infrastructure supporting innovation in small businesses, not only as a vehicle to produce improved or new products and services, but also to approach it broadly, for instance, regarding the issue of creating innovative financing infrastructure - tools.

B.2.3. The Proposals

The proposals for addressing these problems in the context of the functioning of innovation structures are the following:

1. Further development of the policy promoting clusters and exploitation of public property with the creation of business parks for enterprises to facilitate networking.
2. Supporting structures **connecting small enterprises with higher educational institutions**. The research centres of higher educational institutions are a key source of innovation and, although they produce innovation and knowledge, most of the time

23. http://ec.europa.eu/enterprise/policies/innovation/files/ius-2013_en.pdf

24. <http://www.weforum.org/reports/global-competitiveness-report-2013-2014>



this is not transferred to the entrepreneurial level. Therefore, it is suggested that there should be functioning structures and actions which connect universities with businesses.

3. Supporting structures of services transferring knowledge and strategic information for SMEs. In the context of these mechanisms, it is deemed necessary to develop actions which will include both the transfer of technological and codified, as well as scientific and operational, knowledge (e.g. smart networks for transferring technology to small enterprises, structures for 'hatching' small enterprises). At the same time, this intervention could promote actions to recognise and analyse the current technological and economic changes and developments in industries, sectors and professions where small enterprises operate and grow.

B.3. Education - Training

B.3.1. Connection to SBA

As also mentioned above, the education – training issue is covered by Principle VIII. More specifically, the Act refers both to the acquisition of skills related to entrepreneurship as early as primary school level and to the need of SMEs to find specialised work in the field of new technologies, which is associated with skills acquired by the staff at later stages of education, mainly through the process of lifelong learning and special training seminars.

B.3.2. The Problem

According to the latest SBA Fact Sheet, the performance of Greece was negative as compared to the European average regarding education and training indicators. In Greece, lifelong learning and, in particular, ongoing professional training function mainly as a substitute for unemployment benefits, and they are not associated with documented business needs at sectoral or local level or the needs and interests of individuals. Moreover, they do not have institutionally acknowledged results which would make them an attractive learning path. At the same time, there is a lack of motivation, since they are not associated with the protection/enhancement of jobs or remuneration.

B.3.3. The Proposals

The proposals for addressing these problems in the context of education - training are the following:

1. Development of professional profiles. Professional profiles for the rest of the jobs in the labour market should be developed and the old ones should be updated -modernised where deemed necessary. The form of professional profiles needs to be more simpler, more brief and concise, and include clear specifications for planning educational programmes. The development of the educational programmes and analytical curricula at all levels of professional training of the Greek educational system (Professional Lyceums, Professional Schools, Institutes of Professional Training) must take into account the content of professional profiles, as well as the needs of trainees and the conceptions of the training staff for achieving the main objective, i.e. preparing ready artisans and professionals.



2. Certification of Professional Qualifications. Immediate regulation of issues regarding the certification of qualifications by the competent national body, namely EOPPEP (National Organisation for the Certification of Qualifications and Vocational Guidance). Development and expansion of the operational capacity of EOPPEP to develop Certification Regulations. Immediate elaboration of a single institutional framework for the system (principles, methods, tools, criteria, etc) of qualification certification in Greece.

3. Training / learning in the business. Strengthening training and learning research and pilot applications within the business. Forms of flexible and customised training within the business, in conjunction with human resources counselling and counselling to support the economic entity. Exploitation of new learning models and techniques, such as the dual vocational system, activity learning and community of practice. 'Learning organisations' businesses' register: Creation of a register of businesses - model 'learning spaces' for exemplary training and certification of qualifications. Development of a motivational system for the participation of businesses. Connection of the traineeships of Technological Education Institutes with small enterprises.

4. Actions to increase, improve the quality of and disseminate the open learning resources offered online as widely as possible and free of charge. Measures for the more extensive implementation of flexible and distance training and learning methods. In particular, development of e-learning management systems of the educational benefits to produce and renew the educational content and create appropriate multimedia applications.

5. Retraining of unemployed employees and ex entrepreneurs in SMEs, in new sectors.

B.4. Structures supporting internationalisation

B.4.1. Connection to SBA

It is obvious that the SBA aims to strengthen and support extroversion, as two of the Principles thereof refer to this aspect of entrepreneurship: Principle VII, which refers to the single market and Principle X, which refers to the development of market outside the EU. More specifically, the SBA approaches the issue of the single market from the perspective of the homogenisation and standardisation of standards, also referring to the patents and trademarks. Regarding market development outside the EU, the Act asks Member States to encourage the mentoring of SMEs by big enterprises in order to bring them to international markets, essentially suggesting the collaboration of small and large businesses.

B.4.2. The Problem

It is known that one of the most important problems of the Greek economy, perhaps the most important one, was and still is, though to a lesser extent, the country's large trade deficit. The problem may be corrected either by reducing imports, which indeed seems to be the key factor for reducing the trade deficit, or increasing exports, which is considered a more sound way of tackling this problem. Therefore, it is no coincidence that market development inside and outside Europe is one of the key directions laid down in the Act and, at the same time, one of the major challenges facing the Greek economy. In this context, there seems to be no substantial support for export activities, as there are neither information nor incentives on



international - European collaborations at business level. In addition, there are risks that the Enterprise Europe Network, which provides comprehensive services to Greek enterprises so that they enhance their competitiveness based on knowledge and innovation (and which the two Act Principles for internationalisation refer to), would not continue after 2013.

B.4.3. The Proposals

The proposals for addressing these problems in the context of extroversion are the following:

- 1. Emphasis on the operation of the new organization ‘Enterprise Greece’ for exports.** Support, with a number of actions (information campaigns, financial incentives to encourage international business partnerships, etc), for the participation of Greek SMEs in **export consortia** of similar size companies from different EU countries and support for cross-border cooperation and creation of national brand name. Linkage with EU’s SMEs office around the world.
- 2. Support for export activities** by enhancing co-financing programmes to provide trade financing tools.
- 3.** Further simplification of export procedures through the rationalisation and digitalisation of processes by reducing the number of certificates, the fees and the procedures to be followed by small and medium enterprises (SMEs) for exports. Information campaigns for export based SMEs, aiming to explain how they will benefit from the new electronic simplified customs procedures (single window) and potentially save money and time by handling customs procedures without intermediaries (brokers) and the available facilitation in the export of agricultural products (approved trader scheme, electronic certificates).
- 4.** Creation (along with other EU Member States) of a **‘virtual business development gate’** which will contain information for SMEs interested in expanding their activities beyond EU borders.
- 5. Creation of counselling services for exporting activities’ mentors.**

3.3.3 Axis C: Other SME Policy Issues

The third policy axis includes three general policy issues, which may not be directly related to the general business environment issue but are however of particular significance and are referred to as major policy issues. These issues are Insurance, Infrastructure and the Renewable Capital Fund and are developed in the following paragraphs.

C.1. Insurance

C.1.1. Connection to SBA

The SBA does not cover this issue. This issue reflects one of the most serious consequences of the long-term and deep recession of the Greek economy.



C.1.2. The Problem

This issue has assumed huge proportions mainly because of the impact of the economic crisis on small enterprises, as hundreds of thousands of businesses have closed down, thus depriving the system of the necessary flows and thousands of others still face serious sustainability problems and therefore they cannot pay the required insurance contributions. More specifically, the inability of the insured to pay their contributions is growing and, at the same time, pension funds lose the liquidity necessary to meet the obligations. Another dimension of the problem is the position of entrepreneurs who close their businesses as regards the Self-Employed Workers' Insurance Organisation (OAE). Being unable to fulfil their personal insurance obligations, increasingly more find themselves outside the insurance system.

C.1.3. The Proposals

The proposals for addressing insurance problems are the following:

- 1. Freezing, capitalisation and transformation of debts into insurance time.**
- 2. Review of 'in crisis' debtors' situation.** Providing coverage for "in crisis" debtors, i.e. those unable to pay their insurance contributions from 1 January 2009 until today.
- 3. Broadening the OAE insurance base and drawing up a new legal framework** for dealing with professionals operating in optional areas or insurance categories, as follows:
 1. The persons engaged in activities falling under OAE insurance, are insured by OAE, regardless of the area where they practice their profession.
 2. OAE insurance is mandatory if the conditions of entry to the body are fulfilled, regardless of other population and income conditions.
 3. Establishing a new insurance category with a premium lower than that of the current category 1, based on specific criteria, at the same levels as for the persons insured in the Agricultural Insurance Organisation and specifically for three years.
- 4. Free choice to choose the lowest insurance category.**
- 5. Finding a solution for the medical coverage of traders who have ceased their activity** (implementation of the universal health coverage principle announced by the Ministry of Health).

C.2. Infrastructure

C.2.1. Connection to SBA

The issue of infrastructure is approached in a broad sense and divided into two distinct categories: a. technology and communications infrastructure, and b. transport infrastructure. This issue is not directly covered by the SBA, however, as also explained in the following 'Problem' paragraph, it is of particular importance for small enterprises.

C.2.2. The Problem

The broad nature of infrastructure leads inevitably to a fragmentary development of the three different categories. Regarding technology and communications infrastructure, the relatively low rates of Internet use in Greece are a key issue. The figures regarding the use of e-invoicing services by entrepreneurs are also relatively low. As regards transport infrastructure, although Greece ranks relatively high in the latest Global Competitiveness Report, the requirements for high level transport infrastructure in a country where the main economic sector is tourism are always high.

C.2.3. The Proposals

The proposals for addressing infrastructure-related problems are the following:

A. Regarding electronic infrastructure

1. promotion of e-invoicing
 - Subsidising part of the cost for SMEs (**through a FTA programme**).
 - Granting micro enterprises the possibility of pilot implementation.
2. electronic networking, especially of tourist businesses, with other countries
3. promotion of a system of certified electronic payment between the State and enterprises.

B. Regarding transport infrastructure:

4. **restoring the competitiveness of the pricing policy of the largest airports of the country** where the biggest decline in passenger traffic is recorded. Essentially, we call for the immediate implementation of the principle of benchmarking with competitors.
5. planning the privatisation of regional airports based from the point of view of development, the competitiveness of these airports and healthy competition between them

C.3. Access to finance

C.3.1. Link with SBA

The SBA recommends that the EU and Member States should facilitate SMEs' access to finance, in particular to risk capital, micro-credit and mezzanine finance and develop a legal and business environment supportive to timely payment in commercial transactions. It also invites the EU Member States to develop financing programmes that address the funding gap between EUR 100 000 and EUR 1 million, in particular with instruments combining features of debt and equity, while respecting State Aid rules. Regarding this latter issue, since Greece has a significantly higher share of very small SMEs (less than 10 employees) and the economic environment is very difficult the funding gap exists even under EUR 100.000. This observation begs for a more in-depth analysis of the particular problems Greek SMEs are currently facing (2) and a thorough reflection of the possible solutions (3).

C.3.2. The problems

C.3.2.1 Access to finance for SMEs remains difficult through the banking sector

In the capital markets, bank financing remains the main source of SMEs financing. SMEs often have a weak equity position and no credible alternatives are present at this stage. However, despite slight improvements, the situation regarding lending to the real economy by Greek banks remains extremely problematic²⁵ and represents still one of the major difficulties for SMEs in Greece:

- The total portfolio of loans to corporates from Greek banks is still shrinking: -5.3% from March 2013 to March 2014²⁶,
- SMEs are paying very high interest rates on their loan exposures; the cost of liquidity²⁷, around 2% and the cost of risk in Greece are still significantly higher than the average of Europe.
- According to the last 2013 SBA European report²⁸ 34% of Greek SMEs declared that there was a deterioration in the willingness of banks to provide a loan against an average of 27% for EU SMEs,
- In order to cover their risks, banks almost systematically request real estate collateral in order to provide extra financing or keep existing exposure. The existing present value of the collateral decreased significantly during the last 4 years. The real estate commercial value lost on average more than 35% since 2008²⁹.
- Non-Performing Loans (NPLs) on bank's loan SMEs portfolio have reached more than 35%³⁰, and are still expected to increase in 2014, whereas numerous active loans are being restructured; in this context, banks have a risk-averse position and an important part of SMEs are excluded from access to finance.
- Liquidity remains an important issue for banks since as of April 2014, they still borrow a total of €62 bn³¹; €59bn from the European Central Bank and €3bn from the Emergency Liquidity Assistance from the Bank of Greece. Banks deposits decreased by €76.5 bn since 2009 and the current loan to deposit ratio is 134%³².

In this context, the main source of public financing is still EU structural funds as well as European funding possibilities funding possibilities for SMEs in the field of energy efficiency, innovation or commercial/industrial co-operation (see below under C.3.2.2 and Annex 3). There are no sufficient incentives at this stage to boost durable long term investment through private domestic and non-domestic sources.

25. ECB – November 2013 Survey on the access to finance of SMEs in the Euro

26. Bank of Greece, 29/04/2014 - Bank credit to the domestic private sector: March 2014

27. Bank of Greece, 06/05/2014 - Interest Rates on Bank Deposits and Loans: March 2014

28. 2013 European Commission SBA greece_en.pdf

29. BoG - 20/05/2014 - Indices of house prices and residential property transactions

30. Bank data

31. Bank of Greece's (BoG) April 2014 monthly financial statement

32. BoG, Bulletin of conjuncture indicators, April 2014, <http://www.bankofgreece.gr/BogEkdoseis/sdos201403-04.pdf>

C.3.2.2 Difficulties related to the use of EU funds

Due to the ongoing fiscal consolidation public contribution from the state budget to support SME activities is also very limited. In order to alleviate this situation, since 2008 Greek authorities implemented several Financial Engineering Instruments (FEI) to support lending through commercial banks in cooperation with national and European intermediaries notably the Hellenic Fund for Entrepreneurship and Development (ETEAN SA), the European Investment Bank (EIB) and the European Investment Fund (EIF). Notably, some new FEI were created the last 2 years in order to answer specific needs expressed by the SMEs during this exceptional crisis situation, notably in order to support liquidity provision by the banks and to finance working capital. However, further needs, notably the need for extra guarantees to alleviate the need for collateral were not addressed sufficiently.

In addition, while during the last 18 months there was an important increase in the absorption of FEI dedicated to SMEs, with rate of disbursements of less than 30% as of end of April 2014³³, there is a high potential risk for the remaining funds not to be used entirely by end of 2015.

According to the last 2013 SBA European report 34% of Greek SMEs declared that there was deterioration in access to public financial support including guarantees against an average of 22% for EU SMEs. According to the same source, the Greek government has shown a record below EU average with respect to allocation of funds supporting development and entrepreneurship of SMEs: only 6.4% of EU regional funds were allocated for entrepreneurship and SMEs during the 2007-2013 programming period against an average of 22% for the EU countries; only 0.7% of EAFRD³⁴ EU funds were allocated for business creation and development during the same period against an average of 2.1% for EU countries.

Moreover, both banks and SMEs are often complaining about the administrative requirements that are associated with existing FEI, in particular regarding the application, monitoring, reporting and evaluation process demanded by ETEAN, EIB and EIF.

Furthermore, the SME community lacks knowledge of the various funding possibilities; SMEs representatives have repeatedly highlighted the absence of a central source of information on available funding means. While it is widely acknowledged that the level of information available is very high at European level, especially with regard to financial instruments directly available at EU level, Greek SMEs associations and entities managing FEIs often refer to the 'information gap' existing at national level.

In addition, many entrepreneurs who finally manage to have access to the relevant information need guidance and education on the advantages and disadvantages of different forms of finance and on how to best present their investment projects to potential financiers.

Concerning in particular financing possibilities through other EU funds, i.e. beyond structural funds, the specific features of the national economy come into play. More specifically, the Greek economy is characterised by the high number of very small enterprises and exhibits one of the lowest average enterprise sizes in the EU. What is more important, the vast majority thereof is based almost exclusively on domestic demand and consumption. Although the economy has already started becoming more outward-looking, this process takes time and should normally be backed-up by a sound business and economic environment, functioning under normal conditions. The specific characteristics of the Greek economy continue at this stage to hinder companies' access to EU funding programmes. This is because, firstly, one of

33. Hellenic Ministry of Development

34. European Agricultural Fund for Rural Development



the three main eligibility criteria for these programmes is the transnational character of the project to be financed. In general, Greek SMEs have not yet embraced a more extrovert business culture, therefore most of them would not be eligible. Furthermore, the high levels of bureaucracy create additional difficulties for small enterprises and tend to favour larger companies. This adds to the more general belief that in any event larger companies are favoured, as it is also pointed out by the Corporate Europe Observatory on funding procedures of the seventh framework programme — Seventh Framework Programme (FP 7), in its analysis entitled “EU research funding: For who’s benefit?”. It can thus be inferred from the above that given Greece’s low average SME size as compared to other EU Member States, the access of Greek SMEs to programmes of direct financing becomes even more difficult.

C.3.2.3 Additional obstacles for SMEs financing

In addition to the credit crunch stemming from the deteriorating conditions of the national lenders, many SMEs have seen their financial situation and their own creditworthiness deteriorating due to the economic crisis and the overall situation of the Greek economy. According to the last 2013 SBA European report³⁵, various factors have contributed in this deterioration in the recent years, but notably decline in revenues and payment delays have played a crucial factor: As an average in 2012, Greek SMEs needed 104 days to get paid by their clients against 52 days in other EU countries (lack of adequate implementation of the late payments directive) and lost in payments from their clients the equivalent of 5.9% of their turnover against 3.3% for the average of the EU countries.

C.3.3. The proposals

The solutions proposed are related to the problems analysed above³⁶.

1. Ensure better monitoring and if appropriate consider reallocation of EU structural funds in order to improve competitiveness and support SMEs³⁷.
2. Better designed financial instruments through the use of funds from the 2014 - 2020 programming period should be considered, including blending, combination of grants, loans and guarantees as well as microfinance facilities taking into consideration the needs of SMEs that have emerged during the crisis. The new instruments should notably address the need for collateral in order to guarantee loans granted by banks to SMEs, support and decrease interest rates especially of restructuring or refinancing existing SMEs exposures, support liquidity for the banks, working capital financing, refinancing of credit lines, etc. The revolving nature of financial instruments from EU structural funds will allow Greek authorities to use repayments for SME support without limitations in

35. 2013 European Commission SBA greece_en.pdf

36. An important number of those proposals are included in the July 2013 report of the Working group to the high level meeting of representatives of Greek banks and SMEs “Access to finance for SMEs in Greece”.

37. Notably, the Greek authorities should examine the funding agreement for the EIB SME Guarantee Fund with a view to possibly de-commit EUR 200m, whereas still ensuring that the EIB will continue the leveraging of the already paid EUR 300m to reach at least EUR 600m of disbursements to SMEs by the end of 2015. They should also consider de-commitment of 80 m EURO out of the total of EUR 258 m for Jessica and EUR 50m of JEREMIE ICT in Convergence Regions that risk not being disbursed before end 2015. Last but not least, since only 3,5 bn EUR of grants (out of the EUR 5,8 bn budget of selected projects) have been absorbed so far, a screening of EU co-financed State Aid schemes is urgently needed and their pertinence in terms of growth and jobs needs to be evaluated in order to allow for de-commitment of funds for FEI.



the following programming period. This should be taken into account while designing new instruments since it gives a long-term perspective.

3. Propose a legal framework dedicated to corporates comparable to the legal framework adopted for loan restructuring of individuals.

4. Abolish and simplify all overlapping or competing programmes that create institutional and administrative confusion.

5. Reduce the levels of red tape, through the simplification of administrative procedures. Existing overlaps and duplications as regards the procedures followed for the handling of funding requests submitted by SMEs should be eliminated and investors should be updated regularly on the progress of their requests. A decisive step towards this direction would be the introduction of unified mechanisms and electronic tools to be used across the board by all parties involved (ministries and managing authorities, banks, investors). As it is already the case for grants, all other SME requests, being loans or guarantees should be managed through a single electronic flow management tool.

6. In parallel, put in place a transparent, clear, efficient and continuous governance structure for the planning, monitoring and distribution of financial support measures.

7. Improve the access to information related to all FEI available, notably through enhancing the portal ESPA.gr, already available within the Ministry of Development.

8. Develop some specific support structures, information centres with advisors, coaches, business angels in order to give guidance to the entrepreneurs.

9. Ensure efficient functioning of the Institution for Growth (IfG investment fund) to remedy to the shortcomings of financing through the traditional banking sector. More specifically, establishment of the investment fund and functioning of the sub-funds notably for SME debt- and equity financing should be accelerated. The IfG activities should pay particular attention to the need for additional liquidity for loans including the restructuring of existing loans as well as the need for equity.

10. Creation of innovative financing instruments – infrastructure already operating in other developed countries (e.g. seed funding, crowd funding and p2p lending).

11. Concerning more specifically financing through EU funds account should be taken that, on the one hand, that the average SME size cannot change in a relatively short timeframe and, on the other hand, that an increase in the level of extroversion of Greek small enterprises may be a short-term objective the following solutions are proposed:

a. A firm commitment by the managing entities of the programmes that priority will be given to the small enterprises in the evaluation process of funding requests.

b. The strengthening of the information flow from European to national level. The final beneficiaries of the programmes should be able to reach the necessary information, which shall not only be displayed on the webpages of the European managing entities. For this purpose, all available data should be firstly channelled into a single entry point (website) at national level, which will gradually become the point of reference for all potential investors. The information could then be filtered and further directed to the interested parties in a more targeted way, on the basis of thematic and geographic criteria.

c. The creation of a new structure with a view to further encourage SMEs' participation in the above actions and projects or the enhancement of existing structures (e.g. *Enterprise Europe Network*).

ANNEXES

Annex 1

Table of concordance between the Greek growth strategy horizontal policies and proposals related to SME's

GREEK GROWTH STRATEGY		SMEs RELATED PROPOSALS	
#	A. Horizontal policies	Para.	Policy measures
1.	Fiscal consolidation	X	X
2.	Creation of favourable investment climate and facilitation of business activities	A.3.3.2.a	Provide fully functioning business service centres (“one stop shops”) for any transactions between entrepreneurs and public sector
		A.3.3.2.b	Upgrade business service centres to provide a broad spectrum of information (financing possibilities, exports, internal market issues, taxation) and advice and mentoring for entrepreneurs.
		A.3.3.3	Reform of the legal and institutional framework for investment and businesses’ licensing.
		A.3.3.4	Lift ambiguities related to spatial and urban planning, and review the commercial town-planning
		A.3.3.5	Adoption of the recommendations of the OECD on the reduction of administrative burdens
		B.1.3.1	Improve advisory support structures for existing companies
		B.1.3.4	Support structures in order to support networking strategies, clusters and partnerships.
		C.2.3.1	Promote e-infrastructures notably e-invoicing
3.	Elimination of barriers to entry – reinforcement of competition and competitiveness	A.2.3.1	Reduce anti-competitive behaviour through illegal trading via rigorous checks in the warehouses as well as on the sales network*
		A.2.3.2	More effective controls at customs offices with X-ray scanners*
		A.2.3.4	Upgrading of local markets to compete equally with department stores.
		A.2.3.5	Tighter controls on formation of prices with emphasis on intra-group and triangular transactions throughout the economy
		A.2.3.6	Closer market surveillance to prevent oligopolistic conditions. Strengthen the role of HCC notably in order to a) enhance market surveillance, support competitiveness of SME's (competitiveness test) and b) expand lift of regulatory barriers for the entry in the markets in other areas beyond those identified in the OECD study

4.	Valorization of public property - privatizations	C.2.3.5	Smart privatisation and putting in place healthy competition conditions for regional airports
5.	Facilitation of international trade – extroversion	B.4.3.1	Immediate functioning of the new “Enterprise Greece” exports and export promotion as well as support for Greek SME’s export consortia
		B.4.3.2	Support export activities through co-financing programmes notably trade financing.
		B.4.3.3	Further simplification of administrative processes through the rationalisation and digitalisation of processes
		B.4.3.4	Creation (together with other EU Member States) of a “virtual gateway for business development” that will include information for SMEs interested to expand their activities beyond the EU’s borders
6.	Improvement of tax policy	A.1.3.1	Stabilizing the fiscal/taxation framework
		A.1.3.2	Reducing the tax burden for SME’s (VAT, excise duties, excise and local taxes)
		A.1.3.3	Reduction of energy excises
		A.1.3.4	Reinstatement of the tax-free reserve for productive SMEs, offering an alternative financing source for investment
		A.1.3.5	Cutting red tape and simplification of procedures in implementing the new Tax Procedure Code and the Income Tax Code; Introduce alternative taxation methods to reduce bureaucratic burden on businesses
		A.1.3.6	Proper staffing of tax administration, more frequent and more effective checks
		A.1.3.7	Expand certain more favourable tax provisions applying to individual personal and limited liability companies to public limited company (S.A.)
		A.1.3.8	Extension to some commercial businesses of the provision for bad debts for self-employed workers
7.	Increase labour market flexibility and security	B.1.3.3	Young entrepreneur mentoring support structures at the start of the business
8.	Emphasis on innovation	B.2.3.1	Improve policy development for the promotion of clusters and business parks
		B.2.3.2	Supporting structures connecting small businesses with higher education institutions
		B.2.3.3	Support knowledge transfer structure and information services for SMEs

9.	Reorganization of public administration and improvement of the services to the citizens	A.3.3.1	Simplify procedures related to citizens and business within each Ministry
		C.2.3.3	Promotion of certified electronic payments between the public sector and businesses
10.	Investment in human capital	B.1.3.2	Advisory actions (non-formal education) to strengthen entrepreneurship notably for youngsters in graduate technical education
		B.3.3.1	Development of simple, concise and comprehensive professional profiles to facilitate the design of training programmes
		B.3.3.2	Improve the legal and institutional framework for certification of professional qualifications
		B.3.3.3	Improve training and learning within the enterprise. Promote traineeship connection with small enterprises.
		B.3.3.4	Actions improving and facilitating the dissemination of e-learning and of open learning sources
11.	Fight against corruption and enhancement of reliability and transparency	A.2.3.1	Reduce anti-competitive behaviour through illegal trading via rigorous checks in the warehouses as well as on the sales network*
		A.2.3.2	More effective controls at customs offices with X-ray scanners*
12.	Acceleration and improvement in the justice system	X	X
13.	Reinforcement of social cohesion	C.1.3.1	Freeze, capitalisation and conversion of social security debts
		C.1.3.2	Review of the situation of the “in crisis” debtors
		C.1.3.3	Broadening of the insurance base and improving the legal framework to take into consideration notably certain social and income constraints
		C.1.3.4	Freedom of choice of a lower insurance category in OAEE
		C.1.3.5	Application of the principle of universal health coverage for professionals who have gone out of business

B. Financing policies	C.3.3.1	Ensure better monitoring and if appropriate consider reallocation of EU structural funds in order to improve competitiveness and support SMEs
	C.3.3.2	Better designed financial instruments through the use of funds from the 2014 - 2020 programming period to better address the needs of SMEs. Take into account the revolving character of EU structural funds sources.
	C.3.3.3	Adopt an appropriate legal framework for loan restructuring of corporates.
	C.3.3.4	Abolish and simplify all overlapping or competing programmes
	C.3.3.5	Reduce red tape, through the simplification of administrative procedures
	C.3.3.6	Put in place a transparent, clear, efficient and continuous governance structure for the planning, monitoring and distribution of financial support measures
	C.3.3.7	Improve the access to information related to all Financial Engineering Instruments available, notably through enhancing the portal ESPA.gr, already available within the Ministry of Development
	C.3.3.8	Develop some specific support structures, information centres with advisors, coaches, business angels in order to give guidance to the entrepreneurs
	C.3.3.9	Ensure efficient launching of the Institution for Growth (IfG investment fund) notably the debt and equity windows
	C.3.3.10	Development of innovative financing tools — infrastructure (e.g. Seed funding, crowd funding and P2P lending)
	C.3.3.11a	Concerning financing through EU funds directly available from the EU Commission, the proposal is to grant priority to the small enterprises in the evaluation process of funding requests
	C.3.3.11b	Strengthen the information flow from European to national level
C.3.3.11c	Create a new structure or support the existing ones (eg Enterprise Europe Network) to further encourage SMEs' activities and projects or the enhancement of existing structures	

Notes: *proposal which is covered by two horizontal policies: “Elimination of barriers to entry – reinforcement of competition and competitiveness” and “Fight against corruption and enhancement of reliability and transparency”



Annex 2

List of available financial tools at EU level

Direct contribution from the European Commission or other European bodies

1. Horizon 2020
2. Intelligent Energy Europe
3. COSME (EU program for the Competitiveness of Enterprises and Small and Medium-sized Enterprises)
4. ICT policy support program (ICT-PSP)
5. LIFE
6. EUREKA

Under shared management

7. The European Regional Development Fund (ERDF)
8. The European Social Fund (ESF)
9. The Cohesion Fund (CF)
10. The European Agricultural Fund for Rural Development (EAFRD)
11. The European Maritime and Fisheries Fund (EMFF)
12. Cross-border cooperation programs and projects



Annex 3

Access of Small & Medium-Sized Enterprises to funding via European funds and programs

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1. The tools: Possibilities for funding via EU programmes provided directly by the European Commission or other European bodies.

A. Horizon 2020¹

Horizon 2020 is the new funding programme of the EU for research for the years 2014-2020, with a budget of € 80 billion. The first calls for proposals for the programme were published on December 11, 2013. The rules for submission and grant management tools have been simplified and make the work of participants easier.

The programme supports the SMEs by funding research and innovation sectors. Furthermore, it aims at enhancing the EU's international research cooperation, so as to allow for more opportunities for participation of third countries.

Part of Horizon 2020 is the programme: The Research for the benefit of SMEs²:

The programme started in the context of FP7 and its aim is to strengthen the innovation capacity of SMEs in Europe and their contribution to the development of new technology products. The programme helps SMEs in research and to increase their research efforts, bridging the gap between research and innovation.

The operations financed for SMEs aim at supporting the SMEs in outsourcing research activities (helping SMEs or SME associations to outsource their research activities to universities and research centres). Moreover, they aim at developing and coordinating support to SMEs at national level (enhancing harmonization of objectives and evaluation methods of national and regional research programmes for the benefit of SMEs)

B. Intelligent Energy Europe³

Funding under the Intelligent Energy Europe programme (IEE) is available for different types of actions furthering the EU's efforts towards clean and sustainable energy. The main areas covered are energy efficiency, new and renewable resources and energy in transport. Each annual call for proposals sets its own priority areas for funding.

C. COSME⁴

COSME is the EU programme for the competitiveness of enterprises and small and medium-sized enterprises (SMEs) running from 2014 to 2020 with a planned budget of € 2.3 billion. COSME will support SMEs in the following areas:

- Better access to finance for small and medium-sized enterprises (SMEs)
- Access to markets
- Supporting entrepreneurs
- More favorable conditions for business creation and growth

1. <http://ec.europa.eu/programmes/horizon2020/>

2. http://ec.europa.eu/rea/funding_opportunities/sme/index_en.htm

3. http://ec.europa.eu/energy/intelligent/about/funding-areas/index_en.htm

4. http://ec.europa.eu/enterprise/initiatives/cosme/index_en.htm



D. Policy Support Programme for Information and Communication Technologies⁵.

The programme aims at stimulating a wider uptake of innovative ICT based services and the exploitation of digital content across Europe by citizens, governments and businesses, in particular SMEs.

The focus is placed on the uptake of ICT in areas of public interest.

The programme, in general, contributes to a better environment for developing ICT-based services and helps overcome hurdles such as the lack of interoperability and market fragmentation.

Funding goes mainly to pilot actions, involving both public and private organizations, in areas such as:

ICT for health, Digital Libraries, improved public services and Internet evolution.

Networking actions for sharing experiences and preparing the deployment of innovative ICT based solutions are also supported.

E. LIFE⁶

LIFE is the EU's funding instrument for the environment. The general objective of LIFE is to contribute to the implementation, updating and development of EU environmental policy and legislation by co-financing pilot projects. The LIFE programme will contribute to sustainable development and to the achievement of the objectives and targets of the Europe 2020 Strategy, the Environmental Action Programme and other relevant strategies.

F. EUREKA⁷

The programme is expected to be reorganized in accordance with Europe 2020 in the upcoming days.

2. Instruments and possibilities for funding via EU programmes granted under shared management

The EU regional policy is funded by three main funds, the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF).

A. The European Regional Development Fund (ERDF)

ERDF supports the development and structural adjustment of regional economies, including the reconstruction of industrial regions. The budget for the period 2007-2013 was € 201 billion out of a total budget of € 347 billion, which represents 58% of the total funding in structural funds.

5. http://ec.europa.eu/cip/ict-ppsp/index_en.htm

6. <http://ec.europa.eu/environment/life/funding/lifeplus.htm>

7. <http://www.eurekanetwork.org/>



In the new programming period 2014-2020, the ERDF contributes to all thematic objectives, while establishing a number of investment priorities.

In the context of SMEs and entrepreneurship policies, the following thematic objectives are of particular interest:

1. Strengthening research, technological development and innovation.
2. Enhancing access to, use and quality of information and communication technologies (ICT).
3. Enhancing the competitiveness of SMEs.
4. Promoting employment and supporting labor mobility.
5. Promoting social inclusion and combating poverty.

The scope of support includes:

- Productive investment which contribute to creating and safeguarding sustainable jobs, through direct aid for investment in small and medium-sized enterprises (SMEs)
- Development of endogenous potential by supporting regional and local growth, research and innovation.

Concretely, what can be financed by the ERDF?

- Research and innovation (R & I) infrastructure of businesses and investment in product and service development, technology transfer, social innovation and networking and diffusion of technologies.
- Development of technology products and services such as e-commerce, ICT, e-learning services as well as e-government.
- Development of entrepreneurship, economic exploitation of new ideas, creation of new firms, new business models for SMEs, in particular with regard to internationalization.
- The use of energy efficiency and renewable sources of energy in SMEs.
- Investment support for self-employment and new business creation.
- Support for physical and economic regeneration of deprived communities in urban and rural areas, as well as support for social enterprises.

An important programme offered by the ERDF is Jeremie.

The programme is an initiative of the European Commission developed together with the European Investment Fund. It promotes the use of financial engineering instruments to improve access to finance for SMEs via Structural Funds interventions.⁸

B. The European Social Fund (ESF)

The European Social Fund (ESF) aims to reduce differences in prosperity and living standards across European Union member states and regions. Its aim is to promote employment in the EU by helping member states enhance their workforce and enterprises be better equipped to address the new global challenges. The ESF Budget during the period 2007- 2013 was € 76 billion.

8. http://ec.europa.eu/regional_policy/thefunds/instruments/jeremie_el.cfm#1



The ESF supports the design of a more productive organization of work, as well as life-long learning strategies. The Fund also promotes access to employment for special groups of job-seekers (the unemployed, women, migrants), thus favouring social integration of disadvantaged people and combating discrimination in the job market. It aims at strengthening human capital by reforming education systems and setting up a network of teaching establishments.

All regions can use the resources of the ESF. However, the largest allocation goes to less developed regions. In the new programming period 2014-2020, the ESF will have four thematic objectives.

The first three are directly linked to the SMEs and entrepreneurship policies:

- Objective No 8: To promote employment and support labour mobility.
- Objective No 9: To promote social inclusion and combat poverty.
- Objective No 10: To invest in education, skills and life-long learning.
- Objective No 11: To enhance institutional capacity and efficient public administration.

Partnerships are to be strengthened, while social partners and NGOs should be encouraged to participate in ESF investments. The co-financing rate will be higher for dedicated priority axes, thus encouraging social innovation and transnational cooperation. As for the ERDF, the use of financial instruments will increase significantly.

What does the ESF support?

- Local employment initiatives, labour mobility, sustainable integration of young people, entrepreneurship and business creation (grants, loans), adaptation of workers and entrepreneurs to gender equality, transnational labour mobility.
- Actions to reduce early school leaving and promote equal access to good quality and efficient education. Special concern for life-long learning.
- Integration and fight against discrimination, enhancement of social economy and social enterprises, community-led local development strategies
- Capacity building for stakeholders delivering employment, education, and social policies.

C. Cohesion Fund

The Cohesion Fund is reserved to Member States whose Gross National Income (GNI) per capita is below 90% of the EU average. In the current period, all 12 new member states and Portugal and Greece are eligible for funding. The Cohesion Fund is centrally distributed and managed at member state level. It has a budget of € 70 billion, which it allocates to trans-European transport networks as well as projects in the field of environment, energy, and transport (energy efficiency, use of renewable energy, developing rail transport, strengthening public transport).

This Fund is less relevant for entrepreneurship and SME policies, because it mainly creates economic infrastructures.

Although not part of the cohesion policy, the two following funds (D, E) belong to the so-called “CSF funds” and may offer interesting opportunities for development of projects in the field of SMEs and entrepreneurship in rural and maritime regions.

D. The European Agricultural Fund for Rural Development (EAFRD)

The Fund finances the rural development programmes of member states.

Its structure is based on 4 axes :

- Improved competitiveness for farming and forestry.
- Protection of the environment and forest land.
- A better quality of life and diversification of the rural economy.
- Leader, i.e. a methodology introducing funding opportunities for locally based approaches to rural development.

In total, the EAFRD support for the programming period 2007-2013 amounts to € 96.2 billion. It is managed by the Directorate General for Agriculture and Rural Development. The EAFRD offers a wide range of funding possibilities for entrepreneurs and businesses operating in its fields of intervention. This includes measures for the adoption of structural changes and increased competition in globalised food markets, the preservation of biodiversity and valuable landscapes, sustainable water management, the mitigation of climate change via renewable sources of energy and investments and innovation in the rural economy.

In the new programming period 2014-2020, the regulation includes new rules on the preparation, approval and revision of programmes that largely follow the current rules, and opens up the possibility for sub-programmes (e.g. young farmers, small farmers, mountain areas etc) that benefit from higher aid intensities.

E. The European Maritime and Fisheries Fund (EMFF)⁹

In the new programming period 2014-2020, the Commission created a new fund replacing the European Fisheries Fund (EFF).

Its purpose is to support the common fisheries policy.

These objectives for supporting the common fisheries policy are structured in 5 priorities :

- Measures to adapt the EU fishing fleet
- Aquaculture, inland fishing, processing and marketing
- Collective action
- Sustainable development of fishing areas
- Technical Assistance

The EMFF has an available budget of € 4.3 billion for the period 2007-2013. It is managed by the Directorate General for Maritime Affairs and Fisheries (DG MARE). Funding is available for all sectors of the industry. Particular attention is given to member states where fishing has been most affected by recent changes in the industry.

The following priorities may be of particularly interest for SMEs and active in this field: Making fishing profitable, support of small-scale fisheries, developing sustainable aquaculture and enhancing scientific knowledge.

9. http://ec.europa.eu/fisheries/reform/emff/index_en.htm



F. Projects involving stakeholders across borders

The European Territorial Cooperation

It is aimed at the abolition of physical, administrative and regulatory obstacles and reduce the “border effect” between territories and regions in order to enable them to address their shared challenges together. The European territorial cooperation is financed by the European Regional Development Fund (ERDF). Its total budget is currently: € 8 billion. In the new programming period 2014-2020, the role of territorial cooperation in fostering territorial cohesion has been further acknowledged.

The three axes of cooperation:

- Cross-border Cooperation (INTERREG A) is the collaboration between adjacent areas across borders to promote integrated regional development. INTERREG A is by far the largest strand in terms of budget and number of programmes. INTERREG A supports the creation of cross-border and tri-national clusters that are co-financed. Moreover, it supports research and development (R & D) as well as the creation of new activities through cross-border partnerships and funding.
- Transnational Cooperation (INTERREG B) involves non-contiguous regions from different countries that cooperate because they experience joint or comparable problems.

What does this mean for SMEs and potential entrepreneurs?

INTERREG B facilitates innovation and entrepreneurship in South-Eastern Europe by promoting research, technology and innovation through the Eval-Inno project. Furthermore, it encourages i-labs and entrepreneurial creativity with the CREA NET 2.0 project, which is co-financed by the South West Europe programme.

- Interregional Cooperation (INTERREG C) was designed to improve the effectiveness of regional development policies and instruments through large-scale information exchange and sharing of experience (networks). Although it is the smallest programme in terms of budget, it covers all regions in the EU.

How does best practice sharing improve the business environment?

INTERREG C allows for sharing of experience and entrepreneurial learning in education to be shared across Europe through the YES project for youth entrepreneurship. It further fosters the transfer of successful business support initiatives such as the 4+1 model created by the Kompass centre for Business Startups in Frankfurt within the framework of the ENTREDI project.

G. Transnational cooperation within Operational Programmes (OPs)

Interregional cooperation can also be included in ESF and ERDF operational programmes, either using a horizontal approach (allowing for interregional cooperation in all sectors covered by the operational programmes) or through a dedicated priority axis (providing for interregional cooperation in one specific area). Including interregional cooperation in operational programmes allows for increased flexibility, as project holders do not need to wait for the publication of an INTERREG call to present an application, and have more room for manoeuvre when choosing their partners. The exchange of experience initiated in the context of INTERREG C is aimed to be transferred to operational programmes under the investments for growth and jobs objective.

What kind of interregional projects can be integrated in an operational program (OP)?



The Limousin Region (F) included five strategic priorities in its operational programmes, the fifth being the facilitation of interregional and international cooperation. More specifically, the region focused its efforts on the sharing of experience, the development of existing international networks and the continuity of actions undertaken in order to stimulate the dissemination and ownership of best practices.

In this framework, the RUR@CT project is an example of interregional cooperation initiated under an INTERREG C project aimed at sharing good practices. This project is currently financed by the ERDF.

Operational Programmes are multi-annual programmes agreed on at national or at regional level and then negotiated with the European Commission. These programmes establish the funding priorities for the specific policy area or region and the amount of money from the different funding instruments that will be made available. Ops are either thematic or regional and are implemented through a wide range of organizations, both in the public and private sector. These organizations include national, regional and local authorities, educational and training institutions, non-governmental organizations (NGOs) and the voluntary sector, various representative organizations for enterprise such as the various Chambers as well as social partners.

In the period 2014-2020, a legal obligation is foreseen for all member states to use structural funds and their resources for SMEs. This is a real opportunity for the SMEs.

Who can apply for OPs?

Depending on the OP, calls may be targeted at specific bodies (e.g. universities) or a partnership of several bodies (various Chambers, professional organizations, public bodies, etc.).

The funds allocated throughout Europe may vary according to different socio-economic factors. The amount that will be attributed at regional or national level to a project depends on the Fund's total allocation for the region/country and the co-financing rate.

According to the co-financing principle, a subsidy may not be wholly paid from European Funds, but may vary between 50% and 85% of the total cost of intervention. The co-financing rate depends on the category a region is in (more developed region, intermediate region, less developed region etc.).



Annex 4

The 12 proposals that the Social partners consider the most important

A/A	PROPOSALS
1.	Reform of the legal and institutional framework for investment and businesses' licensing.
2.	Further simplification of administrative processes through the rationalisation and digitalisation of processes
3.	Reducing the tax burden for SME's (VAT, excise duties, excise and local taxes) and reduction of energy excises
4.	Promotion of certified electronic payments between the public sector and businesses
5.	Closer market surveillance to prevent oligopolistic conditions. Strengthen the role of HCC notably in order to a) enhance market surveillance, support competitiveness of SME's (competitiveness test) and b) expand lift of regulatory barriers for the entry in the markets in other areas beyond those identified in the OECD study
6.	Concerning financing through EU funds directly available from the EU Commission, the proposal is to grant priority to the small enterprises in the evaluation process of funding requests.
7.	Ensure efficient launching of the Institution for Growth (IfG investment fund) notably the debt and equity windows
8.	Better designed financial instruments through the use of funds from the 2014 - 2020 programming period to better address the needs of SMEs
9.	Support export activities through co-financing programmes
10.	Improve policy development for the promotion of clusters and business parks
11.	Improve the legal and institutional framework for certification of professional qualifications
12.	Freedom of choice of a lower insurance category in OAEE

Annex 5

Proposals of SETE for the creation of a national strategy for small and medium-sized enterprises

NATIONAL STRATEGY		PROPOSALS CONCERNING SMALL AND MEDIUM-SIZED ENTERPRISES
HORIZONTAL POLICIES		POLICY MEASURES
1. Infrastructure - procedures	1.1	Amend legislation in order to facilitate the creation of tourist ports.
	1.2	Already today SETE fully covers the cost for employees in 3 countries (Russia, Ukraine, India) in the consulates of the cities of Moscow, St Petersburg, Kiev, Odessa, and Mumbai for the acceleration of procedure for issuing Schengen visas to tourists. This initiative will go on. Nevertheless, we believe that the Greek State should hire employees to accelerate the procedure of issuing visas, and proceed with issuing multiple electronic visas.
	1.3	Amendment of L 4002/2011 related to extension of tourist residence.
	1.4	VAT in catering should stay at 13% or even be reduced, since any increase would burden the businesses.
	1.5	Utilization of archaeological sites by changing-expanding the opening hours, electronic ticket vending machines and electronic guided tours in all museums & archaeological sites.
	1.6	“Social contract” between all social partners and the State so as not to interrupt the continuity of the tourist services chain between April-October each year, i.e. in airports, airlines, trains, ships, buses, metro, taxis, hotels, tour operators, museums, archaeological sites.
2. Development Law	2.1	All areas of the country should fall under the subsidy scheme for investments regarding upgrading and modernisation of all types of accommodation (hotels and rented rooms) but also for investments in special forms of tourism and as a supplement to existing facilities. Furthermore, It should also cover the upgrading and modernisation of professional tourist vessels of all types, of the tourist ports and marinas, tourist buses and also of the operational infrastructures of other tourist sectors (airlines and maritime companies, aircraft ground handling companies, travel agencies, car rental companies, exhibitions-conferences organization offices etc.). There should be no restrictions between the time of the previous investment for renovation and the new one, given the current needs for continuous upgrading of tourist tools, provided there is the submission and approval of robust upgrade business plans, and certainly under the guarantee of correct and coherent inspections during the submission process, but also during the implementation process of the proposals.



	2.2	Particular attention should be paid to subsidies, not forgetting the importance of tax exemptions, which should be particularly attractive for the companies that are still profitable, amending EU rule 651 on peripheral funding incentives, as in its present form completely discourages investments.
	2.3	The evaluation committees should be abolished and their competences should be transferred to the banks financing the investment, provided that a specific evaluation team for tourism investments is created by them. The Bank lends money, therefore assumes the corresponding risks. In this sense it has an interest to act purely on merit.
	2.4	The percentage of the requested participation must be determined solely with banking criteria and not by the Law. The new development Law should determine only the subsidy rates, tax exemptions or any other incentives. This would avoid overpricing and bogus increases.
	2.5	Main evaluation criteria should be:
	2.5.1	Capital base of the enterprise, experience, successful presence in the field.
	2.5.2	Increase of jobs.
	2.5.3	Contribution to regional development.
	2.5.4	Size of investment.
	2.5.5	Introduction of part of the funds.
	2.5.6	Limiting energy costs and use of RES.
	2.5.7	Use of existing natural resources and/or region's comparative advantages.
	2.6	To have specific provision for Health tourism within the hotel complexes in accordance to the standards that will be issued by the National Tourism Organization and the Ministry of Health.
	2.7	There should be a transitional period of 2 years for the time extension of the implementation of tourist investments that are already integrated but not completely implemented.
	2.8	An immediate settlement of the reimbursement by the State of the investment VAT, where there are today still issues pending from 2010.
3. Financial Issues	X	X

4. Transport	4.1	<p>The restoration of competitiveness in pricing policy of the country's largest airport in Athens, which had in the past the largest decline in passenger traffic, should go forward immediately. Essentially, we call for the immediate implementation of the principle of benchmarking with competitors (with the main and nearest being Istanbul). It should be noted here, the - correct in the view of SETE- strategy of Turkey, following competitive charges policy with the aim of upgrading the Istanbul airport as a hub of the wider region. Greece should recover some of the lost ground. The matter is of the utmost importance, both for tourism in Athens and Greece, and the viability of companies operating at the airport. It is also obvious that in order to enable the reduction of fees, the adequate extension of the concession contract period (beyond 2026) and of its conditions is essential, as well as the overall design of the HRADF in relation to the shares of the State to the AIA. Only then the will the possibility/obligation to reduce fees by the consortium be created.</p>
	4.2	<p>During the first three years of concession of the regional airports, when the investments in improvements required from the contractors must have been completed, the charges should in any case be higher than the current ones. In airports with big margins for development it would be good that there is even a provision for lower charges aiming at the key issue, i.e. the rapid development of tourism. Such tariffs should remain at current levels for at least another 2 years after the completion of the improvement investments, i.e. 5 years after the concession. After these five years, the pricing should be at the same levels as in airports of the same type, size and quality in neighbouring countries, with Turkey as major competitor.</p>
	4.3	<p>The grouping of airports for privatisation should not create hazardous geographical exclusivities. For example the two largest airports of Crete (Heraklion & Chania) should not belong to the same group.</p>
	4.4	<p>The reallocation of funds bound by the State budget for airports which have no direct return for the country's tourism, towards major airports which are already overloaded and dysfunctional (Heraklion, Rhodes, Kos, Mykonos and Santorini) should urgently be ensured. This reallocation will increase the value of the airports and will also help to more effectively attract investors for the upcoming tender.</p>
	4.5	<p>Smaller airports (15-20) which will remain under the State's management should be put into a legal entity of private law, with private management and State ownership. In this way their self-management within the State will be significantly improved, but at the same time would complete the obligation which is part of the European Regulation on separating the auditing function of the CAA and the provision of services.</p>
	4.6	<p>The concession of regional airports should not affect the validity of recently signed contracts with suppliers of ground-handling services at regional airports. The functioning of competition in the ground-handling services has contributed to significant cost reduction and attraction of more flights and companies. At the same time, companies have recently made significant investments in order to assume their obligations towards the State.</p>

<p>5. Proposals to remove obstacles for enhancing the quality and competitiveness of the Greek touristic entrepreneurship</p>		A. Establishment of undertakings
	5.A.1	Environmental licencing Preparation/adoption of simple TOR of ICM. Introduction of a clause for inactive deadlines. Licencing of a one stop ICM outsourcing control.
	5.A.2	Operating license of establishment Further reduction by 50 % of the number of supporting documents required. Grant of electronic license for each type of touristic activity immediately upon submission of the file. Elimination of multiple licenses and granting of one single operating licence per business. One-stop license. Introduction of a clause for inactive deadlines.
	5.A.3	Spatial planning Completion of the special spatial planning for tourism, incentives for investments of high quality and efficiency. Reduction of the construction distance from the coastal line at 30 m, the same as for residences and industries.
	5.A.4	Inter-urban transport Immediate lifting of the monopoly of the KTEL companies and not just by 2015. Full liberalisation of land passenger transport with public-use vehicles, through the creation of many new SMEs.
	5.A.5	Real estate tax: Reduction of the real estate tax
<p>6. Business development and support</p>	6.1	Further development and support of electronic content related to Tourism in many languages
	6.2	Continuous promotion of electronic networking of touristic businesses.
	6.3	Continuous training and linking of tourism businesses with business internship and apprenticeship programmes, which will be linked with the tourism labour market

