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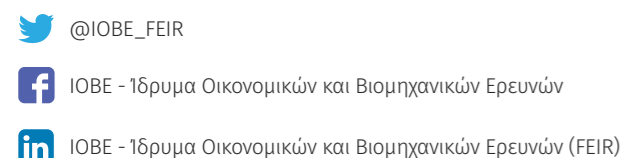
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IOBE

The Foundation for Economic and Industrial Research (IOBE) is a private, non-profit, public-benefit research organisation. It was established in 1975 with the purpose of promoting research on current problems and prospects of the Greek economy and of generating reliable information, analysis and proposals of value to policy makers.



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The contribution of European sources of direct funding to the economic development of Greece



The study highlights the implementation of the European direct funding programmes in Greece in 2014-2020. In addition, it examines the extent to which Greece utilises the funding opportunities from these programmes and it quantifies the wider benefits that the funding from these programmes has brought to the Greek economy. The analysis shows that Greece ranks fairly high in the use of resources from direct funding programmes, based on the ratio of funding over the Gross National Income of each country.

However, the participation of private enterprises in the programmes is relatively low in Greece, while there is also a high concentration of funded enterprises in the Attica region. Meanwhile, the analysis shows that there are significant benefits from direct funding for the participating enterprises and the economy more broadly. The benefits for the economy can be even higher if more businesses turn to this type of funding, which promotes innovation, the achievement of environmental and social goals, and international cooperation.

Direct funding programmes

The European Union has set up direct funding programmes that provide significant resources for a number of flagship policy areas and priorities. The main direct funding programmes of the most recent 2014-2020 programming period, include “Horizon 2020”, “LIFE” and “Erasmus+”. Resources from these programmes reinforce policies such as digital transformation, energy transformation, environmental protection, the fight against climate change and international cooperation. The resources of these programmes come from the national contributions of member states to the EU budget and are disbursed directly from the EU budget, through calls involving public and private sector entities from across the EU.

In greater detail, “Horizon 2020” allocated around €80 billion in total over the 2014-2020 programming period to produce world-class science and technology in Europe. Respectively, the “LIFE” programme financed projects that contributed towards the implementation of EU policies on environment and climate change, with a budget of around €3.5 billion for the whole

2014-2020 programming period. Finally, “Erasmus+” allocated a total of around €16.5 billion to initiatives in education, training, youth support, and sports.

For the organisations competing for and obtaining direct funding, the received support has been particularly significant. According to the literature, public funding through EU programmes enhances business innovation and leads to growth in total and intangible assets, sales, and employment. While these effects take place over a long period of time, there are indications of significant positive effects even during the project implementation period, or in the next few years.

The implementation of direct funding programmes in Greece

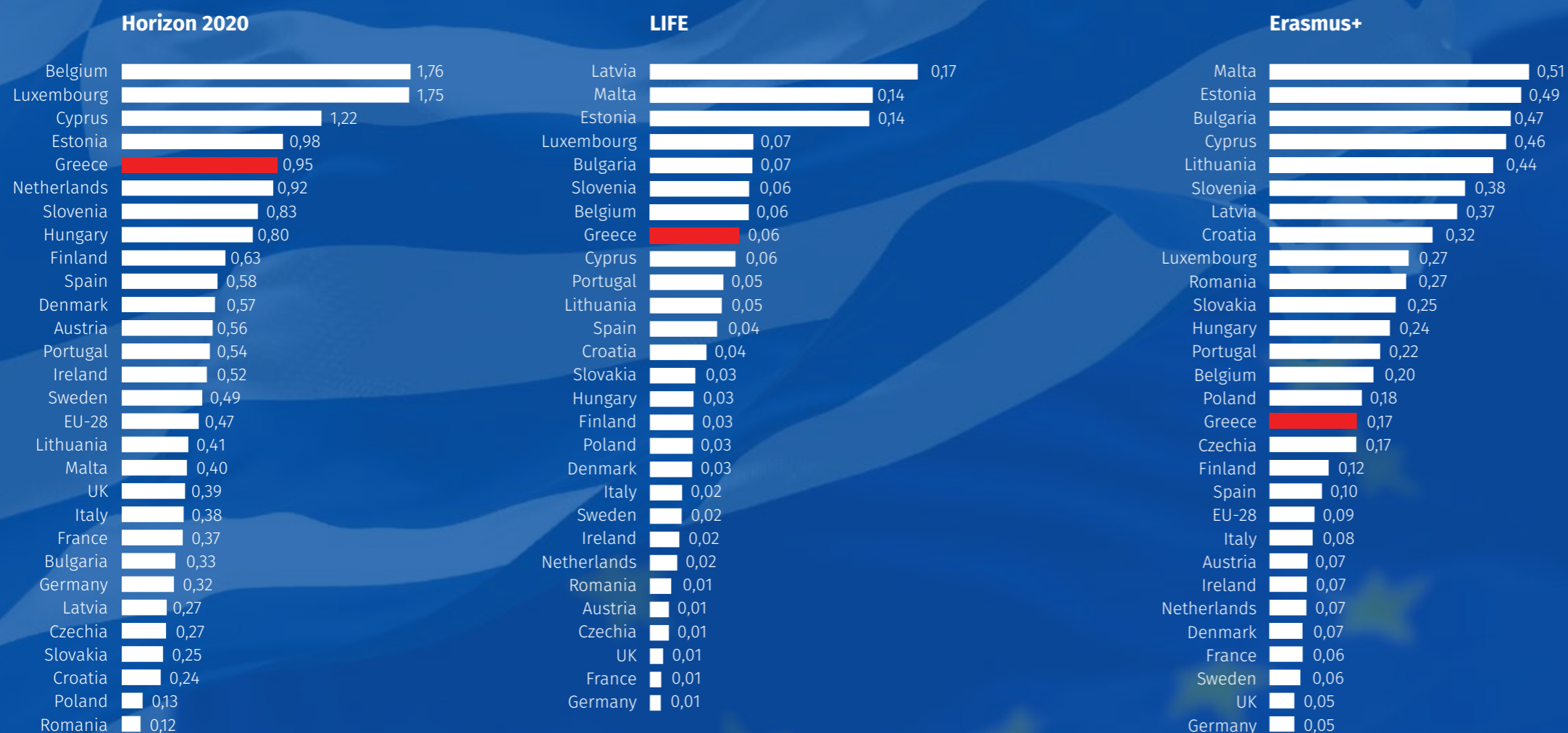
The direct funding programmes of the European Union provide significant resources for entities in Greece. The funding of Greek entities from “Horizon 2020” for the 2014-2020 programming period is estimated at €1.7 billion. Compared to the remaining programme countries, Greece ranks 11th based on

the total net funding received, while taking also into account the Gross National Income (GNI) of each country, Greece takes the 5th place in the ranking.

Regarding the participation of the private sector, 665 domestic private companies participated in 1319 “Horizon 2020” projects (2 projects per company on average) and received €509 million in total (29.9% of the total funding to Greek entities through the “Horizon 2020” programme). Based on the funds that were disbursed to private enterprises as a percentage of total funding, Greece ranks 15th among the participating countries. Given the considerably higher share of enterprises in total R&D spending in Greece (40.2% in 2020 in execution terms), there is strong evidence that the programme has been underestimated by domestic private enterprises as a financing tool and there is scope for businesses to further engage in the use of the programme’s resources.

Figure 1: Funding from the direct funding programmes as a share of each country's GNI

Numbers presented per-mile (%)



Source: “LIFE” programme 2014-2020 data hub, “Horizon 2020” and “Erasmus+” databases. Data processing: EY, IOBE.





Indications of significant room for higher participation in direct funding programmes also emerge from an examination of the geographical distribution of the funding. In particular, the bulk of the “Horizon 2020” funding to enterprises was received by companies based in the Attica region (76.5% of the funding and 72.2% of the funded enterprises), followed by central Macedonia (11.5% of the funding and 13.0% of the number of enterprises) and Central Greece (4.1% and 3.9% respectively).

Under the “LIFE” programme, domestic entities received €44.6 million direct EU funding for projects on climate change and the protection of the natural environment. Greece ranks 9th in terms of the total amount of “LIFE” funding, while based on the amount of funding from “LIFE” projects per GNI, Greece is ranked 8th. Of the funded entities, 27.2% were private enterprises, with 61.8% of the funded entities located in Attica.

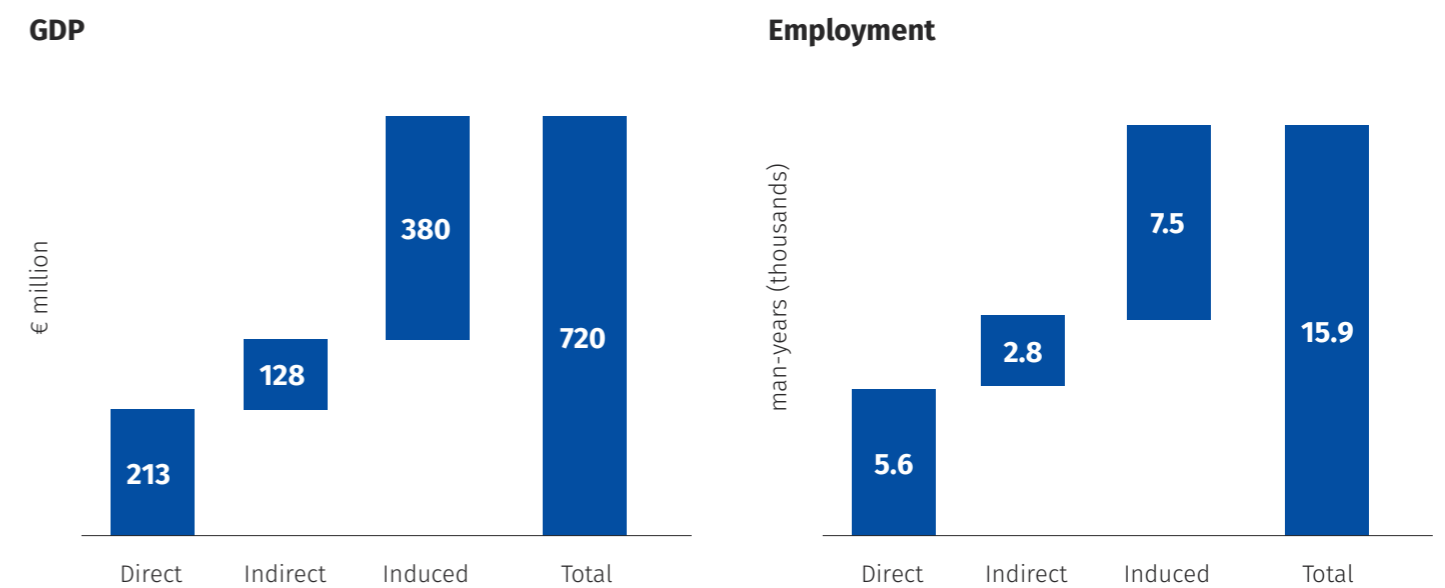
The support from the direct funding stream of the “Erasmus+” programme for Key Action 2 (Cooperation for innovation and the exchange of good practices) was also significant. In particular, the available data show that Greek entities coordinated 188 projects under the programme, with a total budget of €42.5 million. This sum includes project resources with domestic coordinators directed to partners based abroad, while it does not include resources directed to Greek entities participating in projects with foreign coordinators. Of the projects with domestic coordinators, around 14.7% were coordinated by Greek private companies. Greece ranks 16th on the basis of total funding from the “Erasmus+” programme over GNI.

Quantitative analysis of the current and potential contribution of the programmes to the Greek economy

The econometric analysis of the available data, revealed the significant benefits for the companies participating in the EU direct funding programmes. In particular, the Greek enterprises receiving “Horizon 2020” funding tend to have a higher turnover of around €3.6 million per year during the programming period, compared to similar enterprises that did not receive funding from the programme. The difference in terms of employment between the companies that received funding and other companies of comparable size prior to the programming period, is also significant (33 employees).

The higher business activity due to the implementation of projects financed through the EU programmes has a significant multiplier effect on the economy as a whole, through the demand that the additional activity creates for products and services from other economic sectors. Using an input-output model of the Greek economy, the financing of domestic enterprises through “Horizon 2020” is estimated to have generated around €720 million in terms of GDP overall in the 2014-2020 programming period (more than €100 million GDP per year — Figure 2), supporting on average 2,300 full-time jobs over the same period.

Figure 2: Impact on GDP and employment in Greece from the implementation of “Horizon 2020”, cumulatively for the period 2014-2020



Source: IOBE analysis

The benefits from a higher participation of domestic enterprises in direct funding programmes can be very significant. In addition to the higher activity figures for the businesses themselves, it is estimated that if Greece had absorbed the same amount of resources, in proportion to the size of the economy, from “Horizon 2020”, as the first country in the relevant ranking, the average impact on the country’s

GDP would have reached €190 million per year over the past programming period, while the employment footprint would have reached about 4,200 full-time jobs. These results do not include the long-term positive effects of the implementation of the funded projects on the level of research, innovation, skills, and environmental performance of the recipient enterprises and the economy more broadly.

Recommendations

In order to achieve the potential benefits, more domestic companies need to participate in direct funding programmes, especially from areas outside of Attica. The successful outcome of their participation in the tenders requires good communication about the opportunities offered by the programmes, and a good level of cooperation with other businesses, educational institutions, and research centres. To this end, the ecosystem supporting information exchange, relevant staff training and cooperation in joint initiatives, should be strengthened. A number of actions are recommended in order to strengthen the ability of both private enterprises and public entities to participate successfully in EU tenders under the direct funding programmes.

Indicatively, our recommendations include initiatives along the following lines:

- ▶ Informing businesses on the opportunities offered by the EU direct funding programmes (info days)
- ▶ Strengthening the role of the National Contact Points of direct funding programmes in order to inform the Greek business ecosystem more effectively
- ▶ Business support programmes to train the companies to successfully raise funds from direct funding programmes
- ▶ Strengthening of the cooperation between research and educational institutions on one hand and the private sector on the other
- ▶ Strengthening of the cooperation between entities from different regions of the country
- ▶ Supporting the creation of clusters of innovation – inside and outside of Greece – for joint participation in funded projects
- ▶ Provision of advisory and education services by qualified professionals, supported by the state in accordance with the practices of other countries, to prepare proposals under the European direct funding programmes

- ▶ Informing private companies on the benefits resulting from blended funding, taking into account the fact that the greater the use of European sources of funding for the development of innovative solutions, the greater the possibility of using indirect funding programmes (e.g. NSRF, Development Law, Recovery and Resilience Fund) for other investments
- ▶ Support by incentivising businesses to participate in the direct funding programmes
- ▶ Establishment of a communication channel with the competent authorities of the European Commission for direct funding programmes
- ▶ Creating a culture of utilizing direct EU funding in private companies to prepare them for future scenarios, where indirect EU funding will be targeted to less developed countries or special purpose funding (as under COVID-19)

Finally, the new opportunities and additional benefits that Greek businesses can gain from the relevant financial tools of the new Multiannual Financial Framework 2021-2027, should also be highlighted.

