

Regional Analysis



Identification of good support practices to assist eco-innovative companies address the challenges posed by covid-19 pandemic



Kostas Karamarkos,

Lena Sideri,

Dimitris Stimoniaris

Dimitris Tsiamitros

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1. Executive Summary



Western Macedonia enters the post lignite era. As the main Power Plants are established in the region for more than 60 years, Western Macedonia faces structural issues and violent changes concerning the overall economic and entrepreneurial ecosystem. Supporting eco – innovative companies is therefore an issue of major importance in the region.

6 eco-innovative companies and 3 supporting organization were selected to participate as interviewees for the regional analysis.

The most important outcomes are:

- Companies that import raw materials or packaging materials were affected by the pandemic, whereas those that don't import were less affected.
- There were limited staff redundancies. However, agrifood sector that depends mostly on seasonal staff from nearby countries faced problems.
- In some companies exports were affected.
- Retail sector did very well especially for essential products.
- Overall, agrifood sector did quite well during the pandemic, whereas manufacturing did well in some cases.
- Time-consuming supporting procedures due to bureaucracy and lockdown.
- Funding isn't always what companies need.
- Regional companies need to show more flexibility to address the new circumstances and challenges.

The conclusions in a few words include:

- the need for faster procedures,
- networking between companies,
- upgrading the role of the University of Western Macedonia,
- improvement of the management system,
- thematic new generation support,
- calls focusing on eco-innovation,
- elaboration of sectoral studies.

2. Introduction

A short presentation of the Region of Western Macedonia – The aim of the analysis



Western Macedonia Region is strongly affected by the covid-19 crisis comparing to other Greek regions (according to national statistics: high number of affected citizens per 100.000 inhabitants in Greece).

In addition, the same period the region has already entered the post lignite era. It is the biggest territory in Greece that urgently needs to be supported by the Recovery Fund and Just Transition Fund.

For the past seven decades, Western Macedonia relied on lignite, which was the national fuel that contributed greatly to the development of the regional economy and the electrification of the whole country. Today, Greece is moving towards replacement of lignite as the main fuel for power generation, in compliance with European energy and climate targets, but also for economic reasons. According to the updated National Energy and Climate Plan (NECP) (December 2019), Public Power Corporation (PPC), lignite thermal power plants (TPP), of total installed capacity of about 4 GWh, will be withdrawn by the end of 2023. Almost all these TPP are in Western Macedonia.

Undoubtedly, the contribution to the local economy from the operation of the current PPC units, in the region of Western Macedonia was particularly important and contributed greatly to the primary and secondary employment in TPPs and mines, but, also, offered local added value from the existence of secondary activities related to the operation of these units.

The interventions in the above areas should include a series of actions and projects, such as installation of additional RES units (mainly photovoltaic, wind and partly biomass), electricity storage projects, restoration of areas where the mines and lignite units of PPC currently operate, provisions for the existing PPC employees, such as transfers to other sectors of the company, retraining, special retirement "packages" of voluntary redundancies, the development of new industrial activities, such as manufacturing of batteries and battery chargers, assembly of electrical vehicle parts and development of hydrogen units, inter alia.

The promotion of research and innovation is a vital and necessary condition for the development and operation of most of the aforementioned projects and actions. The

development and support of green research and innovation is an independent post-lignite activity that should be implemented in the affected areas.

The role of the University of Western Macedonia is important, which with the appropriate support and encouragement and in the context of international collaborations, could develop relevant research activities for innovative products aimed at exports.



The aim of the analysis is to identify good support practices for eco-innovative companies during the covid-19 pandemic. Since the support system in Western Macedonia has limited actors helping entrepreneurs in successfully generating and implementing innovations, the UoWM focused on the critical

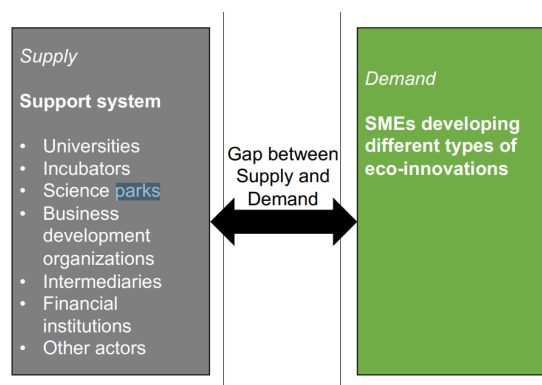
ones to provide support during the pandemic crisis (and mostly financial support) to innovative and exporting companies of the region.

A **facilitator** (Mr. Kostas Karamarkos) was appointed to lead and take over the responsibility for the analysis, in close cooperation with the University project team. **The knowledge of the interviewees is considered as very high**, since they are very experienced, representing some of the most eco innovative and exporting companies of the region.

3. Method

method

The regional analysis focused on identifying good support practices to assist eco-innovative companies address the challenges posed by the covid-19 pandemic. Thus, this analysis uses the gap approach as illustrated below, **focusing both on the support system and eco-innovative companies.**



How was the data collected?

The regional analysis started by **conducting interviews** with 3 actors within the regional support system. The approach was broad and covered 3 totally different types of actors: funding organizations (*Managing Authority of RWM ROP*), business development - networking organizations (*EEN Western Macedonia Office*), research and innovation supporting organizations (*UoWM*).

A **complementary set of interviews** was also conducted with 6 eco-innovative companies in the region. The purpose of those interviews was to understand their covid-19 related challenges and good support they have received and wish also to receive soon. The interviewees were briefly informed on the project, the purpose of the interviews as it is mentioned in the methodology of the analysis. The interviews were qualitative and used the semi-structured interview model. The questions were translated into Greek that really engaged strongly the interviewees.

The interviews were also **enriched** with an extended stakeholders meeting with all 6 companies' and supporting actors representatives' attendance, as also the SUPER project team. The stakeholders meeting was very profound and an in-depth discussion on the addressed issues took place. There they had the opportunity to elaborate more ideas and proposals.

Which support organizations were interviewed?

The support organizations were:

- EEN Western Macedonia - ANKO S.A.
- Managing Authority of the ROP RWM 2014-2021
- University of Western Macedonia

Why were these organizations selected?

The organizations were selected based on their objective and implementation of support mechanisms for eco-innovative SMEs. These three are the basic actors of regional support system, that is very weak in the region due mostly to its size.

Which companies were interviewed?

The selected companies are:

- Voion Land Products
- The Cooperative of Saffron
- Proud Farm
- Bagatzounis & Sons SA and
- Alpha Estate
- Dimitriou – Dairy Products

Why were these companies selected?

The selection of the companies was based mostly on their eco-innovative and exporting activities. Western Macedonia is a very small region and eco-innovative companies are limited. Almost all of them belong in the agri-food sector, which is considered the most innovative sector of the Region of Western Macedonia. This is the main reason for the specific selection of the companies.

4. Main Results

a. The pandemic related challenges of eco-innovative companies



Results coming from the 6 eco-innovative companies' interviews.

Raw material supply

Companies that use imported supplies as raw materials, faced many problems due to lockdown and the limited production almost worldwide. The same applies to packaging materials too. Most of the packaging materials are imported. During the pandemic there was also the incident in Suez Canal, which affected many companies, as their production had to slow down due to lack of raw materials and packaging materials. The cost of transportation that was also raised negatively affected the raw material supply coming from regional producers.

Human Resources

Almost all companies that participated in the research mentioned that there were limited staff redundancies during the pandemic, due to the policies that the government implemented. However, some companies that use seasonal staff (usually coming from Albania) faced problems because of the measures in borders and lockdowns in neighbor countries. Almost all companies implemented hygiene measures and processes to avoid lockdown due to covid incidents among staff. Not all of them manage to succeed in that. What was pointed out by interviewees was the demographic issue. It is well known that Western Macedonia faces important problems due to the post lignite era which has by turn led to high unemployment. There is an ongoing loss of human resources in the region and most of them are young who prefer to find a job elsewhere (in big cities or better abroad). The phenomenon of brain drain is here more intense than in other Greek regions.

Production

Many of the companies had to increase their production due to increased demand in retail sector. This wasn't possible to be achieved in all cases. Companies that use imported raw materials or packaging materials could not respond in the increased demand. However, the financial results were positive for most of the companies. Also, some of them introduced new products during the pandemic.

Investments

Companies that had already planned investments did well with some delays.

Impact on products and services

No impact detected on products and services

Impact on markets

Companies of agri-food sector did not face problems on their markets. Changes did not occur during the pandemic.

Exports

International markets had positive demand rate however not all companies managed to respond. Some of them increased their exports and others had to reduce them according to their production rates and capabilities.

Specific branch

Agriculture did not face specific problems and production rates were almost the same as before pandemic. The sector had to face problems concerning the climate change. The only problem was the lack of seasonal staff when needed.

Manufacturing faced problems in raw and packaging materials when imported. The also had to manage the increased, in some cases, demand in retail and the limited production due to lockdowns or lack of materials.

Support provided during Pandemic

Almost all the participant companies expressed their complaints regarding the support received or the support that was available. The support was only in terms of provision of liquidity. Many of the participants said that they did not need liquidity, other said that the procedures were very slow and time consuming. Also, the criteria were confusing and not always fair.

Suggestions by the interviewees

Many of the participants said that bureaucracy and time-consuming procedures in projects are basic problems to be addressed by the state. Also, local authorities should be close to entrepreneurs (organized meetings etc. like the stakeholders meeting).

Results coming from the 3 interviews of the support organizations.

The highlights from the interviews of the support organizations are as follows:

- It was pointed out that the procedures for the programs are very time-consuming and they have bureaucratic procedures. The services got worse during the pandemic as

most of the staff in relative authorities had to work from home, having no tools for their work.

- Also, the fact that there isn't any reliable data on regional SMEs and the entrepreneurial ecosystem made things more difficult. It was noted that chambers and other organizations that represent SMEs haven't updated their data for many years.
- Another issue that was pointed out by the interviewees was the lack of flexibility by the companies. Most of them were reluctant to grab the opportunities emerged by the pandemic, in the region.

Overall, we could say positively that both interviews and the meeting were very constructive, and this was noted by all participants.

b. Good support practices to address these challenges in the region



So far, funding was the baseline of supporting SMEs and entrepreneurship. It seems that this is not the main point for most of the eco-innovative companies. There are several structural issues expected to be addressed by the state, as also the responsible regional authorities and supporting structures.

No specific supporting measures were taken for eco-innovative companies only, but on the other hand there is one good regional level support practice to address challenges emerged by the COVID19 pandemic (including eco innovative companies).



Main aspects of the call:

The Regional Authority announced through the Regional Operational Program 2014-2020 and the responsible Managing Authority the call for funding: **“Supporting SMEs that were affected by the pandemic in the Region of Western Macedonia”**

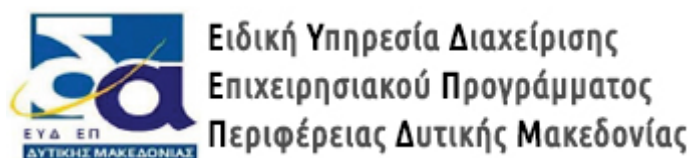
The specific Axis 3 is entitled “Enhancing the Competitiveness of Small and Medium Sized Enterprises”, of the Investment Priority 3a “Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators” and Specific Objective 3.1.1.

The overall budget for the call was 40 million euros.

The call was funded by Greek state and ERDF under the operation program “Western Macedonia” of NSRF 2014 – 2020.

The call supported small and very small enterprises of the region of Western Macedonia that were strongly affected by the pandemic.

The state funding covered 50% of the enterprises expenses for the year 2019 (starting from 5,000 euros up to 40,000 euros maximum).



Primarily the call aimed at supporting companies to ensure their sustainability during the pandemic. Therefore, the call was about supporting very small and small enterprises that were affected by the pandemic in the form of nonrefundable grant.

Details:

The action was implemented by the Managing Authority of ROP of the RWM 2014 – 2020 (with the technical support of the company ΚΕΡΑ-ΑΝΕΜ ΜΑΚΕ, that is a civil non-profit company, a legal entity under Private Law, based in Thessaloniki) according to the legislative framework for the implementation of NSRF 2014 – 2020.



Not eligible to apply for funding:

- public undertakings, public bodies or public bodies and / or their subsidiaries, as well as enterprises assimilated to them
- companies that are part of an already organized uniform distribution network of products or services and which operate under relevant contracts licenses for intellectual property rights, usually related to trademarks or distinctive titles and know-how for the use and distribution of goods or services (e.g. x. franchising, Shop in shop, agency network, etc.)

The state funding covered 50% of the expenses of the companies during 2019, such as supplies of raw materials, rent, employee benefits, operational expenses.

Beneficiaries were regional very small and small companies (including self-employed – freelancers).

The main criteria for the companies to be funded, were:

- They should have started to operate before 1/1/2019
- During 2019 they should had fewer than 50 employees
- Their expenses should be more than 10,000 euros
- A non-eligible sector was agriculture
- The funding should have been spent within 2021

Cumulative expenses came out from the following categories:

- costs of consumer goods
- costs for raw materials and consumables
- total cost of provided services
- total rents paid in use by the company
- total benefits to employees (excluding those engaged in agricultural biological activities)
- various operating expenses



The assessment criteria for the companies to be funded, were:

- The number of employees (not including owners, partners, shareholders, trainees and students)
- The profit level indicator (EBITDA/Turnover 2019)
- Impact of Covid 19 on business Turnover (Turnover – April 2019 until June 2019 depreciation to April 2020 until June 2020.

The proposals that were submitted were 4,758 in total.

3,030 of them were rejected or not graded

and

1,728 were finally granted.

More details (in Greek) :

<https://kepa->

[anem.gr/%CE%B5%CF%80%CE%B9%CF%87%CE%B5%CE%B9%CF%81%CE%AE%CF%83%CE%B5%CF%89%CE%BD-%CF%80%CE%BF%CF%85-%CE%B5%CF%80%CE%BB%CE%AE%CE%B3%CE%B7%CF%83%CE%B1%CE%BD-%CE%B1%CF%80%CF%8C-%CF%84%CE%BF%CE%BD-covid-19-2/](https://kepa-anem.gr/%CE%B5%CF%80%CE%B9%CF%87%CE%B5%CE%B9%CF%81%CE%AE%CF%83%CE%B5%CF%89%CE%BD-%CF%80%CE%BF%CF%85-%CE%B5%CF%80%CE%BB%CE%AE%CE%B3%CE%B7%CF%83%CE%B1%CE%BD-%CE%B1%CF%80%CF%8C-%CF%84%CE%BF%CE%BD-covid-19-2/)

5. Conclusions

a. Identification of aspects for improvement in the support practices

The aspects that should be improved are:

- Review and update data on the regional entrepreneurial ecosystem
- Review all procedures of the authorities and support organizations (less bureaucracy more efficacy)
- Improve synergies between eco innovative companies, or between companies and research institutes (by establishing networks or clusters) to enhance knowledge transfer and exchange of experience especially in the field of eco-innovation.

b. Recommendations for further developing the support activities

- The basic conclusion is that eco-innovative SMEs demand faster supporting procedures.
- They ask for thematic new generation support (apart from typical activities that have already been overtaken by the circumstances)
- Finally, it is common need to enhance networking so entering new markets would be easier for regional eco-innovative SMEs.

c. How the lessons learnt can lead to policy changes/improvements

The pandemic coincided with the end of the programmatic period and the relative funding of eco-innovative SMEs.

- In the new programmatic period, the management system should be improved.
- The calls should focus on eco-innovation especially in RIS₃ sectors.
- The procedures should be radically simplified and be less bureaucratic.
- The time-consuming evaluation procedures should also be faster and effective.
- Sectoral studies should be elaborated on eco-innovation
- The University of Western Macedonia should play an important role in the policy instruments concerning research and eco-innovation.

6. Appendices