

THE SIGNIFICANCE OF THE EUROPEAN FUNDING PROGRAMS FOR THE REGION OF THE PELOPONNESE

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Abstract

Many national economies rely on the manufacturing industry to improve their productive and their public finance. Moreover, manufacturing companies employ too many human capital, which plays vital role for the sector and the local communities as well. Many studies show that the manufacturing industry is a sector with significant cyclical behaviour. The region of the Peloponnese in Greece received adequate funding during the last years from different European programs. The result was to boost productivity of some sectors in the region, especially the manufacturing, while the infrastructure was improved and new technologies were adapted. The aim of this paper is to provide a thorough analysis of the manufacturing sector in Greece and especially the Peloponnese, and to research the contribution of European funding. Although Greece's manufacturing industry has a smaller share in the economy, comparing to the overall European level, it still has a great significance. Especially for the local communities, which find employment in the industry or even boost their public finance via indirect taxes. The significance of the region makes it very attractive for investments in this field. Results showed that not only did the percentage of the manufacturing sector in the Peloponnese increase, but also businesses in the region found significant funding in a turbulent period. The contribution of the European programs is very important, as companies in the region found important funding, when Greece's public spending was being decrease as part of the public finance collapse. Moreover, they contributed in the increase of the exports, which was also a very important aspect and overall target of the European programs as a whole. The industry was totally modernised, as companies had increased their investments in crucial infrastructure, human expertise and lands to expand their business activities as well. Furthermore, the adoption of the latest technologies, artificial intelligence, big data and new high speed technological infrastructure modernised the manufacturing industry as a whole in the region of the Peloponnese. It was very crucial as many years of underinvestment and cutting in spendings and decrease in public support had left the manufacturing industry at a very immature level. Today, companies are more competitive, they reach the European levels of investments and expenditure, as well as increase their exports to neighbouring countries firstly, and then to other continents of the world as well. On this level, manufacturing industry in the Peloponnese does reach European standards.

Keywords: Peloponnese, European Programs, manufacturing sector

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Introduction

The manufacturing industry is a key sector in many national economies and participates in creating sustainable economic growth. At the same time, it is a sector sensitive to domestic and external impacts that lead to fluctuations in the economic cycle. Empirical study from 22 countries of the European Union (Behun et al., 2018) identifies the relationship between manufacturing and Gross Domestic Product (GDP), using time series of selected indicators of the manufacturing sector and GDP from the Eurostat database for the years 2000-2016. The results of the analyses show that the manufacturing industry is a sector with significant cyclical behaviour. In most countries, production and sales in the manufacturing industry behaved as simultaneous indicators, while changes in production and sales are reflected almost directly in the increase or decrease in GDP. In addition, changes in the economic development of countries have a strong impact on employment, workers' wages and the number of hours worked in the manufacturing industry. In the last years this industry has been exporting to more countries, while it is among the country's largest direct employers, after trade and agriculture and about on a par with hotels and catering (Hellenic Statistical Authority, 2023). Manufacturing requires more specialized human capital while offering more stable labour relations (Foundation for economic & industrial research, 2017). In this paper the manufacturing industry in the region of the Peloponnese is examined in terms of the European funding programs, in order to estimate their importance.

The manufacturing sector in Greece and in Peloponnese

Greece's manufacturing sector has a smaller share in the GDP than the European average, however, it still has a vital economic and social role, due to strong multiplier effects. Figure 1 shows the percentage of the manufacturing sector as part of the GDP both in Greece and in European Union.

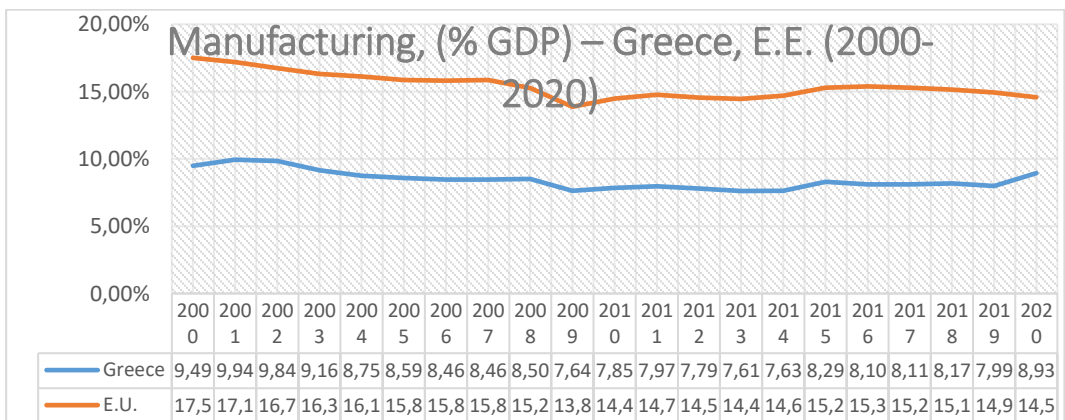


Figure 1. Manufacturing sector in Greece and in EU countries
Source: World Bank (2022)

The Peloponnese is characterized by a varied landscape of mountains and fertile plains that make it one of the leading producers and exporters of agricultural products in Greece. The region grows selected food products that have gained international recognition, while it is an important producer of fresh and processed fruits, especially citrus fruits (Greece Investor Guide, 2022). The Peloponnese Region does have significant advantages, which make it a good investment destination for FDI (32% of Greek Foreign Direct Investment) mainly because of its location, its advanced infrastructure and natural resources. Therefore, for example the prefecture of Corinth is the place of large businesses in petroleum and metal products industries, because the region is very close to Athens. Other businesses in the region are in the food industry or in the non-metallic mineral products. In addition, Megalopolis is the second most important electricity production center in Greece (Invest in Greece Agency, 2010). During the period 2000-2019, the share of manufacturing sector in the Peloponnese Region varied from 7.26% to 7.80% of the total Greek manufacturing sector, as shown in Table 1.

Table 1. Manufacturing sector in Greece (in million euros) ant the Peloponnese

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Greece	17.601	16.205	14.680	13.696	13.529	14.628	14.133	14.343	14.674	21.845
% of Pelo- ponnese	6,27%	6,45%	6,31%	6,33%	6,29%	6,26%	6,26%	6,17%	6,18%	7,80%

Source: Hellenic Statistical Authority (2022)

The contribution of the European Programs

In the Corporate Development Framework (CDF) 2014 – 2020 the following thematic objectives are 11. Objectives 1-3 contribute to smart development, objectives 4-7 to sustainable development and objectives 8-11 to inclusive development (Delitheou, Podimatas & Michalaki, 2018). Thus, the great importance of sustainable development is reflected, as well as the opportunity for the manufacturing industry as a whole, because they would gather more than 70% of the total funding programs. Moreover, as the region of the Peloponnese is listed as a developing region in Greece, there is priority for businesses in the area to be granted funding.

As a result, the purpose was twofold. First of all, the modernization of the manufacturing sector in the Peloponnese in order to become more competitive and export oriented, while focusing in developing the appropriate supply chain infrastructure as well. As a result, the modernization of the production and distribution of manufacturing products, as well as functional and productive interconnection of businesses and sectors to create positive external economies and economies of scale was the main purpose.

Table 2 illustrates the purposes of the funding of manufacturing businesses in the region of the Peloponnese. As mentioned, funding was heading towards two broader directions, first to improve the infrastructure and secondly to boost the efficiency of these businesses through technological developments.

Table 2. Funding of manufacturing businesses in the Peloponnese

<i>Manufacturing Sector</i>	
Improving infrastructure / supply chain	Enhance productiveness
<ul style="list-style-type: none"> • Construction, expansion, modernization of building facilities 	<ul style="list-style-type: none"> • Artificial intelligence and Big Data analysis/management equipment for the benefit of the production process (Artificial intelligence – AI and Big Data Analysis).
<ul style="list-style-type: none"> • Purchase of all or part of the existing fixed assets 	<ul style="list-style-type: none"> • 5G high-speed network infrastructure, laboratory and quality control equipment, ICT & software equipment, software licenses, IT security services.
<ul style="list-style-type: none"> • Purchase and installation of new modern machinery and other equipment 	<ul style="list-style-type: none"> • Smart Manufacturing Technologies, Machine to Machine (M2M) learning, Manufacturing Execution Systems (MES)
<ul style="list-style-type: none"> • Modernization of special facilities (not related to buildings) and mechanical facilities. 	<ul style="list-style-type: none"> • Robotics, to upgrade and automate existing production lines
<ul style="list-style-type: none"> • Quality assurance and control systems, certifications, supply and installation of software and business organization systems. 	
<ul style="list-style-type: none"> • Wage costs of new jobs 	

Source: Edited by the author

Conclusion

The importance of the European Programs for the manufacturing sector lies in the development of the sector and is proven by the slight increase of its share in the Greek economy. Through new technological developments the competitiveness of these businesses was boosted, while the maintenance of existing jobs and creation of new other positions helped the sector develop. The subsidized European Programs in the manufacturing sector succeeded in helping Greek companies to increase their competitiveness and their exports, while at the same time many companies were founded in this sector, therefore unemployment in the region dropped significantly, while young people found new employment opportunities. Moreover,

there was development of new products or differentiation of products towards sectors of high added value with a focus on the upgrading, standardization, and certification of Greek products, which means that overall production in the region was increased, contributing to the overall increase of the economic activity of the Peloponnese. European funds also boosted innovation in the industry as there were more investment opportunities for high added value products with a focus on the upgrading, standardization, and certification of Greek products. For the coming years there will be many more programs and funds available to businesses in the manufacturing industry in order to promote sustainable development and growth and as there is enough expertise in the field now, it will be an important opportunity for businesses in the region.

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