

Business scaling up needs:

A comparative analysis study

An Interreg Europe Scale Up product

November 2021

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Executive Summary

As an Interreg Europe project, SCALE UP plans to improve policy instruments supporting SME capacity to growth in national and international markets. The main objective of SCALE UP is to contribute to European competitiveness and accelerate regional economic growth through the improvement of 6 policy instruments linked to business growth and robustness. SCALE UP represents six EU regions with different stages of development in terms of industry SMEs scale up but common needs.

The growth and scale-up of a business is part of the objective of supporting SMEs which regional authorities must respond to adequately in order to identify and resolve key obstacles that obstruct industry sector on their path to development, taking into account the conditions of the current worldwide markets.

The sudden Covid-19 crisis has caused a radical change in the operating model of SMEs. It is thus significant to analyze the changing situation and policies before and after Covid-19.

In this comparative analysis study, external and internal factors within the EU that affect the development of SMEs before and after Covid-19 are analyzed. Innovation, the lack of skilled workers, difficulty in access to finance and globalisation are main factors that have been identified and should be taken into consideration. After Covid-19, digitalisation and policy support stand alongside the previous elements as crucial factors.

The economic situation, development of SMEs and measures to support SMEs in the six partner regions of SCALE UP-Murcia, Hessen, Attica, Lazio, Lubelskie and Nottingham- before and after Covid-19 are then analyzed to provide a more holistic view of the long-term changes brought about by the pandemic and to see what regional development and local government agencies have done to adapt to these changes. Economic conditions and SME operations generally declined in all regions following the pandemic. To support SMEs, regional governments have introduced a series of economic relief policies covering financial assistance, innovation programs and digitalisation transformation.

Lastly, recommendations in key policy areas like financial policy, digitalisation and labor are listed in order to bring SMEs in line with the changing times.

Introduction

The Covid-19 crisis is perhaps the greatest health crisis since the influenza A(H1N1) virus in 2009 that has swept through the economies of the EU-27 like never before. The pandemic has resulted in a tremendous impact on the development of small and medium-sized enterprises (SMEs) and triggered an unprecedented policy response in Europe and throughout the world. Compared to the global average trend, the Eurozone economy as a whole declined in 2020 and sees a slow rebound in 2021. The EU is estimated to recover in 2021 with a growth rate of 3.6 to 4.2%.¹

SMEs suffered severe losses in the process, with many businesses having to shut down. Based on the report led by the International Trade Center (ITC), among SMEs in 132 countries², two-thirds of micro and small firms report that Covid-19 strongly affected their business operations and one-fifth suffered the risk of shutting down permanently within three months. The pandemic continues to have an impact on the global market and several new strains of the virus are being discovered proving that the threat of Covid-19 is still lingering.

Meanwhile as measures have been taken to mitigate the effects of the pandemic, many new changes also emerged that required adjustment and adaptation by the SMEs. For instance, the lockdown and social distancing protocols of governments and businesses led to a surge in online demand. The pandemic has accelerated existing trends, in particular the uptake of digital transformation. It was a new challenge for governments to issue specific, locally tailored relief policies to help SMEs recover.

The purpose of this study is to analyze the main factors and needs of SMEs in terms of scaling their businesses before and after the pandemic, to specifically analyze how SMEs in the six SCALE UP partner regions - Attica, Hessen, Lazio, Lubelskie, Murcia and Nottingham - are faring in this challenge, and to provide recommendations for better recovery from the pandemic.

¹ European Parliament (2021). *Impacts of the Covid-19 pandemic on EU industries*.
[https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662903/IPOL_STU\(2021\)662903_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2021/662903/IPOL_STU(2021)662903_EN.pdf)

² International Trade Center (2020). *SME Competitiveness Outlook 2020 - COVID-19: the Great Lockdown and its Effects of Small Business*.
<https://www.intracen.org/uploadedFiles/intracenorg/Content/Publications/ITCSMECO2020.pdf>

Pre-Covid factors affecting the scale-up of SMEs (2018-2019)

Representing 99.8 % of all European businesses, SMEs form the foundation of Europe's economy in innovation, competition and jobs. According to the 2020-2021 annual report on European SMEs by the European Commission³, 53% of the total value added produced by the EU27 NFBS⁴ and 65% of total EU-27 NFBS employment were generated by EU-27 SMEs in 2020. It is estimated that in 2021 there are approximately 22.6 million small and medium-sized enterprises in the European Union, with the vast majority of them micro-sized firms.

Category of enterprise	Number of employees	Balance sheet	Turnover
Micro	<10	≤€2million	≤€2million
Small	<50	≤€10million	≤€10million
Medium	<250	≤€43million	≤€50million

Table 1: The definition of micro, small and medium enterprises⁵

Providing a huge share of EU employment, SMEs still face a wide range of challenges when it comes to working conditions. Understanding the impact of external factors on SMEs is important to help business advisory support better adapt to the environment and understand what actions to target.

Innovation

Innovation is undoubtedly the factor that has the most profound impact on SMEs.

Innovation is a key factor in increasing productivity and scaling growth, enabling social growth at minimal cost. Innovation promotes technological change and improves resource efficiency, which in turn increases labor productivity and per capita income. In industrial countries,

³ European Commission (2021). *Annual report on European SMEs 2020-2021*. <https://op.europa.eu/en/publication-detail/-/publication/849659ce-dadf-11eb-895a-01aa75ed71a1>

⁴ NFBS: non-financial business sector

⁵ Commission Recommendation of 6 May 2003 concerning the definition of micro, small, and medium-sized enterprises (2003/361/EC), Official Journal of the European Union <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2003:124:0036:0041:en:PDF>

innovation is a key driver of sustainable economic growth and the only way to achieve higher welfare and create better living conditions.

Unlike large firms that have to consider the alignment of innovation with their main business, SMEs can innovate deeper into their field due to their flexibility. SMEs that continuously invest in the development of new products and the modernization of their production processes gain a competitive advantage over their rivals and increase their market share.

European SMEs face strong rivals in the world market. SMEs from China, Brazil and other emerging economies have a price advantage in comparison. Therefore, innovation is the key for European SMEs to survive in a globalized world.

The lack of skilled workers

European SMEs often experience problems in employing skilled labor both at managerial and workforce levels. Due to the scale effect, larger enterprises are capable of providing more resources, higher quality training and support, and better wages. This has led highly skilled employees to choose large enterprises instead of micro, small and medium enterprises.

The limited availability of skilled professionals has prompted some SME owners to develop new projects and opportunities in order not to jeopardize their current operations. Some owners offer higher wages or better working conditions to attract talent, while others do not hire new staff to save budget.

Although most SMEs are aware of the need for a complete and continuous training system, they do not invest enough in on-the-job training and are often hampered by the budget of training, the uncertainty of return on investment, the lack of customizing training offers and guidance, and so on. As the connection point between workforce needs and real workplace skills training, SMEs and social partners, should be more involved in the design and delivery of skills content.

Difficulty to access finance

Limited access to appropriate sources of risk capital, especially when occurring during the early stages of business establishment, is one of the most important constraints in the creation and development of growth-oriented SMEs. SMEs rely heavily on banks in the Eurozone, with bank

loans accounting for 70% of external financing. This compares to only 40% in the US, where investors and idle market capital play a much larger role.⁶

SME financial needs are still significant, especially for fixed investments and working capital, though the costs for such finance are still high. They face higher transaction costs and interest rates than large groups, limiting their ability to access external financing.

Moreover, as the Small Business Act (2008) mentions, SMEs often have a weak asset position due to the late payment culture in Europe. SMEs usually have a delay not less than 20 days on average to get their invoices paid. It is estimated that one out of four insolvencies is due to late payment which leads to the loss of 450 000 jobs and of €25 billion every year.⁷

Globalisation

As one of the largest players in international trade, the EU's trade and services exports grew from about €1,160 billion in 2000 to €2900 billion in 2018, second only to the US and China.⁸ EU exports account for more than 15% of global exports and more than 80% of European exporters are SMEs.

Through globalisation, EU SMEs have a market with more diverse needs and access to a large source of capital and technology. SMEs can build on the region's own strengths and fine-tune and innovate with its target market to develop more targeted products.

Murcia

Economic situation in the Murcia region before Covid-19

The region of Murcia is located at the southeast of Spain, at the Mediterranean coast. The region represents 2.2% of Spain's territory and 3.2% of the Spanish population. The annual GDP of Murcia for 2019 is € 32,356M, with an annual growth rate of 2.3%. Spain's GDP for 2019 is € 1244.8B and Murcia accounts for 2.6% of Spain. Murcia's traditional strengths are in agriculture,

⁶ Euler Hermes Economic Research (2021). *SMEs in Europe lack an estimated 400bn of bank-financing*. https://www.eulerhermes.com/content/dam/onemarketing/ehndbx/eulerhermes_com/en_gl/media/english/press-release-pdf/Euler_Hermes_European_SMEs_Financing_Gap.pdf

⁷ European Commission (2008). *"Think Small First": A Small Business Act for Europe*. https://ec.europa.eu/commission/presscorner/detail/en/IP_08_1003

⁸ World Trade Organization (2019). *World Trade Statistical Review 2019*. https://www.wto.org/english/res_e/statistics_e/wts2019_e/wts2019_e.pdf

agri-food industry, tourism, logistics, IT and a wide range of industry and services, with a very diversified regional economy.

Development of SMEs before Covid-19

According to the Official Association of Registrars⁹, SMEs increased in 2019 profits, financial profitability and employment, and the business recovery that began in 2014 continued, with growth in net income and financial profitability (shareholders' profit) of SMEs.

The financial profitability of micro companies grew by 1.7%, from 5.4% in 2018 to 5.5% in 2019; small companies increased less, by 0.5% over the same period, from 7.7% to 7.8%; and medium-sized companies increased more strongly, by 5.2%, from 8.5% to 8.9% in 2019.

With regard to the average turnover and net result for the year, the data showed the effects of the years of sustained growth since the beginning of the recovery. In microenterprises, the average turnover grew continuously although moderately, always in a smaller proportion than their average annual results, recording year-on-year increases in turnover of around 2% in 2019, and with net result of more than 8%.

In small and medium-sized companies, the evolution patterns of both average magnitudes were similar: their turnover increased less than their net results. In 2019 turnover grew in medium-sized companies and decreased in small ones, although net results increased in both, slightly more than 5% in small ones and intensely, around 20%, in medium-sized ones.

With regard to the average employment data, the progress of SMEs in 2019, compared to the situation existing in 2015, shows the relative stability of the average workforce, with slight variations that are directly proportional to the size, with average increases of 0.08 workers in micro and small companies, and 0.21 in medium-sized ones.

On the other hand, data finds that investment in R&D is directly related to business size. In 2018, net R&D expenditures had been activated in 19% of very large companies, 15.8% of large companies, 14.5% of medium-sized companies, 9.3% of small companies and 4.2% of micro companies.

⁹ Informe "Las Pyme societarias" 2014-2018 y Avance 2019 https://www.registradores.org/-/informe-las-pyme-societarias-2014-2018-y-avance-2019?redirect=%2Factualidad%2Fnotas-de-prensa%3Fp_id%3Dcom_liferay_asset_publisher_web_portlet_AssetPublisherPortlet_INSTANCE_VkEXepWEVFi3%26p_p_lifecycle%3D0%26p_p_state%3Dnormal%26p_p_mode%3Dview%26_com_liferay_asset_publisher_web_portlet_AssetPublisherPortlet_INSTANCE_VkEXepWEVFi3_delta%3D6%26p_r_p_resetCur%3Dfalse%26_com_liferay_asset_publisher_web_portlet_AssetPublisherPortlet_INSTANCE_VkEXepWEVFi3_cur%3D9

Measures to support SMEs before Covid-19

Since SMEs are the backbone of the Spanish economy, the government and various regional development agencies have taken many measures to promote the development of SMEs.

■ Financial assistance

In 2018, Bankia and Avalam have entered into a collaboration agreement¹⁰ to grant up to €20 million in credit and loans to SMEs and sole traders in the Murcia Region. SMEs and sole traders in the Murcia region will have preferential access to a line of credit of up to €20 million for credit operations closed this year, with the mutual guarantee of the region's Mutual Guarantee Company.

■ Innovation

'INNOvoucher' ¹¹ is a pilot project developed by several European regions, including Murcia, to develop a new model of innovation check (grants for innovative projects in SMEs) to promote the transfer of innovation services between regions and countries, in a collaborative framework. The action has provided a total grant of € 600,000 to a maximum of 25 beneficiaries in 2018.

● Digitalisation

Ticcamaras 2018 Program¹² aims to grant aid to companies in the Chamber of Commerce of Murcia, by making available to them the services of ICT Assisted Diagnosis and Implementation. The main objective of this action is to promote the systematic incorporation of ICT into the regular activity of SMEs, as key competitive tools in their strategy, as well as to maximize the opportunities they offer to improve their productivity and competitiveness.

Co-financed by the ERDF and the Chamber of Commerce of Murcia, the maximum budget for the implementation of the Program in the framework of this call is €216,400, which is framed in the "Multiregional Operational Program of Spain ERDF 2014-2020".

¹⁰ Bankia and Avalam finance SMEs and sole traders in the Murcia Region (2018).
<http://www.bankia.com/recursos/doc/corporativo/2018/08/16/bankia-y-avalam-financiaran-a-pymes-y-autonomos-de-la-region-de-murcia-en.pdf>

¹¹ INNOvoucher project <https://www.innovoucher.eu>

¹² Ticcamaras 2018 Program <https://www.camaramurcia.es/ticcamaras-2018/>

Hessen

Economic situation in the Hessen region before Covid-19

Hessen is located in west-central Germany, accounting for 8% of the German population. The annual GDP of Hessen in 2019 was € 294B, with an annual growth rate of 2.9%. Germany's GDP for 2019 is €3449.05B and Hessen accounts for 8.5% of this number. The region's main industries are chemical and pharmaceutical industries, mechanical engineering, automotive industry, aviation and aerospace, biotechnology, electrotechnology, environmental technology, ICTechnology, Logistics and Mobility and Medical Technology (Invest in Hessen, 2019). This region also has a very strong service sector led by finance/banking.

Development of SMEs before Covid-19

In 2018, the number of companies throughout Hessen totaled 274,150, of which 272,832 or 99.5% of the companies had fewer than 250 employees. Within these medium-sized companies, micro-enterprises make up the vast majority. They account for 89.4 % of the total number of companies in Hesse.

In Hesse's micro, small and medium-sized enterprises, a combined total of 1,288,537 people were employed in 2018.

This corresponds to a share of 48.7 %: 12.2 % had their job in a micro enterprise, 17.0 % in a small enterprise and finally 19.5 % at a medium-sized enterprise. Correspondingly, large companies accounted for 51.3 % of all employees subject to social security contributions in Hesse in 2018, i.e. large companies and SMEs are employers for around half of Hesse's employees each.

Measures to support SMEs before Covid-19

Since SMEs are the backbone of the German economy, the government and various regional development agencies have taken many measures to promote the development of SMEs.

■ Digitalisation

The DIGI grant, led by the Hessian State Bank for Economics and Infrastructure, supports SMEs with state funds in the digital transformation of their production and work processes and the improvement of their IT security. It supports the digital transformation of production and work processes along with the improvement of IT security.

The grant is awarded by way of partial financing as a non-repayable subsidy of up to 50% of eligible material expenses. The amount of funding is limited to a maximum of €10,000. Funding can be granted for eligible material expenses of €4,000 or more.

■ Innovation

In 2020, Hessen's state government launched their Innovation Strategy 2020¹³ for Hessen to tackle economic, ecological and social challenges, including strengthening the innovative power of SMEs and encouraging SMEs to network with the research and science community.

Promoting the further development of SMEs and improving their resource utilization in clusters contributes to a more balanced division of labor. The government may provide support for start-up funding for small collaborative networks developed by SMEs. All these directions of Hesse's Innovation Strategy 2020 have the potential to benefit the relationship between urban, peri-urban and rural areas.

At the same time, the government will facilitate research projects of final-year students of universities of applied sciences in cooperation with companies, especially with SMEs. Final-year students' research projects at SMEs can combine science and industry, while SMEs can access the scientific and technological potential of higher education and research institutions.

Attica

Economic situation in the Attica region before Covid-19

Attica is an administrative region of Greece that encompasses the entire metropolitan area of Athens, the country's capital and largest city. The annual GDP of Attica for 2019 is € 87.7B, with an annual growth rate of 0.003 %. Greece's GDP for 2019 is € 187.4B and Attica accounts for 46.7% of the GDP. Shipping transport and tourism are its main industries.

Development of SMEs before Covid-19

The region of Attica is moving towards the 4th Industrial Revolution, launching the *Digital Transformation of the Greek Industry*¹⁴. It has also been established the Attica Entrepreneurship Center in 2018, which aims to support the expansion of SMEs. The center supports SMEs with various actions and funding. The strategic goal is to improve competitiveness and exchange know-how to support innovation. On the other hand, the University of Attica and the Chamber of Commerce of Athens have cooperated to collaborate in funding the participation of SMEs in B2B meetings, conferences and international fairs, as well as startups mainly in new technologies.

¹³ Hessen Innovation Strategy 2020 <https://rural-urban.eu/sites/default/files/S-FRA3%20Innovation%20Strategy%202020%20Hessen.pdf>

¹⁴ Ψηφιακός Μετασχηματισμός της Ελληνικής Βιομηχανία 2021 <https://www.ggb.gr/el/node/1820>

Measures to support SMEs before Covid-19

The Regional Operational Plans (ROPs) 2014-2020 as also the Operational Programme Competitiveness, Entrepreneurship and Innovation 2014-2020 (EPAnEK) are the most important EU funding tools available to regional authorities to implement not only their RTD strategies, but also their overall development strategies. The Attica ROP 2014-2020 therefore provides a comprehensive RTDI policy framework for the region.

The total budget of the OP is € 1,139,966,974 and the total EU contribution (ERDF and ESF) is € 911,973,576. The support to the OP will significantly contribute to the following key development priorities of the EU and its Member States.

It helps SMEs in the following four aspects:

■ Innovation

Strengthening research and innovation mechanisms and SME investment in research and innovation in the Attica region (ERDF - 2.6% of the EU funds): strengthening the links between businesses and research institutions and increasing business investment in R&D by about 64% in the areas identified in the Region's Smart Specialization Strategy (RIS3).

■ Digitalisation

Dissemination and development of innovative products and services by SMEs through the use of ICT (ERDF - 3.5% of EU funds): promoting the use of ICT by SMEs and improving the use of ICT in e-government, e-learning, e-inclusion, e-culture and e-health.

■ Investment

Strengthening the competitiveness and outward orientation of SMEs - Improving the investment attractiveness of the Attica region and promoting innovative entrepreneurship (ERDF - 11.6% of EU funds): supporting SMEs, especially young ones, by supporting clusters and incubators, providing capital and financing for restructuring and modernization investment projects, and supporting the outward orientation of SMEs.

■ Financial assistance

The ERDF and ESF allocated around €90 million to the Attica region in the 2014-2020 cycle to create jobs, enhance extroversion, innovation and the smart use of ICT through promoting and integrating innovation, utilising ICT, creating business supporting structures and mechanisms.

Lazio

Economic situation in the Lazio region before Covid-19

Lazio is a region of central Italy. The region is Italy's second most populated area with a population of 5,864,321 million. The annual GDP of Lazio in 2019 was € 200.931B, with an annual growth rate of 1.6%. Italy's GDP in 2019 was € 1789.7B and Lazio accounts for 11.2% of the GDP. The regional capital is Rome which also happens to be the capital of Italy. The regional innovation system is strong especially with regard to its public components – universities, national research institutes and the government. The region's main weakness is the relatively low level of private R&D investments.

Development of SMEs before Covid-19

As the region with the country's capital, Lazio has about 14777 SMEs¹⁵, the third largest in Italy. According to a survey conducted by Industria Felix Magazine, 84.9% of SMEs and large companies in Lazio produced profits in fiscal year 2017.¹⁶ By the end of 2019, there were 662,514 companies registered in Lazio, equal to 10.9% of the total of Italian companies and a growth rate of 1.40% compared to the Italian average of 0.44%.¹⁷ Despite the economic setbacks encountered by the Lazio region during this time, the numbers show that there was positive growth in terms of SME development.

Measures to support SMEs before Covid-19

Since SMEs are the backbone of the Italian economy, the government and various regional development agencies have taken many measures to promote the development of SMEs.

■ Globalisation

In support of SMEs, freelancers and businesses, *Made in Italy* was relaunched globally and opened new connections with the international market. During this time, Lazio Innova presented the Regione Lazio Announcement Internationalization SME 2018¹⁸ where €2.2

¹⁵ RAPPORTO REGIONALE PMI2021 https://know.cerved.com/wp-content/uploads/2021/05/RAPPORTO-REGIONALE-PMI-2021_DEF.pdf

¹⁶ Il Sole 24 Ore (2019). Lazio, in utile l'85% di Pmi e grandi imprese. https://www.ilsole24ore.com/art/lazio-utile-l-85%o-pmi-e-grandi-imprese-ACjHCvQ?refresh_ce=1

¹⁷ Ansa IT (2020). Unioncamere: Lazio, prima regione per crescita numero imprese. https://www.ansa.it/pmi/notizie/unioncamere/2020/01/29/unioncamere-lazioprima-regione-per-crescita-numero-imprese_b4697a3d-d546-4ca9-a9fd-183e5c845dc9.html

¹⁸ Al via Bando Regione Lazio Internazionalizzazione PMI 2018 <https://www.adriaeco.eu/2018/02/22/al-via-bando-regione-lazio-internazionalizzazione-pmi-2018/>

million was allocated for small and medium-sized enterprises that want to strengthen competitiveness in foreign markets.

Costs for participation in trade fairs, international trade shows and major commercial events at showrooms and exhibition centers abroad were among the various eligible investments recognized. Expenses were also recognized for activities related to the realization of the first sale in a foreign country and for the acquisition of other specialized services such as business penetration plans, Temporary Export Manager and consulting.

■ Innovation

*Fondo Futuro*¹⁹ is the Lazio region's programme aimed at micro-businesses that are in situations of difficulty in accessing traditional channels of credit. The measure provides for the granting of low-interest loans (1%) to support an investment plan or business start-up.

Through the provision of low-interest financing, the region, in addition to supporting the regularization of the labor market and entrepreneurship, increased the efficiency and quality of businesses, improved women's access to employment and reduced gender disparities. The endowment of the 2019 window of *Fondo Futuro* is €13, 5 million from the 2019-2020 annualities of the POR FSE 2014-2020.

Lubelskie

Economic situation in the Lubelskie region before Covid-19

Lubelskie is located in southeast of Poland. It is the third largest region in Poland. The annual GDP of Lubelskie for 2019 was €18.5B, with an annual growth rate of 0.16%. Poland's GDP for 2019 was €529B and Lubelskie accounts for 3.7% of the GDP. The majority of towns in Lubelskie are small, with a population of less than 20,000. Lubelskie is one of the least urbanized regions in Poland – both in terms of the average area per city and urban population ratio.

Development of SMEs before Covid-19

As heavy industry is unlikely to settle in Lubelskie due to its regional characteristics, transport, building, carpentry, medical help, and computer programming are considered as industries where SMEs can grow. SMEs which are flexible in production and location and focused on export products, have a chance to develop with benefit to the whole region.

¹⁹ Fondo Futuro http://www.lazioeuropa.it/bandi/por_fse_fondo_futuro_finestra_2019-601/

Measures to support SMEs before Covid-19

■ Financial Assistance

- a. The Programu Operacyjnego Inteligentny Rozwój (POIR)(Operational Programme Intelligent Development)²⁰ is the European Union's largest programme funding research, development and innovation from structural funds and the second largest national programme in terms of budget for 2014-2020.

The main objective of the Programme is to increase the innovativeness of the Polish economy. This goal will be achieved primarily by increasing expenditures on R&D activities incurred by enterprises.

About €8.6B European funds (including about €5B for Axis I and IV) were allocated for the implementation of OPIR. Thanks to these funds, SMEs gained new opportunities to carry out joint research and development projects together with scientists whose results will be practically used in the economy.

- b. The Program Polska Wschodnia 2014-2020 (Eastern Poland Programme 2014-2020- EaP)²¹ is an instrument to support the socio-economic development of Lubelskie and four other regions. Its funds - €2B from the European Regional Development Fund - will be allocated to the development of innovative SMEs and more importantly, from the point of view of cohesion and territorial accessibility of the macro-region, investments in urban transport, roads and railroad.
- c. The main objective of the Regionalny Program Operacyjny Województwa Lubelskiego (OP) (Regional Lubelskie Operational Programme) for the period 2014-2020²² was to increase economic competitiveness and strengthen social and territorial cohesion in the region. The implementation of the OP contributed to achieving the objectives set out in Europe's 2020 Strategy for smart, sustainable and inclusive growth by stimulating economic growth and increasing the productivity of SMEs.

Nottingham

Economic situation in the Nottingham region before Covid-19

²⁰ Programu Operacyjnego Inteligentny Rozwój (POIR) <https://www.poir.gov.pl/>

²¹ Program Polska Wschodnia 2014-2020 <https://www.polskawschodnia.gov.pl/strony/o-programie/dokumenty/program-polska-wschodnia-2014-2020/>

²² Regionalny Program Operacyjny Województwa Lubelskiego <https://rpo.lubelskie.pl/>

Greater Nottingham comprises the city of Nottingham and the neighbouring districts of Broxtowe, Gedling and Rushcliffe. Greater Nottingham is therefore the functional economy of Nottingham. Prior to the Covid-19 pandemic Nottingham's local economy had been performing reasonably well in terms of most economic indicators. Nottingham's central location, growing population, diverse economic base and the presence of two leading universities and other institutions supporting R&D were key strengths.

Greater Nottingham's GVA had been increasing steadily since the end of the recession of 2007-09 and stood at £10.6bn in 2019. Key sectors are Retail and Wholesale; Real Estate; Information and Communications; Administrative and Business Support Services; Health and Social Work; and Education. 314,000 people were employed in Greater Nottingham in 2019. Services are the dominant source of employment in the City accounting for 90.0% of the employed workforce. Health, education, retail and business services are key sources of jobs.

There were 21,700 enterprises in Greater Nottingham in 2019, accounting for 97% of all businesses (88% were micros with less than 9 employees). Nottingham Core City's self-employment rate (9.4%) was below the England average (11.1%) in 2019. The business birth rate (starts per 10,000 population) in Greater Nottingham was 52.7 in 2019 which is significantly below the England average (76.9). Nottingham Core City's three and five year survival rates (44.1 and 56.4) exceed those for the Core Cities and England (42.5 and 51.5 respectively).

Development of SMEs before Covid-19

Nottingham and the wider region had a strong community of SMEs with some clear specialist sectors such as lifesciences, healthcare and professional services. According to a report by Capital Economics,²³ Nottingham was set to see a £5.5 billion annual boost from its rising number of SMEs which will create 10,000 jobs by 2020. It found that a 19% increase in SMEs in the city has already created a massive 17,300 jobs since 2010. In the report, it is recognised as England's top city for small business growth.

Measures to support SMEs before Covid-19

The European Structural Investment Funds (ESIF) programme provided a variety of support in Nottingham and surrounding counties including projects funded to deliver the following:

- **Access to Finance** – numerous grant schemes as part of business support projects that enabled SMEs to access grant funding to support capital investments as well as contributions to graduate placements or improvements to energy efficiency within their premises. On a larger scale, ESIF contributed to the Midlands Engine Investment

²³ The Creative Quarter, Nottingham (n.d.). *The Nottingham advantage*.
<https://www.creativequarter.com/invest/the-nottingham-advantage>

Fund which delivered a variety of finance including debt and equity investments in early stage and established companies.

- **Innovation support** – primarily delivered via universities but also in conjunction with Innovate UK to enable SMEs to benefit from knowledge transfer partnerships, pitching festivals and similar schemes
- **Scale Up services** – UpScaler and Digital UpScaler projects assisting SMEs to maximise their growth potential through one-to-one coaching, networking, events and talent grants.
- **Coordinated business support** – delivered on an account management basis via the Growth Hub as the portal for SMEs to access impartial advice about the business support provision in the local area.

Table 2: Pre-covid comparative chart

Pre-Covid	Gross Domestic Product 2019 (GDP)	Development of SMEs	Measures to support SMEs	
Murcia	€ 32.3M	SMEs increased in profits, financial profitability and employment in 2019.	Financial Assistance	€20 million loan by Bankia and Avalam
			Innovation	INNOvoucher
			Digitalisation	Ticcamaras 2018 Program
Hessen	€ 294B	About 274,150 SMEs	Innovation	Hessen Innovation Strategy 2020
			Digitalisation	DIGI grant
Attica	€ 87.7B	Moving towards the 4th Industrial Revolution	Innovation	The Regional Operational Plans (ROPs) 2014-2020
			Digitalisation	
			Investment	
			Financial Assistance	
Lazio			Innovation	Fondo Futuro

	€ 200.931B	About 14777 SMEs	Globalisation	<i>Made in Italy</i> program
Lubelskie	€ 18.5B	Transport, building, carpentry, medical help, are industries where SMEs can grow.	Financial Assistance	The Programu Operacyjnego Inteligentny Rozwój
				The Program Polska Wschodnia 2014-2020
				the Regionalny Program Operacyjny Województwa Lubelskiego
Nottingham	£ 18.1B(≈€ 21.4B)	England's top city for SMEs	Financial assistance	The European Structural Investment Funds (ESIF) programme
			Innovation	
			Scale up services	
			Coordinated business support	

The table above represents a brief overview of the situation of SMEs before Covid-19. As observed, Innovation, Financial Assistance and Digitalisation were the main areas which the partner regions of the Scale Up project prioritized. This trend is also remarked from an EU perspective as Innovation and Access to Finance have been identified as factors affecting the scale up of SMEs before the pandemic.

Current factors affecting the scale-up of SMEs (2020-2021)

According to a 2020 McKinsey research²⁴, more than 60% of SMEs surveyed are concerned that their business may not last a year, and 37 % are currently only concerned about staying afloat. 70% of them have seen their revenues decline as a result of the pandemic, which could be considered their source of vitality and survival. According to the State of Small Business Wave 6 Report²⁵, 58% of SMEs in Europe have experienced a decline in sales.

Despite the impacts of the Covid-19 pandemic on the economy, there are still substantial growth opportunities for scale-ups across Europe.

First, there are opportunities for start-ups that introduce (or upscale) radical innovations that can be useful in the short run.

Second, the Covid-19 outbreak may induce persistent changes in societies, consumer habits or needs that could uncover valuable business opportunities for start-ups that are able to anticipate these changes. For instance, demand for remote working, e-commerce, education and health services may also change in the medium run, global value chains and cities may be transformed.

Digitalisation

The digitalisation of SMEs was a hot topic before the pandemic and is one of the recognized paths to the future. Yet the maturity of SMEs, their preparedness, and their uptake of technology varied. One thing, however, is clear: this pandemic has accelerated the need for digitalisation.

The home isolation brought about by Covid-19 has prompted governments to call for lockdown and social distancing measures. As a result, many businesses that require physical contact (especially in the service sector) were forced to close or come up with an alternative way to continue their business without the need for physical contact.

In industries with a majority of SMEs (e.g. retail, entertainment), businesses with digital business models soared through the pandemic as everyone used the web. The gap between traditional

²⁴ Which small businesses are most vulnerable to COVID-19—and when

<https://www.mckinsey.com/~media/McKinsey/Featured%20Insights/Americas/Which%20small%20businesses%20are%20most%20vulnerable%20to%20COVID%2019%20and%20when/Which-small-businesses-are-most-vulnerable-to-COVID-19-and-when-v3.pdf>

²⁵ Global state of small business <https://about.fb.com/wp-content/uploads/2021/04/Global-State-of-Small-Business-Report-March-2021.pdf>

offline models and digital business models widened. The shift in the data-driven decision-making model across the supply chain provides opportunities and motivation for SMEs.

Indeed, digitalisation is a collection of new paradigms, including supply chain; innovative finance; automation; big data; and artificial intelligence. These dynamics and trends are profoundly reshaping the way all businesses operate. It is incumbent on virtually every micro, small and medium-sized enterprises (MSME) to digitalize in order to survive and thrive in this ever-changing environment. At the very least, every business will have to adapt to new digital tools to better communicate with customers and suppliers. This requires new capabilities and a significant investment of time and money.

The pandemic is coming on strong and most small businesses are not adequately prepared to make the transition in such a short period of time. Gaps in digital capabilities and infrastructure still exist.

Policy support

After the financial crisis in 2008, most European countries initially focused their policy attention on supporting banks and large companies. SMEs did not come under the primary consideration. This time, SMEs have been the policy focus from the beginning.

Recognizing that SMEs are overwhelmed by a severe economic shock from Covid-19, governments reacted quickly at the beginning of the crisis to address the challenges of the SME survival phase in a localized manner. This required a combination of financial instruments to stem the liquidity crunch and reduce job losses. As the economy recovers, governments need to pay more attention to the growth phase of those SMEs that survive, moving toward more structural policies aimed at promoting networking.²⁶

The European Commission has launched a number of programs to help SMEs through this difficult time, such as the Invest EU and Single Market Programme. Regional government support for SMEs is also critical because it understands local characteristics and is more purposefully targeted.

European institutions have been active and have put in place many programs to help SMEs smooth out the outbreak.

²⁶ Juergensen, Jill, José Guimón and Rajneesh Narula (2020). *European SMEs amidst the COVID-19 crisis: assessing impact and policy responses*. Journal of Industrial and Business Economics.
<https://link.springer.com/article/10.1007/s40812-020-00169-4>

- Coronavirus Response Investment Initiative Plus²⁷: This initiative will complement the first package of measures with a similar name by introducing greater flexibility. This will be done by freeing up unused money from European Structural and Investment Funds (Regional Development, Social, and Cohesion Funds) in order for it to be fully taken advantage of. Furthermore, additional support will be given to the most deprived by changing the rules for both the Fund for European Aid to the Most Deprived and the European Maritime and Fisheries Fund.
- Pandemic Emergency Purchase Programme²⁸: The European Central Bank (ECB) has proposed a €750B Pandemic Emergency Purchase Programme in response to Covid-19. In practice, this means that it will increase the amount of money it lends to national governments in the Eurozone to support their economies. The ECB has committed to do everything necessary and to increase the money made available through this programme as much and for as long as needed.
- Covid-19 release EU funding²⁹: The economic crisis is increasingly accelerating the pace of change of European internal policies. The Council has adopted two new legislative acts aimed at quickly releasing funding from the EU budget. One of the acts amends the rules of European Structural and Investment Funds, while the other extends the scope of the EU Solidarity Fund to include public health emergencies, in addition to natural disasters.

Murcia

Current economic situation in the Murcia region

The average of the forecasts of six reference entities of economic analysis (Hispalink Network, BBVA Research, AIREF, Ceprede, Funcas and the Bank of Spain) reflects that the GDP of the region of Murcia fell 2.2 points less than that of Spain last year. The average of the estimates shows that the fall would be 9% in the Region of Murcia, compared to 11.2 % calculated for the whole of Spain.

²⁷European Commission (2020). *Coronavirus Response Investment Initiative Plus*.
<https://eufunds.ie/covid/coronavirus-response-investment-initiative-plus/>

²⁸ European Central Bank. *Pandemic emergency purchase programme (PEPP)*.
<https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html>

²⁹ European Commission. *EU funding: Support for research and innovation*. https://ec.europa.eu/info/research-and-innovation/research-area/health-research-and-innovation/coronavirus-research-and-innovation/financing-innovation_en

The drop forecast for the region of Murcia by these entities corresponds to that estimated by the Ministry of Presidency and Finance, which is 8.6 %. Prior to the pandemic, the forecasts of the Ministry for 2020 were for a rise of 1.7 % of GDP.

In the case of unemployment, the latest Labour Force Survey (EPA)³⁰ reflects that the unemployment rate in the region has fallen seven tenths compared to twelve months ago, reaching 15.39 % which is below the national figure (16.13 %). In addition, the region of Murcia is the only autonomous community that currently has more Social Security affiliates (1,238 more) than the number before the pandemic.

Current development of SMEs

According to an article that highlights the report on the economic impact of Covid-19 on SMEs in the region of Murcia, prepared by the Chair of Competitiveness of the Official Association of Economists³¹, eight out of ten small and medium-sized enterprises in the region of Murcia maintained or expanded employment during the coronavirus.

According to the study, SMEs in Murcia have managed to maintain employment (59.3%) or expand it (21.9%) during the health crisis. The report also highlights that 44.1% of the companies saw their sales reduced in 2020, while 35.3% managed to maintain them and 20.6% increased them; also 54.6% of SMEs in Murcia were negatively affected, although it should be noted that this is a lower percentage than the national average (64.3%).

In terms of profitability, almost 53% of the SMEs suffered the consequences of the coronavirus, a percentage also lower than in the national average (62.2%). It should also be noted that the crisis had a negative impact on the level of turnover in international markets. Specifically, it affected 39% of SMEs in Murcia.

Another fact to take into consideration is that companies in Murcia, in general, "feel better" than the national average. The satisfaction of both customers and employees is higher than the national average.

Current measures to support SMEs

³⁰ Instituto Nacional de Estadística (2021). *Encuesta de Población Activa (EPA)*.
<https://www.ine.es/daco/daco42/daco4211/epa0420.pdf>

³¹ González, Adrián (2021). *Ocho de cada diez pymes de la Región han mantenido o ampliado el empleo durante la pandemia*. La Opinión de Murcia. <https://www.laopiniondemurcia.es/comunidad/2021/07/02/ocho-diez-pymes-region-han-54591499.html>

In order for SMEs to recover faster, the government, banks, regional development agencies and others have taken a number of measures to assist them.

■ Financial assistance for SMEs

- a. In accordance with the provisions of Royal Decree-Law 5/2021, SMEs in the region of Murcia whose annual turnover in 2020 has fallen by more than 30% with respect to 2019 can apply for the Covid line financed by the Government of Spain³², for the support to the solvency and reduction of the indebtedness of the private sector by means of aid with final character for the payment of debts accrued before and during Covid-19.
- b. The financial aid funded by the Regional Development Agency of Murcia ³³(INFO) will focus on technological and productive investments for SMEs in order to reduce the damages caused by Covid-19 with a non-refundable 3 million fund. The program for productive and technological investments of small and medium enterprises through non-refundable grants with the aim of recovering business liquidity after the health crisis, as well as support for investments to provide the company with the necessary elements of protection and security to carry out the economic activity avoiding possible contagion of coronavirus.

■ Innovation

During Covid-19, Línea Emprendia³⁴ funded by European Investment Bank and the region of Murcia debt and financial research institute provided financial support through participative loans to innovative companies or companies with recently created innovative projects to favor the growth and consolidation of these companies, as a measure to promote economic development and job creation in the region.

Hessen

Current economic situation in the Hesse region

The annual GDP of Hesse in 2020 was €281.4B, with a decline rate of 4.2%. Germany's GDP for 2020 was €3336.2B and Hessen accounts for 8.4% of this number.

Current development of SMEs

³² Real Decreto-ley 5/2021. <https://www.boe.es/eli/es/rdl/2021/03/12/5>

³³ INFO. Ayudas INFO para el apoyo a inversiones productivas y tecnológicas COVID-19. <https://sede.institutofomentomurcia.es/infodirecto/servlet/Controlador?idServicio=839>

³⁴ Instituto de Crédito y Finanzas. Objetivos de la Línea Emprendia. <http://www.icrefrm.es/jsp/linea-emprendia.jsp>

Current measures to support SMEs

In order for SMEs to recover faster, the government, banks, regional development agencies and others have taken a number of measures to assist them.

■ Financial assistance

Hessian State Bank for Economics and Infrastructure, together with the Hessian Ministry of Finance and the Hessian Ministry of Economic Affairs, Energy, Transport and Housing, is offering liquidity assistance³⁵ for small and medium-sized enterprises in Hessen.

The maximum loan amount will be raised to €500,000 as of August 1, 2020 in the wake of the current coronavirus situation of the funding program "Liquidity assistance for small and medium-sized enterprises in Hesse (Hessian SMEs)". The term is 2 or 5 years. A fixed borrowing rate (fixed interest rate) is agreed for the refinancing loan.

■ Digitalisation

The government-driven Digital Hessen Strategy³⁶ aims to harness the potential of digitalisation in order to promote development and quality of life in Hesse and to further achieve sustainable development. The strategy was developed in consultation with 500 representatives from industry and trade, the service sector, research institutes and associations. It extends the Digital Hesse Strategy not only to the classic field of political action, but also to the field of technology and application where Hesse takes action by providing incentives and support. The strategy unites the activities of seven ministries in Hesse, each of which promotes digital processes in its specific area of competence. Each area of activity has specific objectives and measures.

Hesse will initially focus on ways of enriching existing support schemes and explore how to better interlink the different services and grants available to SMEs and how to link existing consulting services with the cooperation of the House of Digital Transformation as part of the "House" of Hesse's innovation strategy.

Attica

Current economic situation in the Attica region

As a result of the Covid-19, Greece's overall GDP fell by 8.2% in 2020.

Current measures to support SMEs

³⁵ WiBank. *Liquiditätshilfe für kleine und mittlere Unternehmen in Hessen.*

<https://www.wibank.de/wibank/liquiditaetshilfe/liquiditaetshilfe-fuer-kleine-und-mittlere-unternehmen-in-hessen-521692>

³⁶ Digitales Hessen https://www.digitalstrategie-hessen.de/digitalstrategie_hessen

In order for SMEs to recover faster, the government, banks, regional development agencies and others have taken a number of measures to assist them.

■ Financial assistance

- a) Utilizing the resources of the NSRF (Attica Regional Development Plan 2014-2020), the region of Attica will allocate through a special program €250.000.000 to provide working capital to small and micro enterprises of Attica, which were affected by the pandemic. Of this amount, € 50M will be allocated exclusively for self-employed persons and micro-enterprises employing up to 9 people.

A total of 42,254 businesses have applied to be supported by the new programme from the Region of Attica, more than 9,600 of them will receive aid of between € 5,000 to €40,000, depending on the size of each business.

- b) The Greek government has passed measures including extended deadlines for VAT and social security payments by four months in 2021 for those companies which have to shut for 10 days or longer due to the pandemic.³⁷ Such businesses can also expect a 40% reduction in their rent for March and April, while the affected landlords will in turn have their tax liabilities frozen for 4 months. The same 4-month suspension of taxes also applies to all self-employed workers. Employees of struggling companies who see their contracts suspended are due to receive payments of €800 from the authorities, as well as having their insurance and health contributions covered by them. Meanwhile, loan providers are expected to offer suspensions of loan installment payments.

A number of other smaller financing initiatives to specific business sectors were also taken from the Greek government directly.

Lazio

Current economic situation in the Lazio region

The spread of Covid-19 and the consequent restrictive measures implemented have led to a sharp drop in all the main economic indicators in Italy. The country's GDP in the second quarter fell by 12.8% compared to the previous quarter and by 17.7% compared with the same period of the previous year. In the third quarter the drop stopped at -4.7%, with a -9% drop at the end of the year.

³⁷ Deloitte. *The latest updates on Greek legislation and regulation.*

<https://www2.deloitte.com/gr/en/pages/tax/articles/tax-alerts-from-greece-deloittegreece-tax-alerts-insights.html>

Current development of SMEs

Lazio's SMEs have shown a decidedly discontinuous trend during Covid-19. According to an article that highlights the survey jointly conducted by the Chamber of Commerce of Rome and Federlazio from January to July 2020³⁸, 8 out of 10 companies have experienced a reduction in turnover, among these, more than a third (34%) has recorded a reduction of more than 30%, about 27% managed to "stay the course" (stability or slight reduction) and 7% a growth.

In particular, those that have managed to resist best belong to the services and logistics sectors (37%), manufacturing industry (23%), construction and plant engineering (17%) and trade and food distribution (13%).

The totality of the enterprises equipped themselves with protection systems, PPE and for 7 out of 10 the costs incurred were around 5% of current expenses. 50% of SMEs have resorted to smart working. Turning to employment, the situation is worsening. Finally, 7 out of 10 companies have resorted to the Wages Guarantee Fund. However, many questions and concerns remain regarding the maintenance of employment levels following the possible release of redundancies. With regard to access to financial support measures, more than half of companies (51%) have requested such measures. As far as procedures are concerned, 53.2% stated that they had encountered difficulties in submitting applications. The greatest problems were found in the response times of banks, which were judged too long (by 34.2%).

Current measures to support SMEs

In order for SMEs to recover faster, the government, banks, regional development agencies and others have taken a number of measures to assist them.

- Financial assistance for SMEs
 - a. To support post Covid-19 economic recovery, the bank of the European Union and the Lazio region have reached a wide-ranging collaboration that will lead to funding of €500M in all production sectors in the coming years. This package includes a multi-sectoral framework agreement worth €300M in loans with maturities of up to 25 years for projects planned under the Multiannual Regional Programme and loans totalling €200M for around 400 SMEs and mid-caps.

In addition to the financing operations, this project includes free advisory services and technical assistance from the European Investment Bank, which is available to all SMEs in the region. This advisory support has been provided during the initial phase of the Energy Efficiency and Sustainable Transport in Public Buildings project.

³⁸ Il Giornale Delle PMI (2020). *Indagine Federlazio: le conseguenze del Covid sulle PMI del Lazio*.
<https://www.giornaledellepmi.it/indagine-federlazio-le-conseguenze-del-covid-sulle-pmi-del-lazio/>

- b. On May 22, the region of Lazio signed an agreement with ‘Cassa Depositi e Prestiti’ – the Italian Development Finance Institution – to allocate €375M to local SMEs facing economic difficulties due to the Covid-19 crisis. The agreement is part of the ‘Pronto Cassa-Fare Lazio’ call and will guarantee interest-free loans of € 10 000 to the companies in question.
- Digital transformation support
- a. The Lazio Region and Lazio Innova: The SMEs of Lazio have promoted a project named K&ISS – Knowledge & Innovation Sharing System, to support companies on their way to digital transformation through self-assessment initiatives, training and assistance services post-pandemic. In this project, SMEs can obtain the report of assessment digitale and participate in the activities of online training on digital issues.
 - b. Two announcements, “Voucher Digitali Impresa 4.0 anno 2021” and “Voucher Diagnosi Digitale” make a total of €12.5M available to Lazio businesses - of which €10M from the region and €2.5M from the Chamber of Commerce of Rome - and are intended firstly, to support investments by SMEs in technologies and training that can accelerate their digitization and their development in an innovative and sustainable way and secondly, to help businesses (SMEs) in the area become aware of their digital needs, thanks to a specific analysis of their requirements.

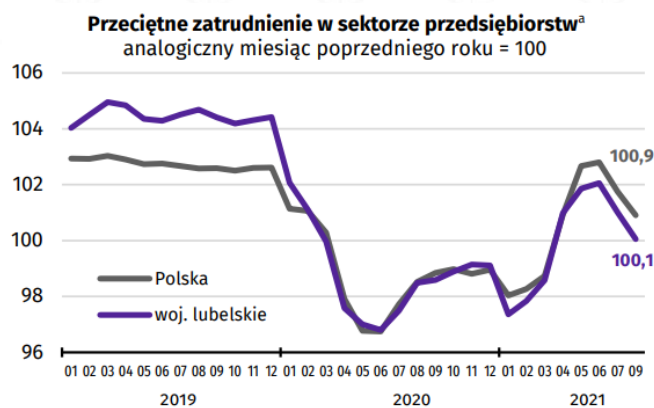
Lubelskie

Current economic situation in the Lubelskie region

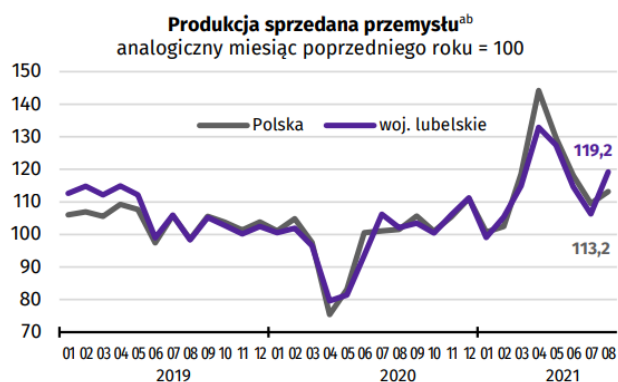
Poland’s annual GDP declined 2.7 percent in 2020, indicating the first recession since 1991.³⁹

Under the influence of Covid-19, Lubelskie's economy keeps pace with the overall Polish economy. Lubelskie's industrial output and employment rates fall off a cliff in April and May 2020 - the period when the pandemic explodes sharply - and then gradually rebounds. There is a small drop in the winter of 2020 when Covid-19 makes a comeback, followed by a retaliatory topping in the summer.

³⁹ IMF (2021). *International policy responses to Covid-1- Poland*. <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#P>



Graph 1: Przeciętne zatrudnienie w sektorze przedsiębiorstw (Average employment in the enterprise sector)⁴⁰



Graph 2: Produkcja sprzedana przemysłu (Industry output)⁴¹

⁴⁰ Ważniejsze informacje o sytuacji społeczno-gospodarczej województwa lubelskiego sierpień 2021 r.
<https://lublin.stat.gov.pl/opracowania-biezace/opracowania-sygnaalne/inne-opracowania/wazniejsze-informacje-o-sytuacji-spoeczno-gospodarczej-województwa-lubelskiego-sierpień-2021-r-,11,75.html>

⁴¹ Ważniejsze informacje o sytuacji społeczno-gospodarczej województwa lubelskiego sierpień 2021 r.
<https://lublin.stat.gov.pl/opracowania-biezace/opracowania-sygnaalne/inne-opracowania/wazniejsze-informacje-o-sytuacji-spoeczno-gospodarczej-województwa-lubelskiego-sierpień-2021-r-,11,75.html>

Current development of SMEs

In June 2021, 196,400 business entities were registered in the REGON register in the Lubelskie Voivodeship. During the year, the number of entities increased by 4.3%.

The registered unemployment rate in the voivodeship in June 2021 was 7.7% and was lower by 0.4 percentage points compared to June last year. The sold production of industry in the first half of 2021 was higher by 14.8% than in the previous year, and the construction and assembly production was 1.9% higher than in the corresponding period of the previous year. Retail sales in commercial and non-commercial units increased by 6.3% per year, and wholesale sales in commercial enterprises were higher by 17.5%. In 2021 Lublin – the biggest city of the region, came third in the Forbes' Magazine Business-Friendly Cities ranking in the category of cities with more than 300,000 residents

Current measures to support SMEs

In order for SMEs to recover faster, the government, banks, regional development agencies and others have taken a number of measures to assist them.

■ Financial assistance

- a. Funds for loans from the Government of Lubelskie Voivodeship are open to SMEs who are currently in a difficult situation or is threatened with a difficult situation due to the effects of the pandemic to cover necessary expenses to maintain the day-to-day operations of the business and ensure liquidity (working capital).
- b. The POIR Liquidity Loan by Gimnie Bychawa is designed to support micro, small and medium-sized enterprises in the Lubelskie province to provide liquidity financing for the negative consequences caused by the Covid-19 outbreak.
- c. The Polish National Development Bank, BGK, has been enabled to guarantee up to 80% of the value of small business loans of up to €200 000 free from commission fees⁴². On wages, employees of companies facing declines in turnover can receive state co-financing of up to 40%, while receiving 80% of their former paycheck. The self-employed can similarly benefit from a state payment of 80% of the minimum wage. On the tax front, it will be possible to defer social security payments and/or break them up into instalments.

⁴² Bednarski, Artur and Patrycja Polasz (2020). *PLN 100 billion in BGK guarantees to support loans*. In Principle. <https://codozasady.pl/en/p/pln-100-billion-in-bgk-guarantees-to-support-loans>

- d. The regional government established a business support tool - “Lubelskie Shield”. In total, there is over 50 million EURO in Lubelskie payroll funding Lubelski region has launched a special contact center, a dedicated website and a mobile information point for entrepreneurs and companies from Lubelski region to help them find the right support for their business. They provide:
- reliefs and exemptions related to the payment of social security contributions
 - funds for job protection in the event of economic downtime or reduced working time
 - funds supporting micro, small and medium-sized organizations and non-governmental organizations in maintaining jobs
 - micro loans and revolving loans for SMEs

■ Digitalisation

PARP CALL FOR PROPOSALS Measure is a project to implement digitalisation solutions and increase the use of digital technologies in SMEs as a result of the coronavirus pandemic. The amount allocated for project co-financing is €25M. SMEs can gain an eligible expenditure of the project from 60-300 tys. PLN.

Nottingham

Current economic situation in the Nottingham region

The limited availability of up to date data makes an accurate assessment of the true impact of Covid-19 on the local economic performance of Greater Nottingham problematic at this point in time. Overall, the local economy and labour market of Greater Nottingham has not been as severely affected by Covid-19 as had been expected. There is tentative evidence to suggest that although annual local economic growth may have slowed in 2020 it did not lead to a recession.

In July 2020, unemployment was approaching its peak of the pandemic period. The latest data for August 2021 shows an unemployment rate of 5.2% for Greater Nottingham (compared to 5.3% for England) with the annual change in the number of people unemployed being -18.5%. This may be at least partly due to the many government support schemes, including the Job Retention Scheme.

While business failures, especially amongst micro and small firms, may have risen there is no evidence as yet to suggest this has been a marked increase and it may already be in reverse. The outlook for economic growth, while still positive, is becoming less certain. There are growing concerns about rising inflation, disruptions to supply chains, recruitment of labour, slowing employment growth and downward pressure on disposable incomes. With the growing prospect of a rise in interest rates in 2022, this may well dampen down business start-up and self-employment rates.

Current development of SMEs

Self-employment data is unclear at the current time but anecdotally the number of new start-ups has increased rapidly during 2021 with people choosing to change their career as a result of redundancy or out of a desire to change their lifestyle or capture new economic opportunities.

Engagement with business support provision is at its highest level at any time during the past 6 years (at least) with the D2N2 Growth Hub receiving over 200 enquiries from SMEs every week on a consistent basis throughout 2021, which is double the level experienced pre-pandemic. This is a trend mirrored across the UK. Mostly, SMEs are now seeking support for growth rather than survival and this demand is being met, in part, through a variety of access to finance schemes listed in the section below.

Current measures to support SMEs

To address the need for boosting the local economy, and supporting business operations, Nottingham City Council established a Covid-19 recovery action plan. The measures included in the plan cover a full range of content like supporting businesses with the right mix of talent with new skills for a new world and investing in people to future-proof the economy and essential investments for the future.

Nationally, the UK Government has ploughed billions of pounds into the economy to support SMEs to survive the pandemic and thrive in the future. The measures included government-backed loan schemes and a Job Retention Scheme which used government funds to pay up to 80% of the costs of employees who would have otherwise been at risk of being made redundant as a result of the pandemic. Additionally, there were flexibilities given to allow SMEs to delay their tax returns and grants given to businesses to cover the costs of their business rates during times when Government guidance stipulated that premises must remain closed.

As the UK starts to emerge from the pandemic, Government funding continued to be provided in the form of grants such as the Covid Recovery Grants – small scale grants of up to £2,500 to allow businesses to purchase items to assist their recovery. Larger scale finance schemes such as those delivered via the British Business Bank continue to flow into the local economy and other grant schemes available in Nottingham to assist with business growth/investment continue to be in high demand.

Scale Up services in the UK have evolved from 2020 with the creation of Innovate UK Edge, which provides bespoke support to help businesses to grow and innovate.

Table 3: Post-covid comparative chart

Post-Covid	Gross Domestic Product 2020 (GDP)	Development of SMEs	Measures to support SMEs	
Murcia	9% decline	About 80% SMEs maintained or expanded employment during the pandemic.	Financial Assistance	Financial aid by INFO
				The Covid line
			Innovation	Línea Emprendia
Hessen	4.2% decline	The Regional Management Northern Hesse has taken a lot of steps to help SMEs recover.	Financial Assistance	Liquidity assistance
			Digitalisation	Digital Hessen Strategy
Attica	8.2% decline	About 60% SMEs are affected.	Financial Assistance	€250.000.000 assistance from Attica Regional Development Plan 2014-2020
				extended deadlines for VAT and social security payments/reduce rent
Lazio	4.7% decline	More than 34% SMEs recorded a reduction	Digital transformation support	Voucher Digitali Impresa 4.0 anno 2021
				K&ISS – Knowledge & Innovation Sharing System
			Financial Assistance	A €500M fund by the bank of the European Union

				and the Lazio region
				Cassa Depositi e Prestiti €375M
Lubelskie	2.7%decline	The number of SMEs increased by 4.3% in 2021.	Financial Assistance	POIR Liquidity Loan
				Funds for loans from the Government of Lubelskie Voivodeship
			Digitalisation	PARP CALL FOR PROPOSALS Measure
Nottingham	Although annual economic growth may have slowed in 2020,it did not lead to a recession.	New start-ups has increased rapidly during 2021	Financial assistance	Small scale grants funding up to £2,500 by UK government
				government-backed loan schemes and Job Retention Scheme
			Innovation	Scale Up services

As observed in table 3, the GDP of Scale Up partner regions declined in the timeframe of 2020-2021. However, the development of SMEs vary from region to region as some have experienced growth as in the case of Lubelskie and Nottingham while the rest of the partner regions have experienced a decline and slowing down of the growth of the SMEs in their regions. Similar to pre-Covid factors, Innovation, Financial Assistance and Digitalisation are observed as the main areas which the partner regions of the Scale Up project prioritize to help SMEs. Meanwhile from an EU perspective, Innovation and Policy Support have been identified as factors currently affecting the scale up of SMEs.

Conclusions

The arrival of Covid-19 has severely hit the economies of small and medium-sized enterprises across Europe but has also shown the way forward.

Before the pandemic, the main struggle of SMEs came as they often found it more difficult to obtain external financing than larger companies. Therefore they cannot withstand shocks in a recession. In a crisis, bank loans, on which SMEs rely heavily, can become increasingly expensive. They are also less aware of other sources of finance. Restrictions on financing negatively impact the survival of SMEs due to lack of adequate financing.

Financial policy recommendations:

- ✓ The government introduced new funding opportunities and financial assistance programs implemented in the context of Covid-19 to benefit small business owners;
- ✓ Some exemptions from tax rates could be provided;
- ✓ Adjustment of policies for existing SME debt, such as extending loan terms and reducing installment payments.

In the wake of the pandemic, digitalisation and the corresponding government responses relating to financial measures have become factors that cannot be ignored for the future development of SMEs. Covid-19 showed the possibility of a wide market space for digital online models, which are indispensable for both corporate businesses and administrative procedures.

Digital transformation offers great potential to boost the economy of SMEs. However, SMEs are lagging behind in digital transformation and the gap is widening due to various reasons such as insufficient skills and knowledge, lack of information and awareness.

Digitalisation recommendations:

- ✓ Establish a new electronic regulatory framework to alleviate the digitalisation gap;
- ✓ Apply digital technology to government administrative systems to improve efficiency;
- ✓ Establish an e-center to provide free courses and events for entrepreneurs.

The gradual rekindling of economic activity has also led to a surge in demand for workers and reawakened concerns over labour shortages. Covid-19 has exposed the vulnerabilities of the European labour market and the need for sustained investments in a suitable policy mix to address labour shortages and skills gap.

In order to respond to the driving factors that will put jobs at risk in the coming months—not being able to return quickly to business as usual owing to the nonessential character of the tasks

performed, high physical proximity, and the short-term drops in demand, for instance—companies and governments alike need to take a set of measures to address the driving factors.

Labor recommendations:

- ✓ Expand remote learning and reskilling initiatives to lay the ground for their strategic ambition;
- ✓ Invest in enabling remote work which will probably remain as part of the routine for a significant amount of time;
- ✓ Redeploy non-utilized workforce to staff crisis activities adequately.