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The Role of the European Union and Subsidized European Programs in Promoting Regional Development in the Peloponnese Region and in the Manufacturing Sector

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ABSTRACT

The European Union plays an especially significant role in promoting regional development, competitiveness in the Member States, innovation, and a range of strategic funding initiatives. Over the last 20 years, the Peloponnese region in Greece has benefited significantly from these programmes, particularly in the manufacturing sector.

This work aims to demonstrate how European funding programs have significantly contributed to the transformation of the manufacturing sector in the Peloponnese, fostering innovation, sustainability, and competitiveness. By channeling resources into higher value-added activities, encouraging entrepreneurship, and supporting technological upgrades, these programs have generated measurable economic and social benefits.

1. Introduction

The manufacturing industry remains one of the most dynamic drivers of national economic development, as it is directly linked to value-added production, job creation, and the strengthening of competitiveness. In Greece -and particularly in the Peloponnese Region-manufacturing has long been a key pillar of economic activity. However, the sector has faced persistent challenges over the last two decades, including the pressures of globalization, the financial crisis, and the disruptive effects of the pandemic.

Against this backdrop, co-financed European Union programs have played a decisive role in restructuring and modernizing the regional manufacturing base. Beyond providing financial support, these programs have enabled firms in the Peloponnese to adapt to global competition while laying the groundwork for long-term regional growth.

2. Theoretical Framework

Manufacturing industries are industries that transform goods, but they also involve the repair and installation of industrial equipment and subcontracting work for third parties. The industrial manufacturing sector, as well as the metals and packaging sectors, are largely affected by globalization and the economic downturn in Europe, while emerging markets pose new challenges in terms of competition and opportunities for growth.

The manufacturing industry is a key sector in many national economies and contributes to the creation of sustainable growth. At the same time, it is a sector that is sensitive to domestic and external impacts that lead to fluctuations in the business cycle. In recent years, the manufacturing industry has undergone rapid changes. Rapid technological developments and globalization processes create new types of goods and services, and new types of business models for their delivery.

The evolution of the manufacturing sector can be explained by Schumpeter's concept of creative destruction, where innovation drives structural change and renewal. Competitiveness is framed by Porter's Diamond Model, emphasizing the interaction of factor conditions, demand, and firm rivalry in shaping regional strengths. From a regional development perspective, Romer's Endogenous Growth Theory stresses the role of knowledge and innovation as

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drivers of long-term growth. These perspectives together provide a focused framework for analyzing how European funding has supported industrial transformation and competitiveness in the Peloponnese.

3. The manufacturing sector in Greece and in the Peloponnese

At a time when the Greek economy is recovering and showing a slow but steady growth trend, the Greek manufacturing sector is attempting to recover from the effects of the pandemic and return to growth, facing fundamental development challenges. The future of the manufacturing sector in Greece depends on businesses that are willing to embrace and adapt to both sustainable development and digital challenges. Market data has shown that the industrial manufacturing sector in particular must transform existing business models, work environments, values, processes, and technologies to remain competitive and thrive in an ever-changing world, while maintaining its value (KPMG, 2023).

The Institute for Economic & Industrial Research (IOBE 2020) Study attempts to quantify the multiplier effect of manufacturing activities on the Greek economy. More specifically, it measures the direct, indirect, and induced impact of the manufacturing sectors on the economy in terms of GDP, employment, and contribution to tax revenues. Despite the downward trend in the share of manufacturing in the Greek economy, which until 2016 was only 8.8% of its total gross value added, the multipliers remain significant. More specifically, 31% of Greek GDP (almost 55 billion euros) comes from manufacturing. For every €1 of manufacturing value added, a total of €3.1 is created in the Greek economy. Around 31.3% of total employment in Greece can be related to manufacturing (1.24 million employees). For every €1 million in turnover in manufacturing, around 22 new jobs are created, while for every new job created in manufacturing, a total of 3.5 jobs are created in other sectors of the economy. More than 250 thousand jobs in the wholesale and retail trade and around 150 jobs in the primary sector are essentially financed by the manufacturing sectors. Thus, even after a long and deep recession, the multipliers of manufacturing in the Greek economy remain significant.

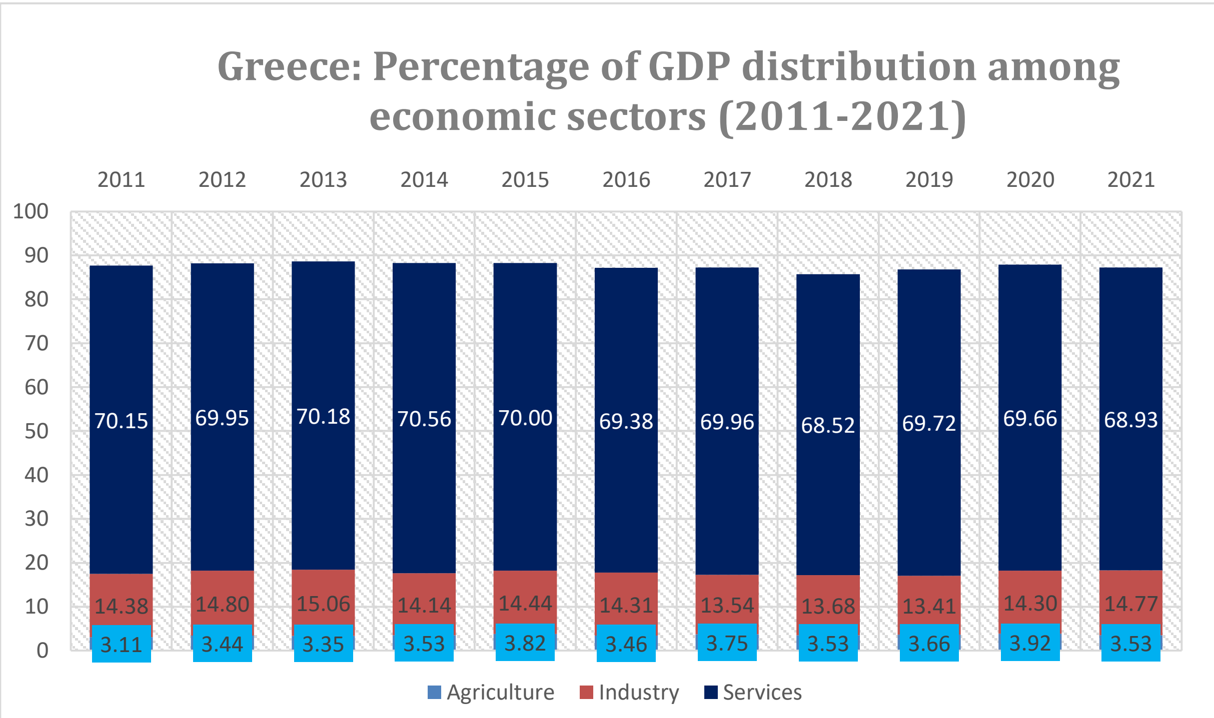

Figure 1. Greece: Percentage of GDP distribution among economic sectors (2011-2021)
Source: Statista (2024)

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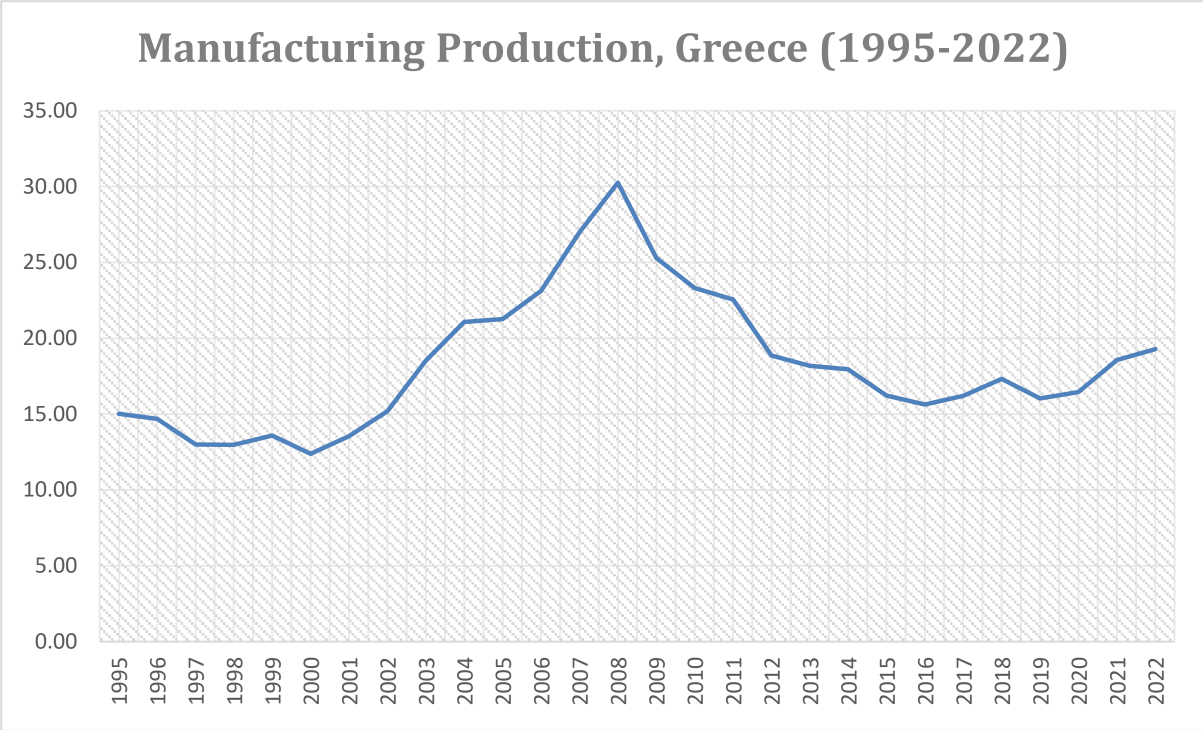
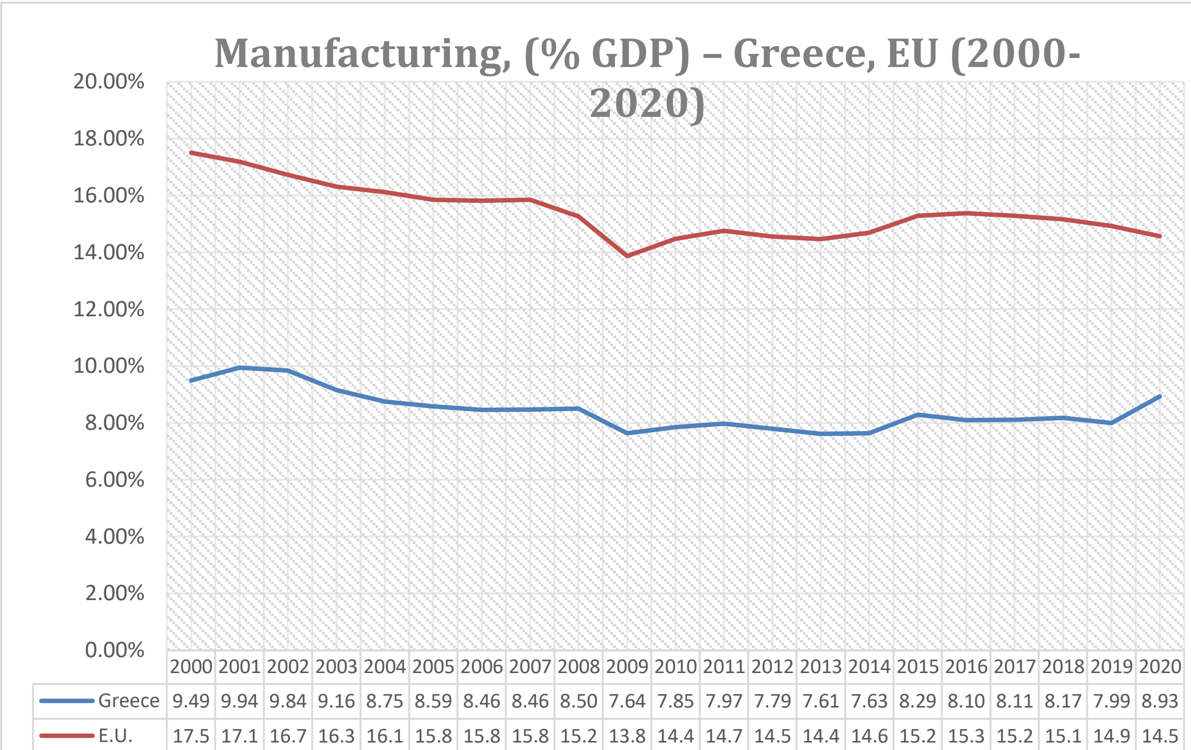


Figure 2. Manufacturing Production, Greece (1995-2022)
Source: Macrotrends (2023)

The manufacturing sector in Greece, despite its smaller share in the economy compared to the European average, continues to play a key role and has a significant impact, both in terms of economic production and social cohesion, due to strong multiplier effects.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Greece	9.49	9.94	9.84	9.16	8.75	8.59	8.46	8.46	8.50	7.64	7.85	7.97	7.79	7.61	7.63	8.29	8.10	8.11	8.17	7.99	8.93
E.U.	17.5	17.1	16.7	16.3	16.1	15.8	15.8	15.8	15.2	13.8	14.4	14.7	14.5	14.4	14.6	15.2	15.3	15.2	15.1	14.9	14.5

Figure 3. Manufacturing sector in Greece and in EU countries (2000-2020)
Source: World Bank (2025)

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Between 2000 and 2022, the Peloponnese Region attracted significant foreign and domestic investments (32% of Greek FDI) due to its proximity and good highway/railway transport connection with Athens, advanced infrastructure networks, and natural resources. As a result, larger companies in the petcoke and refined petroleum products, and metal products sectors are based in the prefecture of Corinth.

In the rest of the Peloponnese Region, the most important sectors in terms of employment are food and beverages, wood and cork products, and other non-metallic mineral products. In addition, Megalopolis is the second most important center of electricity production in Greece. The total gross value added of the Peloponnese Region rose by 21.7% from 5.56 million euros to 6.77 million euros, compared to a corresponding increase of 21.6% nationwide from 121.09 million euros to 147.23million euros. The average contribution of the Peloponnese manufacturing sector is 4.46% of GDP.

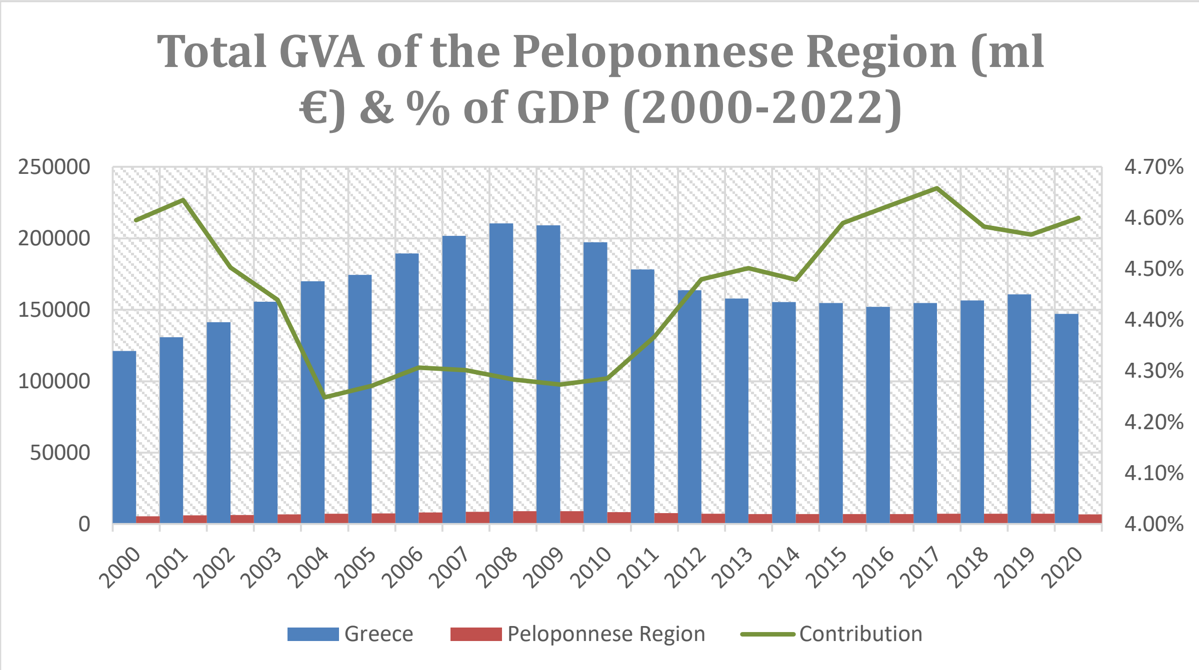

Figure 4. Total Gross Value Added of the Peloponnese Region (ml €) (2000-2020)
Source: ELSTAT (2025)

4. Contribution of Subsidized European Programs

The main objective of this research is to investigate the contribution of the programs to the economy, through the implemented approved investment proposals submitted during the period under review, 2000-2020. The secondary research objective is to examine the requirements created through the incentive to obtain additional points to approve a proposal, setting parameters such as energy saving, environmental protection, and elements of innovation in the production and administrative process.

Evaluating the European Union's financial programs, the study focuses on major European Regional Support Programs, such as the 3rd Community Support Framework (CSF) (2000-2006), as well as the National Strategic Reference Frameworks (NSRF) (2007-2013) and (2014-2020). The findings show that by supporting the main objectives of these funding programs, the actors involved can enable sustainable social and economic development in the poorest European neighborhoods, seeking to achieve the average prosperity of the European Union.

More specifically, the NSRF Programs in the manufacturing sector target the following fields (EPAnEK, NSRF 2014-2020):

- Enhancing the competitiveness of Greek businesses in the domestic and international markets through investments.
- Moving manufacturing activity towards sectors and products with higher added value.

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- Development of opportunity entrepreneurship and establishment of new businesses in the manufacturing sector.
- Strengthening the role of manufacturing services in the production system, focusing on investment plans to strengthen the presence of Greek manufacturing companies in the domestic and international market.
- Development of new products or product diversification towards high-value-added sectors with a focus on the upgrading, standardization, and certification of Greek products.
- Improving the business base in sectors that are lagging or operating under outdated forms of entrepreneurship.
- Development of innovation and new technologies.
- Maintaining existing jobs and creating new jobs in the businesses being established.

5. Conclusion

The findings highlight that European support functions as a catalyst for regional development, with strong multiplier effects on employment, GDP, and social cohesion. Policy implications focus on the prioritization of targeted investments that enhance innovation capacity, digital transformation, and environmental sustainability. Future programmes should continue to address the specific needs of the region, while ensuring that the manufacturing sector remains a key driver of economic growth. Ensuring continuity of funding while adapting to emerging challenges will allow the Peloponnese and similar regions to strengthen competitiveness and maximize their role in national and European growth strategies.

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