

2019 SBA Fact Sheet

ROMANIA

Key points

Past & future SME performance¹:

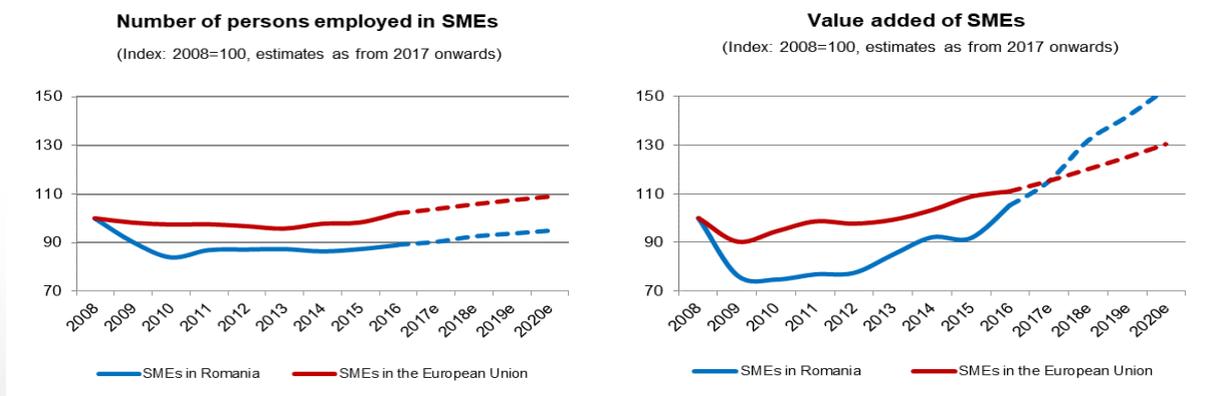
In 2014-2018, overall SME value added in Romania grew by 43.1%, with micro firms generating the highest increase, at 63.1%, while SME employment increased by 7.0%. However, the average productivity of Romanian SMEs is approximately €15,100, significantly lower than the EU average of approximately €44,600. In 2017-2018, SME value added continued its growth, increasing by 14.6%, while SME employment rose by 2.6%. In 2018-2020, SME employment is likely to maintain growth around the same figure of 2.6%. Nevertheless, this rise in SME employment is projected to create about 70,000 new SME jobs by 2020.

Implementing the Small Business Act for Europe (SBA):

Overall, Romania's SBA profile continues to present a mixed picture. Romania performs above the EU average in entrepreneurship. 'Second chance', 'responsive administration', State aid & public procurement and internationalisation perform in line with the EU average, while access to finance, single market and environment perform below. The country ranks among the weakest performers in skills & innovation. During the current reference period, 2018 and the first quarter of 2019, Romania implemented policy measures addressing 9 out of the 10 policy areas under the Small Business Act.

SME policy priorities:

The focus of SME policy priorities should continue to be on skills & innovation and single market since significant challenges persist in these areas. The most recent challenges relate to the prompt transposition of EU legislation and to support for SMEs to help them trade more online and develop and upgrade their ICT skills. In parallel, more smart regulation is also needed. This would consist of an open and transparent decision-making process accompanied by systematic impact assessment of legislation on SMEs. The administrative performance of the authorities with regard to SMEs is also key when tackling any of these challenges. Improvements in administrative performance will also make it easier for enterprises to access finance provided by the national authorities.



About the SBA fact sheets:

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Romania		EU-28	Romania		EU-28	Romania		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	430,925	88.4%	93.0%	930,720	22.8%	29.7%	13.6	17.6%	20.8%
Small	46,299	9.5%	5.9%	903,635	22.1%	20.1%	13.5	17.5%	17.6%
Medium-sized	8,533	1.8%	0.9%	857,129	21.0%	16.8%	13.6	17.6%	18.0%
SMEs	485,757	99.7%	99.8%	2,691,484	65.8%	66.6%	40.8	52.7%	56.4%
Large	1,667	0.3%	0.2%	1,397,566	34.2%	33.4%	36.6	47.3%	43.6%
Total	487,424	100.0%	100.0%	4,089,050	100.0%	100.0%	77.3	100.0%	100.0%

These are estimates for 2018 produced by DIW Econ, based on 2008-2016 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.

SMEs play an important role in Romania's overall 'non-financial business economy'. They generate 52.7% of total value added and 65.8% of total employment, which is lower than the respective EU averages of 56.4% and 66.6%. The average productivity of Romanian SMEs, calculated as value added per person employed, is approximately €15,100, significantly lower than the EU average of approximately €44,600. Romanian SMEs employ an average of 5.5 people, exceeding the EU average of 3.9.

In 2014-2018, overall SME value added grew by 43.1%, with micro firms generating the highest increase, at 63.1%. Over the same period, SME employment increased by 7.0%. SME value added growth outperformed the value added growth of large

firms, which increased by 34.0%. Employment in large firms rose at a similar rate to that of SMEs, by 6.8%. In 2017-2018, SME value added continued its growth, increasing by 14.6%, while SME employment rose by 2.6%.

SMEs in the *manufacturing* sector generated 19.6% of overall SME value added in the Romanian 'non-financial business economy' in 2018. In 2014-2018, SME value added in this sector grew by 26.0%, whereas SME employment increased at a much lower rate of 4.2%. A similar growth pattern was evident for large firms, in which value added rose by 33.9% and employment growth rose by 4.3% in the same period. This large difference between value added and employment growth in both SMEs and large firms can be explained by the increasing use of

automated manufacturing processes², which enable companies to generate higher value added without significantly increasing employment. As a result, Romanian manufacturing companies have been in the forefront of investment in automation, and the subsequent rise in overall manufacturing value added has been particularly noteworthy in large firms^{3,4}. In a further boost to this sector, Romania has become especially attractive to foreign manufacturing companies. This is because, despite the country's rising labour costs, its manufacturing costs remain relatively low compared to those of other EU Member States⁵.

In 2014-2018, SME value added in the *transportation and storage* sector increased strongly by 53.1%, and SME employment rose by 20.1%. In contrast, the growth of large firms was significantly lower, with value added rising by only 25.8% and employment by just 13.1%. SMEs outperformed large companies by such a margin because the sector's growth was generated mainly by the *land transport* subsector, and in particular by road freight transportation. This subsector is extremely fragmented and dominated by SMEs, with no single company having a major market share⁶. An expanding export market has also contributed to the growth of this sector, benefiting road freight in particular. In 2017, almost one quarter of Romania's total exports, worth more than €20 billion, were transported via road freight services⁷.

In 2018, 135,532 new business were registered in Romania and there were 80,181 deregistrations, giving a net result of 55,351 new firms. Registrations were 0.9% lower in 2018 compared to 2017, but deregistrations fell at a faster rate of 2.6% over the same period. This resulted in a net rise of 1.7% in 2018 in comparison to the previous year.^{8,9}

As per the data collected by the European Startup Monitor 2019 project¹⁰, 46% of the Romanian startups that responded to the

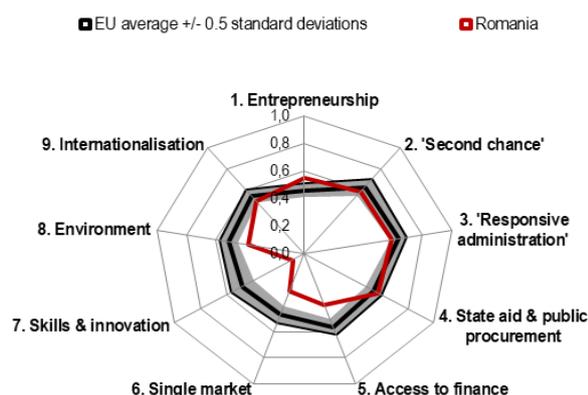
online questionnaire were set up by one male founder or an all-male team of founders. 8% were set up by one female founder or an all-female team of founders. The remaining 46% were set up by at least one man and one woman. In terms of their stage of development, 27% are in the pre-seed or seed stage, 38% in the start-up stage, 8% in the steady stage and 27% in the growth stage. Regarding financial aspects, 50% are operating at a loss, 19% currently break-even and 31% are profitable. Of those start-ups that are operating at a loss, 85% expect to break-even in less than 2 years, while 15% expect that it will take them over 2 years to break-even. 65% have a turnover between €1 and €500,000; 35% report having no turnover yet and the remaining 0% have a turnover of over €500,000. They have 6 employees on average, of which around 33% work on a part-time basis. On average they plan to hire 4.1 people within a year.

In 2016, 1,564 firms (2.9% of all firms in the 'business economy'¹¹ with at least 10 employees) were high-growth firms¹². This is lower than the EU average of 10.7%.

In the 'non-financial business economy', specialised SMEs in the *knowledge-intensive services and high-tech manufacturing* sectors, which are usually R&D-intensive, accounted for 25.5% of SME value added and 19.4% of SME employment in the SME manufacturing and service sectors in 2018. This is lower than the respective EU averages of 33.0% and 26.0%.

In 2018-2020, SME value added is predicted to continue its strong growth, increasing by 16.1%. In contrast, SME employment is likely to increase by 2.6%. Nevertheless, this rise in SME employment is projected to create about 70,000 new SME jobs by 2020.

2. SBA profile¹³



Overall, Romania's SBA profile continues to present a mixed picture. As in the previous year, the country performs above the EU average in entrepreneurship. 'Second chance', 'responsive administration' and internationalisation perform in line with the EU average, while access to finance and environment perform below the average. Based on the methodology of the SBA fact sheet, Romania's performance on State aid & public procurement is also overall in line with the EU average, but efficiency, legal certainty and stability of public procurement remain a challenge. The country ranks among the weakest performers in 'single market' and skills & innovation. Skills & innovation performance broadly deteriorated since 2008.

Romania's performance has not significantly changed in any SBA area since last year. However, there have been slight changes in two areas. First, access to finance has recently fallen further below the EU average. This is mainly due to there being more SMEs that indicate a deterioration in: (i) access to public financial support; and (ii) the willingness of banks to provide loans. Second, Romania has made some progress on State aid & public procurement, mainly thanks to even shorter delays in payments from public authorities and an increased proportion of bids coming from SMEs. However, major challenges remain, specifically for Romanian public procurement to become more efficient and buttressed by a legal framework that is more stable and which provides more legal certainty.

During the current reference period, Romania implemented a significant number of policy measures addressing 9 out of the 10 policy areas under the Small Business Act. No additional policy measures were announced over the reference period. No significant measures were adopted or announced for 'single market', which experienced the least progress over the reference period.

The area with the most significant progress in the reference period was skills & innovation, thanks to the launch of five measures. These included an initiative fostering SME collaboration with clusters in the ICT sector, the creation of business incubators and innovation vouchers, as well as two programmes supporting technology transfer and boosting research.

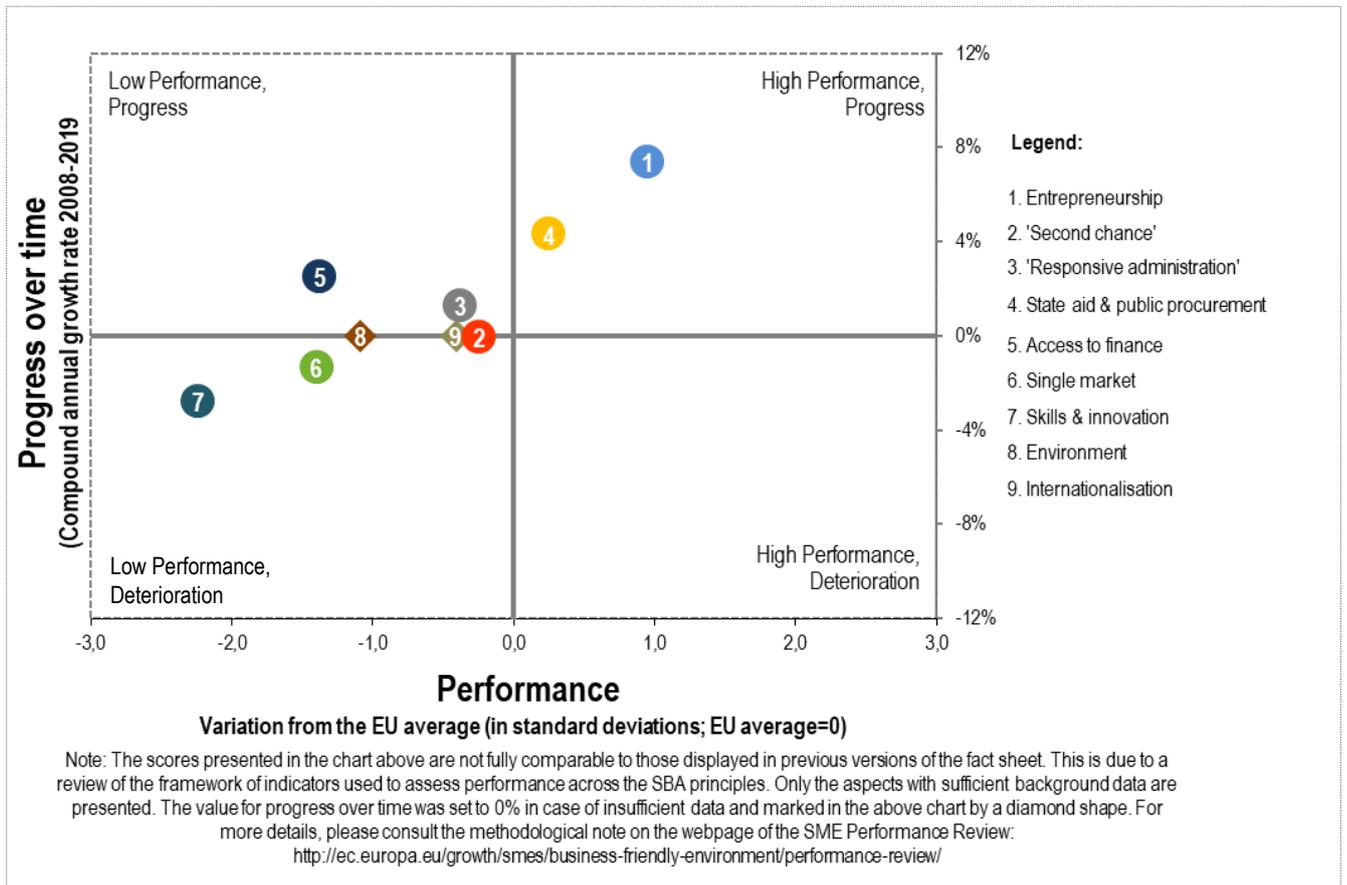
State aid & public procurement achieved the next most progress, with four measures, two of which are on public procurement. The adoption of the new and improved e-procurement system and of the legal framework for a centralised public procurement authority are positive developments. However, the efficiency of public procurement remains an issue. 2018 Single Market Scoreboard¹⁴ data show that a number of important indicators are below the EU average, while predictability and legal certainty are still a challenge. The measures on State aid are two aid schemes to promote productive investments and access to risk finance.

Entrepreneurship also made significant policy progress, with three measures. Romania adopted a measure promoting female entrepreneurship and two measures supporting high school entrepreneurial education.

'Second chance', 'responsive administration', access to finance, internationalisation and environment had two measures each during the current reference period. Under 'responsive administration', a 2030 national strategy for sustainable development was adopted, and an initiative was launched to streamline the use of e-government solutions for businesses. On access to finance, two grant programmes to promote industrialisation and boost SME competitiveness were launched. Under 'second chance', two amendments were made to the laws regulating insolvency and insolvency prevention. As for internationalisation, Romania put in place two programmes providing financial and information support to SMEs targeting international markets. Under the 'think small first' principle, new tax legislation broadened the definition of micro SMEs. Last but not least, Romania implemented two initiatives under the environment SBA area, one simplifying the legislation and the other reducing bureaucracy.

Nevertheless, significant challenges are still mostly unaddressed. Bureaucracy remains a major hurdle for SMEs. Access to finance, both traditional and alternative, is becoming difficult for SMEs. While there are public finance programmes available, these entail excessive bureaucracy and cumbersome application processes. Education also needs to be better aligned with labour market needs and to minimise the shortage of skills.

SBA performance of Romania: state of play and development from 2008 to 2019¹⁵



3. SBA principles¹⁶

3.0 ‘Think Small First’

The ‘think small first’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

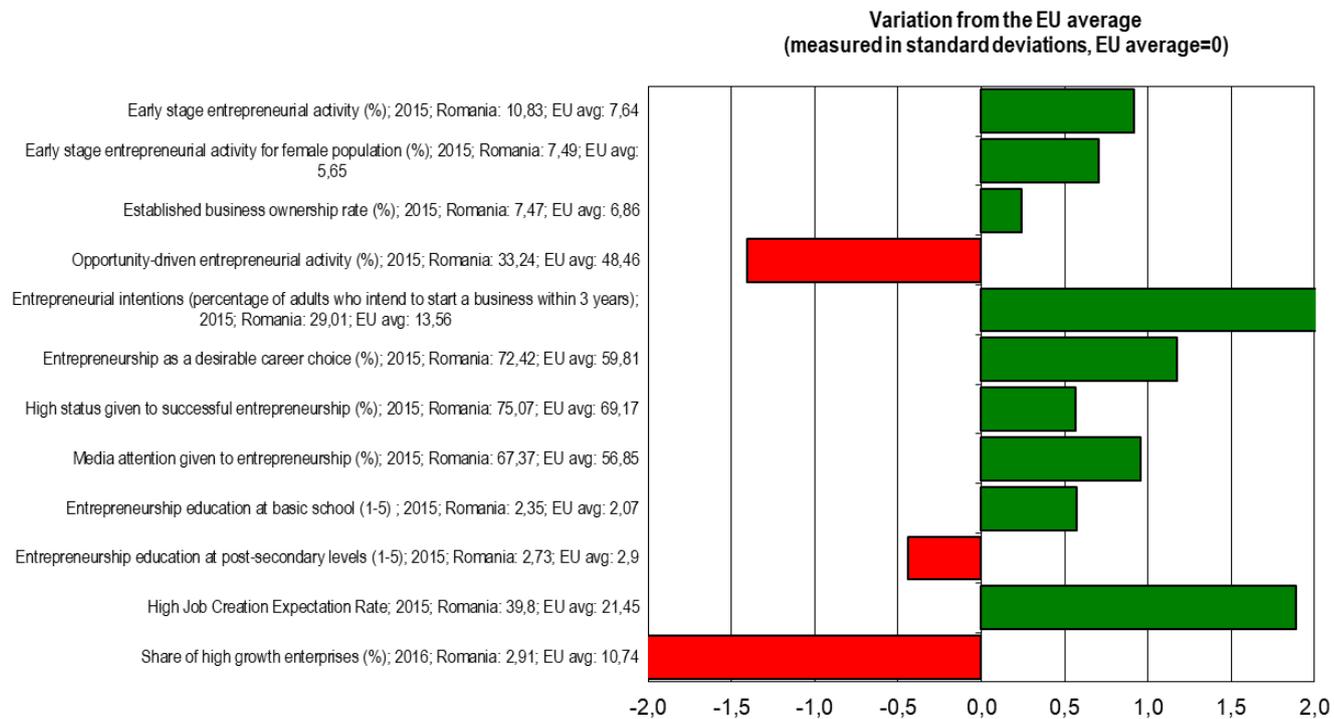
Policy progress has stalled over several years in Romania, after a series of important measures introduced in 2014. Those measures included the introduction of the ‘SME test’ and regulatory impact assessments for legislative initiatives that impact SMEs, as well as amendments to the Tax Code and Tax Procedure Code, aimed at simplifying procedures.

However, the ‘SME test’ is still not used systematically by the public authorities and consultation of relevant stakeholders is limited, while impact assessments are not always conducted or are of poor quality¹⁷.

The ‘one-in, one-out’ principle — i.e. that the introduction of new administrative burdens for SMEs must coincide with the elimination of existing procedures — is also not fully implemented. Neither is the ‘only once’ principle, as companies are still asked to provide the same information to different public authorities.

Romania broadened its definition of SMEs during the reference period, an action that falls under the ‘think small first’ principle. ‘Measures to support the business environment’ (*Măsuri pentru susținerea mediului de afaceri*) changed the conditions needed to comply with the definition of micro-enterprises¹⁸ by increasing the 2018 limit in revenues for income tax from €500,000 to €1,000,000. This is a consistent approach in continuation from 2017, the aims being to support the business environment and eliminate some social inequities.

3.1 Entrepreneurship



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Romania performs above the EU average in entrepreneurship. Based on data from past years, its strong performance continues. Nevertheless, government efforts continue with the aim of achieving even more progress.

The percentage of adults who intend to start a business within 3 years is the highest in the EU, exponentially growing from 6% in 2009 to 29% in 2016. Romanian media pay particular attention to entrepreneurship, reflecting the fact that a majority of Romanian citizens see entrepreneurship as a desirable career choice. While the country's score for the percentage of high-growth companies is by far the lowest among the indicators, the newly introduced indicator on high job creation expectation rate reveals that Romania's percentage of early or nascent entrepreneurs who expect to create six or more jobs in 5 years scores among the highest in the EU.

Entrepreneurship has been one of the key priority areas since 2008. The focus has been on school education with measures to promote the development of entrepreneurship curricula and teacher training programmes. A new national education curriculum reinforcing entrepreneurial and technological skills in secondary schools was recently introduced¹⁹. Programmes have also been put in place to address target groups such as young entrepreneurs, students, women and the unemployed. Other support initiatives such as business plan competitions and entrepreneurship grants are also in place. Measures as

highlighted in last year's SBA fact sheet include the 'Diaspora Start-up programme' to provide financial support to nationals living abroad who want to start a company in Romania. The 'Diaspora Start-up programme' entrepreneurship scheme aims to create opportunities to help Romanian citizens settled abroad to return to Romania and capitalise on the skills they have acquired (entrepreneurial and/or professional) by opening a business in the country. So far 13 projects have been approved, targeting more than 5,000 people for training and more than 600 start-ups to be established²⁰.

Even if the progress on entrepreneurship is above the EU average, the conditions for establishing new companies (start-ups) and scaling them up remain unsatisfactory. In the last few years this has generally been supported through multiannual public financing programmes such as Start-up Nation, Diaspora Start-up, Micro-industrialisation, Commerce, etc.^{21,22}.

During the reference period, three relevant measures were implemented in this area.

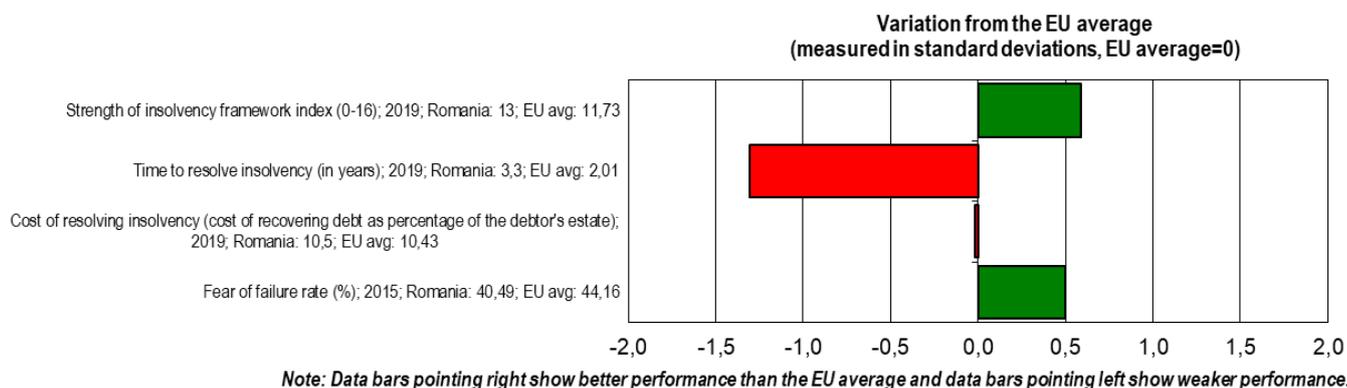
- The 'Developing entrepreneurship among women in small and medium-sized enterprises' (*Dezvoltarea antreprenoriatului în rândul femeilor din sectorul întreprinderilor mici și mijlocii*²³) measure was implemented by the Ministry of Business Environment, Commerce and Entrepreneurship to stimulate and

support entrepreneurship among women through information services and training in entrepreneurial skills.

- The 'Evaluating innovative entrepreneurial potential of higher education institutions' (*Evaluarea potențialului antreprenorial inovativ al instituțiilor de învățământ superior*²⁴) measure was implemented by the Ministry of National Education to increase the visibility of entrepreneurship in higher education institutions through training in entrepreneurship skills, knowledge exchange and entrepreneurship support.

- The 'Business Plans national competition' (*Competiția națională 'Planuri de afacere'*²⁵) was implemented by the National Centre for Development of Vocational and Technical Education. The business plan competition is run at local, regional and national levels and is aimed at developing the entrepreneurial skills of students.

3.2 'Second chance'



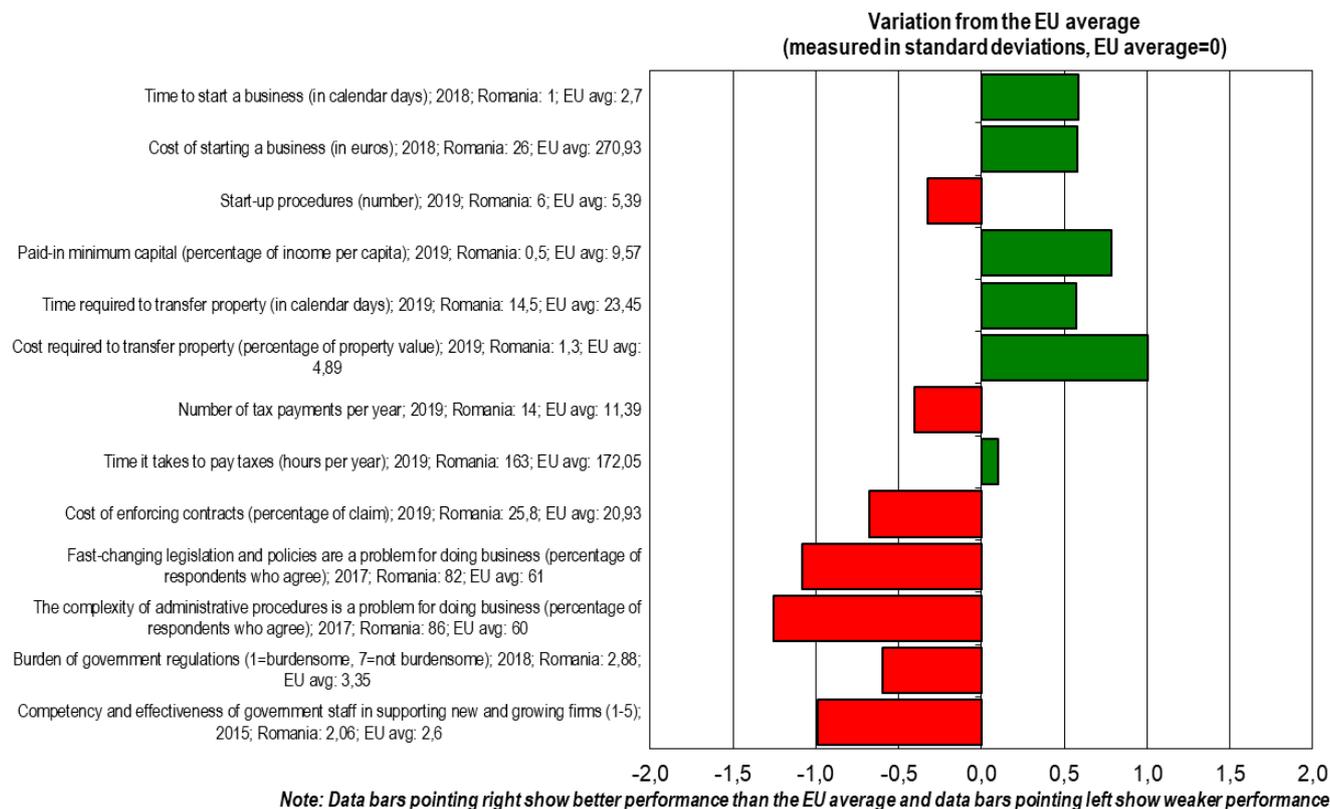
'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Romania continues to score in line with the EU average. Indicators show little or no change since last year. The greatest challenge for Romania is to reduce the time required to resolve insolvency procedures, which has been static at 3.3 years since 2008 and is among the worst results in the EU.

Moderate policy progress has been achieved since 2008. Legislation in force enables honest bankrupt entrepreneurs to be treated on an equal footing. However, failing in business is still perceived negatively²⁶ and fear of failure can be a hurdle for potential entrepreneurs²⁷. Information campaigns to reduce the stigma of failure are lacking, as is an early warning helpdesk mechanism to prevent entrepreneurs from going bankrupt in the first place. Stakeholders highlight the need to create a favourable environment for re-starters and to further improve the legal framework for insolvency.

Two relevant measures were implemented during the reference period under 'second chance'.

- The Prevention Law²⁸ was amended, with the purpose of 'laying down infringements falling within the scope of the Prevention Law and the model of the remedial plan' (*stabilirea contravențiilor care intră sub incidența Legii prevenirii, și a modelului planului de remediere*). This amendment establishes an early warning mechanism and remedy as a response for certain infringements, aiming to give entrepreneurs the chance to correct them.
- Through the 'Amendments to legislative acts in the field of insolvency' (*Modificări și completări la acte normative în domeniul insolvenței*), the government amended the Insolvency and Insolvency Prevention Procedures Law (No 85/2014) and the Law regulating the activity of insolvent economic operators (Government Emergency Ordinance No 86/2006²⁹). The amendments enable the conversion of fiscal obligations into shares and the transfer of budgetary receivables.

3.3 ‘Responsive administration’



‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. In this area, Romania performs in line with the EU average. No major developments have been identified since last year.

Nevertheless, some indicators have progressed significantly since 2008. For instance, the time to pay taxes fell from 230 hours in 2011 to 163 in 2019. Other indicators have maintained their strong performance over several years. For example, since 2014 it has taken just a day³⁰ to start a new business in Romania thanks to the availability of online registration. This is one of the best results across the EU. In addition, since 2016 just €26³¹ are needed to start a business in Romania.

However, most indicators have remained almost static since 2015. For example, the number of tax payments per year has not decreased since 2015, while the cost of enforcing contracts has not decreased since 2010 and the number of procedures needed to start a business is unchanged since 2014.

Moreover, Romania made starting a business more cumbersome by introducing fiscal risk assessment criteria for VAT applications, thereby increasing the time required to register as a VAT payer³². This example, which the World Bank Group highlights in their latest report as a change making it more

difficult to do business, is a case in point in the overall presentation of the ease of doing business.

The latter example is in line with the latest available data. The complexity of administrative procedures remains the most significant challenge under ‘responsive administration’, with 86% of Romanians considering this to be a problem for doing business. This result is one of the highest percentages in the EU. Similarly, 82% agree that fast-changing legislation is a problem for doing business in the country.

Since 2008, moderate policy progress has been achieved. Administrative burdens³³ remain a significant challenge. Stakeholders also highlight the need for a stable and predictable legal framework. E-government services allowing SMEs to handle procedures online are in place, but these also need to be further improved.

During the current reference period, two measures were adopted/implemented.

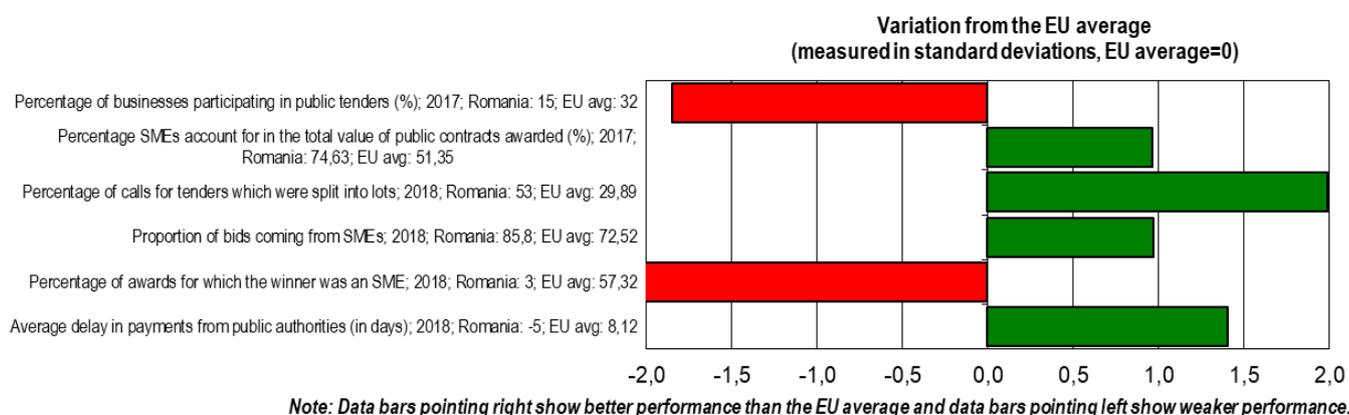
- The 2030 national strategy for sustainable development (*Strategia Națională pentru Dezvoltarea Durabilă 2030*³⁴) aims to establish a framework for improving the economic, social and environmental

conditions in Romania by focusing on innovation and sustainability.

- The 'Streamlining the use of e-government solutions for business environment' (*Eficientizarea exploatării soluțiilor de e-guvernare pentru mediul de afaceri*³⁵) initiative aims to ensure coordination for e-government

activities. A steering committee will be established including all the institutions responsible for the implementation, management and operation of the electronic public services related to business.

3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators coming from the TED (Tenders Electronic Daily) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids coming from SMEs;
- percentage of calls for tenders which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, overall performance in this area cannot be compared to last year's.

Based on the methodology of the SBA fact sheet, the overall performance of Romania in State aid & public procurement is in line with the EU average. Indicators present a mixed picture, while performance in general has mainly improved over the years since 2008.

However, when we look specifically at public procurement, the situation is not so straightforward. Indeed, some progress has been made by the adoption in 2018 of the new and improved e-procurement system and of the legislative framework for a centralised purchasing body. However, the efficiency of public procurement remains an issue. Single Market Scoreboard³⁶ data from 2018 show that a number of important indicators are below the EU average. Meanwhile, the legal certainty and

stability of the legal framework for public procurement remains a challenge.

In 2018, the average delay in payments from public authorities is the lowest in the EU, and the percentage of tenders split into lots is the highest. Based on the latest data, the percentage of the total value of public contracts awarded to SMEs is also substantially above the EU average, which is in line with the increased proportion of bids coming from SMEs. By contrast, the percentage of contracts awarded to SMEs is among the lowest in the EU for 2018, with the indicator dropping 14 percentage points since 2017. The other indicator among the lowest in the EU for 2017 is the percentage of businesses participating in tenders.

There has been moderate policy progress under the State aid & public procurement principle since 2008. Major measures from the past include the creation of the National Agency for Public Procurement and the development of the 2015-2020 national public procurement strategy. Furthermore, there is now an e-procurement portal and the practice of cutting big tenders into small lots has been expanded. Efforts have been made to adapt the public procurement system to European standards. However, its functioning could still benefit from further transparency, strengthened efficiency and legal certainty³⁷.

Four important measures were adopted or implemented during the current reference period.

- The 'State aid scheme aimed at stimulating investments with a major impact on the economy'

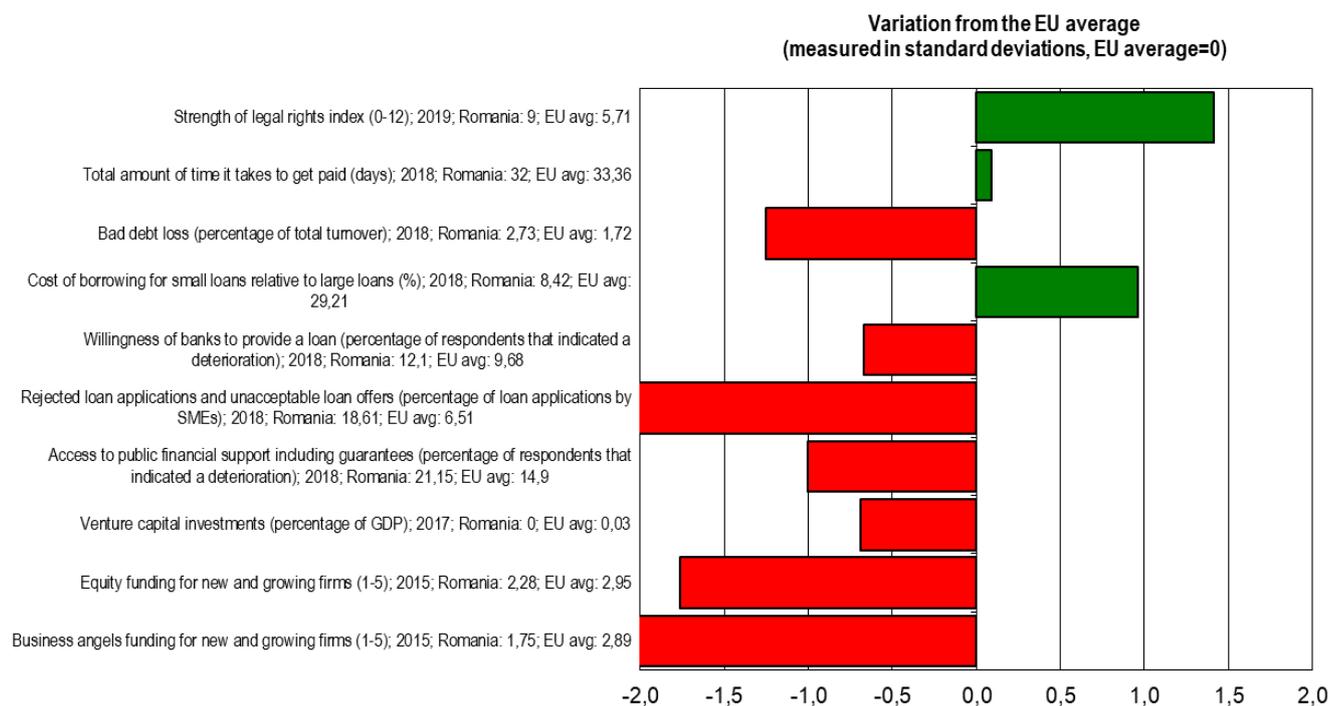
(*Schema de ajutor de stat având ca obiectiv stimularea investițiilor cu impact major în economie*³⁸), approved by the Ministry of Public Finance, aims to promote investments with significant economic potential for the overall economy in a wide range of sectors. This initiative has an annual budget allocation of €145 million and is expected to benefit 300 SMEs.

- The 'State and de minimis aid scheme in the form of risk capital investment for SMEs' (*Schema de ajutoare de stat și de minimis sub forma de investiții de capital de risc pentru întreprinderi mici și mijlocii*³⁹), approved by the Ministry of Regional Development, Public Administration and European Funds, aims to facilitate SMEs' access to finance through venture capital funds, with an overall budget commitment of €40 million.

- The new 'Collaborative Information System for Public Procurement' (*Sistem informatic colaborativ pentru mediu performant de desfășurare a achizițiilor publice*) measure, adopted by the Agency for the Digital Agenda of Romania, aims to further align the procurement system with the latest European procurement rules transposed into Romanian law⁴⁰.

- The 'Setting up of a centralised public procurement body' (*Inființarea unității centralizate de achiziții publice*⁴¹), approved by the Ministry of Public Finance, aims to optimise procurement processes and improve the transparency of the procurement system by creating a centralised authority.

3.5 Access to finance



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Romania performs below the EU average in access to finance and its performance has further deteriorated since the last reference period. Availability of business angel funding in 2015 and equity financing in 2015/2017 was the lowest among EU Member States.

Traditional bank finance does not seem easily accessible either, with the percentage of rejected loan applications and unacceptable loan offers to SMEs among the highest in the EU for 2018. The rejection rate is 12 percentage points higher than

in 2015. This corresponds to banks' decreasing willingness to provide loans over this period. Indeed, credit standards applicable to corporate loans tightened moderately in 2018 following the introduction of macro-prudential measures by the National Bank of Romania⁴². At the same time, access to bank financing does not represent a pressing issue for most Romanian companies⁴³.

Access to public finance support is also becoming more difficult, with the percentage of respondents that indicated a

deterioration rising from 11% in 2017 to 21% in 2018. At the same time, the degree to which collateral and bankruptcy laws protect the rights of borrowers and lenders continues in 2019 to be one of the best in the EU. Also on a positive note, the costs of borrowing small loans relative to large loans dropped by 7 percentage points from 2017 to 2018, the rate being now among the lowest in the EU.

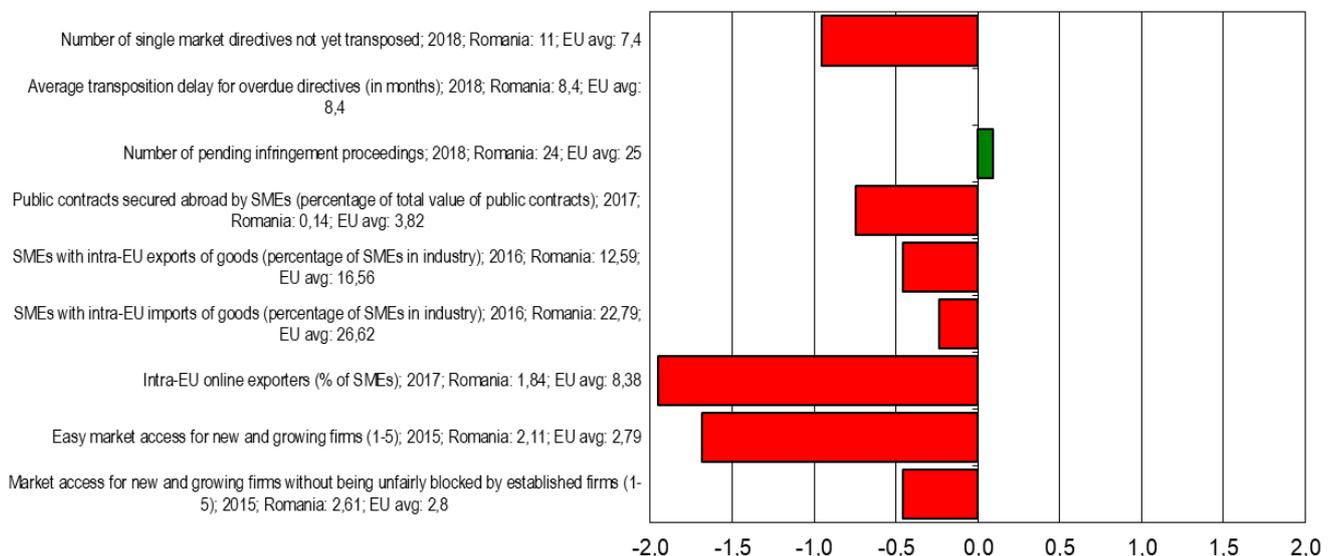
Romanian policy efforts on access to finance have not translated into stronger performance. Since 2008, Romania has implemented numerous support programmes to improve access to finance for SMEs and start-ups — including tax incentives, loan guarantees and grants. Support measures in recent years include the multiannual ‘Scale Up’ programme, with a €200 million allocation, and the ‘Start-up Nation Programme’, providing grants up to €45,000 for the creation and development of SMEs. However, further policy measures to reduce bureaucracy are needed to make existing financial support more easily accessible for SMEs⁴⁴.

During the current reference period, two important measures were adopted or implemented.

- The ‘National Programme for Micro-Industrialisation’ (*Programul național de microindustrializare*⁴⁵) aims to encourage and incentivise the creation and development of SMEs by supporting investments in priority economic sectors through grants of up to €95,000. The budget commitment for 2018 is €15.6 million.
- The ‘Developing marketing activities for market products and services’ (*Dezvoltarea activităților de comercializare a produselor și serviciilor de piață*⁴⁶) programme aims to support economic operators by providing grants of up to €54 000 to increase their competitiveness and adapt to EU standards. The budget commitment for 2018 is €10.7 million.

3.6 Single market

Variation from the EU average
(measured in standard deviations, EU average=0)



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Romania performs below the EU average on the single market SBA principle. In fact, the country ranks among the weakest performers in this area, and since 2008 its weak performance has tended to deteriorate further.

In 2017, Romania had the lowest percentage of SMEs with intra-EU online imports and exports. The ease of market access in 2015 for new and growing firms is among the lowest in the EU, with the same holding true for the percentage of public

contracts secured by SMEs abroad in 2017. The latter has dropped by more than 3 percentage points since 2015.

Although the number of single market directives Romania has not yet transposed in 2018 is below the EU average, the number has gone down by 5 since 2017. In addition, the delays in transposing directives and the number of infringement proceedings are both in line with the EU average for 2018. The performance overview⁴⁷ of the Single Market Scoreboard⁴⁸

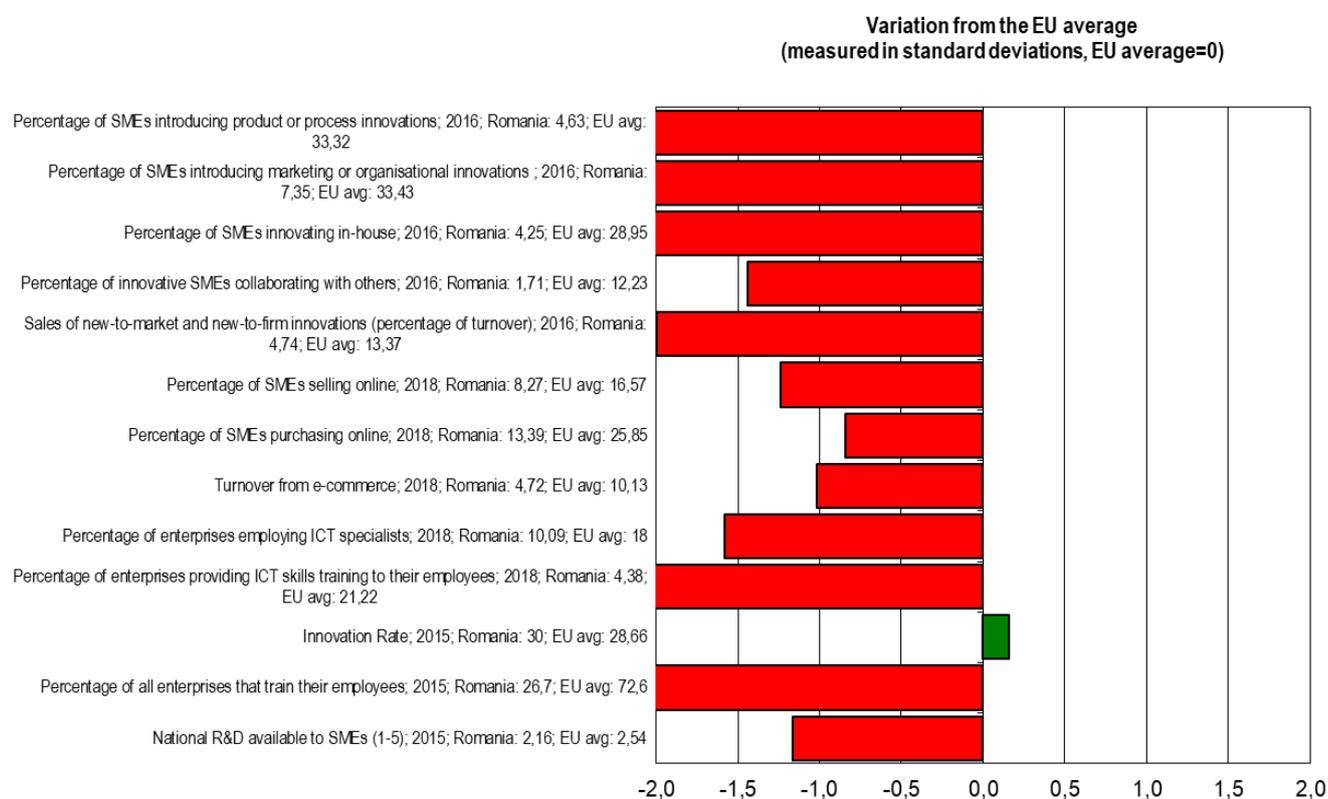
indicates EU pilot⁴⁹ as the only area where Romania performs below⁵⁰ the EU average.

Therefore, the single market principle has shown some limited progress in certain cases since 2008, with just a few measures implemented. Despite the availability of a single point of contact

and measures to access patents and trademarks, SMEs would benefit from further support to trade within the single market.

During the reference period, no measures were announced or implemented.

3.7 Skills & innovation



Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Romania’s performance in skills & innovation remains among the weakest in the EU and has deteriorated since 2008. In contrast to the latter trend, the latest European Innovation Scoreboard for 2019⁵¹ indicates that the Romanian performance on innovation only started to increase in 2015 after a strong decline⁵².

The country performs well below the EU average in most indicators, except for the innovation rate in 2015. This newly introduced indicator shows that the number of new and nascent entrepreneurs in Romania claiming that their product or service is new to customers is in line with the EU average. Based on the latest available information, the trends are not encouraging.

Some of the indicators with the weakest performance compared to other EU Member States are almost static. For example, this is the case for 2016 for the percentage of SMEs innovating in-

house or the percentage of SMEs collaborating with others. Other indicators are deteriorating even further, such as the percentage of SMEs introducing marketing or organisational innovations, which dropped by 11 percentage points from 2012 to 2016.

The percentages of enterprises employing ICT specialists and providing ICT training to their employees were also among the lowest in the EU in 2018. Efforts and investments in ICT will help SMEs trade more online (the related indicators were also among the worst in the EU in 2018).

Policy progress in this area has been moderate and has mostly taken place in the last couple of years. The national research, development and innovation (RDI) strategy and its implementation programmes (e.g. the 2015-2020 national RDI programme and the 2014-2020 operational programme for

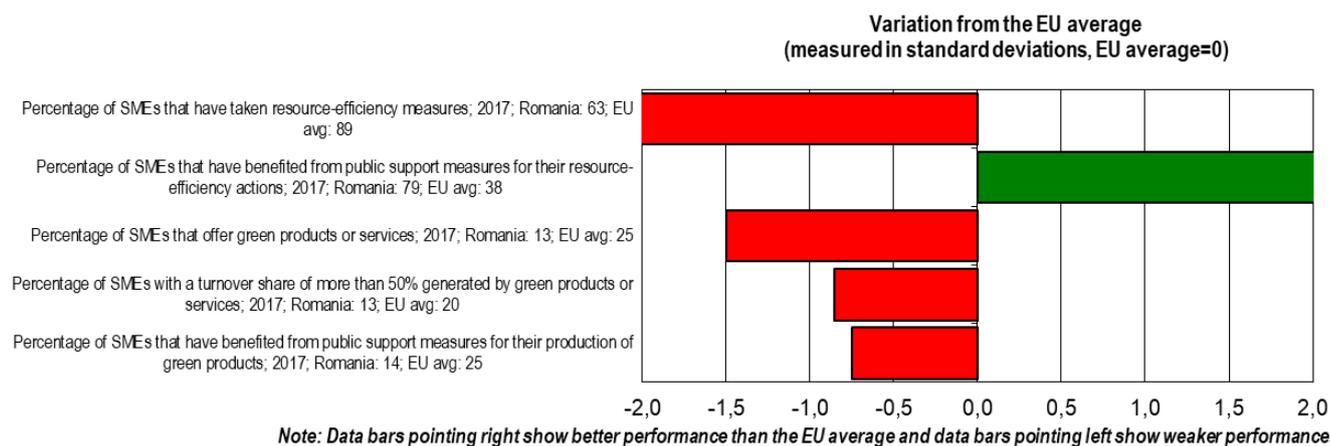
competitiveness) have supported the development of the national RDI system, together with other measures such as tax incentives, tax reductions and innovation vouchers.

Nevertheless, these programmes need improvements in terms of coordination and value chain measures. Such measures would help SMEs to move up in the value chain. A case in point is that the Romanian research and innovation landscape needs an overall coherent vision. Such a vision should feed into a dedicated strategy for boosting innovation and moving towards higher value added activities.

There is significant room for improvement, especially in aligning education and labour market needs in order to address the qualified labour shortage. Other major challenges in Romania remain unaddressed, such as: quality of the public science base; the intensity of science-business cooperation; the functioning of technology transfer offices; the innovation gap between foreign-owned and domestic firms; investment levels in research and development; and management of funds. The current administrative implementation has led to scarcity of research funding⁵³ and lack of continuity in access to funding for research projects. During the reference period, five important measures were implemented or adopted under skills and innovation.

- The 'Supporting innovation and technology transfer entities' (*Srijinirea entităților de inovare și transfer tehnologic*⁵⁴) measure, approved by the Ministry of Regional Development and Public Administration, aims to increase the level of innovation in companies by supporting technology transfer projects. The amount of the non-reimbursable financing ranges from €75,000 to €3 million per project.
- The creation of business incubators (*incubatoare de afaceri*⁵⁵), approved by the Ministry of Regional Development and Public Administration, seeks to strengthen the market position of SMEs by facilitating the exploitation of new ideas through enhanced collaboration with technology transfer companies.
- The 'Investments for SMEs to achieve research & innovation results in partnership with an innovation and technology transfer entity' (*Investiții pentru întreprinderile mici și mijlocii pentru implementarea unui rezultat al cercetării-inovării în parteneriat cu o entitate de inovare și transfer tehnologic*⁵⁶) measure, approved by the Ministry of Regional Development and Public Administration, aims to provide financial support to SMEs for the exploitation of research results through technology transfer.
- The creation of innovation vouchers (*cecuri de inovare*⁵⁷), approved by the Ministry of Research and Innovation, aims to increase the productivity, competitiveness and quality of SMEs and their products, boost SME investments in RDI activities, and support the development of new partnerships between SMEs and public research entities.
- The 'Supporting the growth of added value generated by the ICT sector and innovation through the development of clusters' (*Srijinirea creșterii valorii adăugate generate de sectorul TIC și a inovării prin dezvoltarea de clustere*⁵⁸) measure aims to promote collaboration between ICT-focused enterprises and clusters to ensure better access to and exploitation of R&D results through the allocation of grants ranging from €500,000 to €3.5 million.

3.8 Environment



Based on the latest available data, Romania’s performance in the environment SBA principle remains below the EU average.

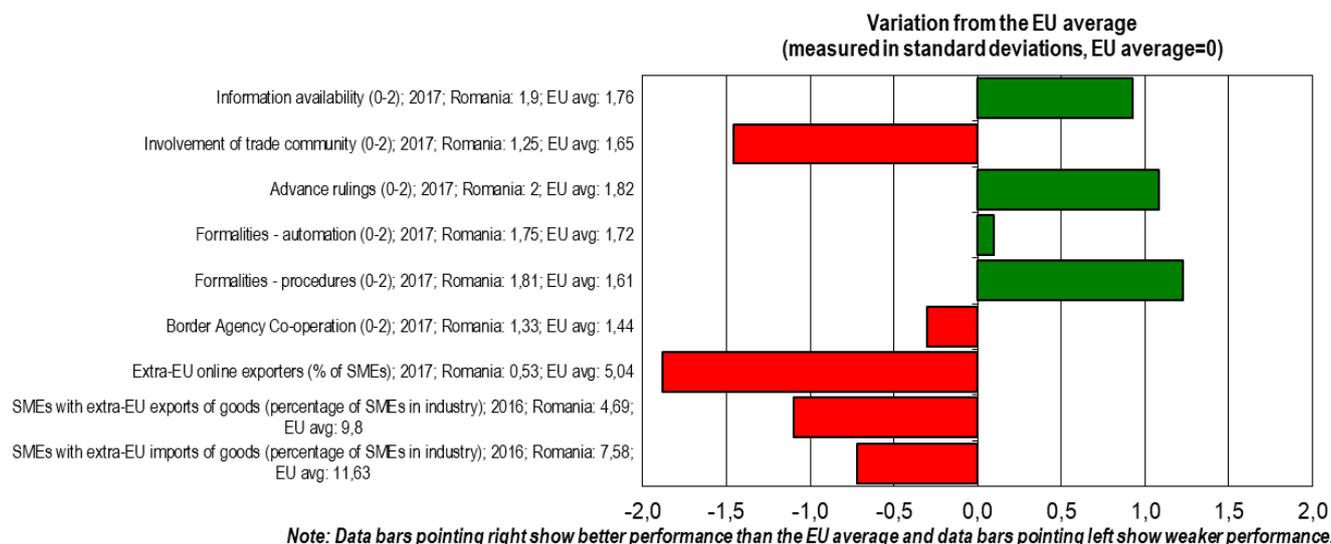
The percentage of SMEs that have taken resource-efficiency measures is among the lowest in the EU, as is the percentage of SMEs that offer green products and services. On the other hand, the percentage of SMEs that have benefited from public support measures is the highest among EU Member States. The number of SMEs in this category has significantly increased, going from just 8% in 2016 to 79% in 2017.

Since 2008, Romania has achieved limited progress in this area. Policy efforts as highlighted in last year’s SBA fact sheet include the launch of the national waste management plan and the renewable energy, energy efficiency, and energy security programme during the 2017-2018 reference period. Civil servants have also been trained to apply environmental principles in public procurement. However, incentives for SMEs to become certified under the EU Eco-Management and Audit Scheme (EMAS⁵⁹) are still lacking.

Two important measures were implemented during the current reference period.

- An initiative⁶⁰ for the ‘Systematisation and simplification of waste legislation and the implementation of simplified procedures for reducing the administrative burdens for the business environment in the field of climate change’ (*Sistematizarea și simplificarea legislației din domeniul deșeurilor și realizarea unor proceduri simplificate pentru reducerea poverii administrative pentru mediul de afaceri în domeniul schimbărilor climatice*) was implemented by the Ministry of Environment. It aims to implement an evidence-based policy system to reduce the administrative burden for businesses, making it easier for them to act in a way that will not worsen climate change.
- Another initiative to ‘amend and supplement legislative acts in the field of environmental protection’ (*Modificarea și completarea unor acte normative din domeniul protecției mediului*) was adopted⁶¹, aiming to reduce bureaucracy for economic operators by enabling them to carry out compliance self-assessments for environmental requirements.

3.9 Internationalisation



Based on the latest available data, Romania performs in line with the EU average on internationalisation.

Romania posted one of the lowest scores in the EU for extra-EU online SME exporters and for SMEs with extra-EU exports of goods. However, it performs substantially above the EU average on advance rulings and formality procedures.

Since 2008, Romania has achieved limited policy progress in this area, with just a few programmes implemented offering financial and information support to SMEs help them internationalise, i.e. do business abroad. Single access points for information on rules and regulations in foreign markets have been put in place^{62,63}. However, further efforts are needed to provide Romanian companies with the required expertise to expand to foreign markets and offer them the required networking opportunities⁶⁴.

During the reference period, two measures were implemented, both of them by the Ministry of Business Environment, Commerce and Entrepreneurship:

- The 'Integrated export services for SMEs in Romania programme' (*Programul 'Servicii integrate de export pentru IMM din România⁶⁵'*) aims to help Romanian companies become more international by: (i) setting up two new business centres for exporters; and (ii) providing financial support to Romanian companies to help them enter into new international markets, with up to €43,000 available per project.
- The 'Supporting the internationalisation of Romanian economic operators' (*Programul de susținere a internaționalizării firmelor românești⁶⁶*) programme aims to create new instruments to support Romanian SMEs in new markets. This measure will finance activities to help SMEs in the internationalisation process, including participation in trade fairs and exhibitions. SMEs can receive up to €7,500 for these purposes.

4. Interesting initiative

Below is an example of an initiative from Romania to show what governments can do to support SMEs.

‘National Programme for micro-industrialisation’

The ‘National Programme for micro-industrialisation’ (*Programul național de microindustrializare*), launched by the Ministry of Business Environment, Commerce and Entrepreneurship, and financed from the state budget, awards selected SMEs a grant up to RON 450,000 (approx. €95,000) to develop their business and employ a minimum of two people for at least 3 years. The main objective is to encourage and incentivise the creation and development of SMEs by supporting investments in priority economic sectors. The scheme is expected to support 165 SMEs in 2018 and create 450 new jobs — of which a minimum 200 will be for recent graduates and unemployed or disadvantaged people. The budget commitment for 2018 is €15.6 million. The main results already reported in 2018 are as follows:

- ✓ 606 applications submitted;
- ✓ 207 applications admitted for negotiation;
- ✓ 165 contracts signed (+7 on the waiting list).

References:

<http://www.aippimm.ro/articol/programe/programul-de-microindustrializare-/anunt-deschidere-aplicatie-inscriere-programul-de-microindustrializare>

<http://www.aippimm.ro/articol/programe/programul-de-microindustrializare-/anunt-programul-de-microindustrializare-2018>

Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/grow-spr@ec.europa.eu>

Small Business Act:

http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

Endnotes

¹ The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. As from 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008–2016 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

² Doingbusiness.ro, available at: <https://doingbusiness.ro/article/romanian-manufacturing-competitiveness-in-the-context-of-industry-40-4008/preview>, last accessed on 28.5.2019.

³ Ibid.

⁴ Ziarul Financiar, available at: <https://www.zf.ro/companii/industria-romaniei-tot-mai-dependenta-de-multinationale-17846003>, last accessed on 28.5.2019.

⁵ Doingbusiness.ro, available at: <https://doingbusiness.ro/article/romanian-manufacturing-competitiveness-in-the-context-of-industry-40-4008/preview>, last accessed on 28.5.2019.

⁶ Capital, available at: <https://www.capital.ro/top-5-transportatori-din-romania.html>, last accessed on 28.5.2019.

⁷ Trans.info, available at: <https://trans.info/ro/untrr-2017-transportul-rutier-de-marfuri-contribuit-cel-mai-mult-la-sectorul-exporturilor-de-servicii-din-romania-85077>, last accessed on 28.5.2019.

⁸ Ministry of Justice, National Trade Registry Office, available at: <https://www.onrc.ro/index.php/ro/statistici>, last accessed on 27.5.2019.

⁹ Ministry of Justice, National Trade Registry Office, available at: <https://www.onrc.ro/index.php/ro/statistici?id=251>, last accessed on 27.5.2019.

¹⁰ www.europeanstartupmonitor2019.eu

¹¹ Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

¹² In line with Commission Implementing Regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees at the beginning of their growth and average annualised growth in number of employees greater than 10% per

annum, over a three-year period. The share of high-growth enterprises is the number of high-growth enterprises divided by the number of active enterprises with at least 10 employees. Source of the data on high-growth enterprises is Eurostat (http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2, last accessed 15.4.2019).

¹³ The 2019 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

¹⁴ http://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm

¹⁵ The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time, but also about the extent of progress made between 2008 and 2019. All SBA principles, with the exception of the 'think small first' principle, for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

¹⁶ The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

¹⁷ <https://cniptmmr.ro/2019/03/11/pozitia-cniptmmr-privind-raportul-de-tara-din-2019-pentru-romania/>

¹⁸ https://www.avocatnet.ro/articol_46815/Impozit-micro-2018-Acesta-e-obligatoriu-din-ianuarie-pentru-firmele-cu-afaceri-sub-un-milion-de-euro.html

¹⁹ <http://programe.ise.ro/>

²⁰ <http://www.mprp.gov.ro/web/diaspora-start-up/>

²¹ <http://www.aippimm.ro/categorie/programe/>

²² <http://www.romania-actualitati.ro/exclusiv-un-nou-program-de-finantare-nerambursabila-pentru-firme-118366>

²³ <http://www.aippimm.ro/categorie/programe/programul-femeia-antreprenor-2018/>

²⁴ <https://www.edu.ro/instrumentul-heinnovate-coordonat-de-comisia-european%C4%83-%C8%99i-organiza%C8%9Bia-pentru-cooperare-%C8%99i-dezvoltare>

²⁵ <http://www.roct.ro/competitia-business-plan/>

²⁶ <http://www.1asiq.ro/Frica-de-esec-continua-sa-fie-una-din-barierile-semnificative-pentru-inceperea-unei-afaceri-articol-3.102-59176.htm>

²⁷ <https://claudiuvrinceanu.ro/barometrul-startup-urilor-2019/>

²⁸ <http://prevenire.gov.ro/legislatie/>

²⁹ <https://legestart.ro/modificarile-la-insolventa-reflectate-procedura-fiscala/>

³⁰ Or 35 days according to the flagship report on Doing Business 2019 of the World Bank Group: www.doingbusiness.org/en/reports/global-reports/doing-business-2019

³¹ Or 0.4% of income per capita as cost according to the flagship report on Doing Business 2019 of the World Bank Group: www.doingbusiness.org/en/reports/global-reports/doing-business-2019

³² www.doingbusiness.org/en/reports/global-reports/doing-business-2019

³³ <https://www.startupcafe.ro/afaceri/afaceri-probleme-2019-domenii-investitii-provocari.htm>

³⁴ <https://sgg.gov.ro/new/adoptarea-strategiei-nationale-de-dezvoltare-durabila-a-romaniei-2030/>

³⁵ <http://legislatie.just.ro/Public/DetaliiDocument/199421>

- ³⁶ http://ec.europa.eu/internal_market/scoreboard/performance_per_policy_area/public_procurement/index_en.htm
- ³⁷ <https://cniplmmr.ro/2019/03/11/pozitia-cniplmmr-privind-raportul-de-tara-din-2019-pentru-romania/>
- ³⁸ <http://www.mfinante.gov.ro/pagina.html?categoriebunuri=hg-nr-807-2014.formular-emitere-acord-pentru-finantare-807.formular-plata-ajutor-de-stat-807.formular-modificare-plan-de-investitii-807.lista-cererilor-de-acord-807-in-analiza-si-in-asteptare.stadiul-implementarii-proiectelor-807.bliant-807&pagina=domenii&menu=Ajutorstat>
- ³⁹ <https://lege5.ro/Gratuit/gi3dsnbrg4zq/schema-de-ajutoare-de-stat-si-de-minimis-sub-forma-de-investitii-de-capital-de-risc-pentru-intreprinderi-mici-si-mijlocii-in-cadrul-programului-operational-competitivitate-ordin-194-2018?dp=gi2tenzuce4tkmq>
- ⁴⁰ <https://sicap-prod.e-licitatie.ro/pub>
- ⁴¹ <https://lege5.ro/Gratuit/gi4dimbzgiya/ordonanta-de-urgenta-nr-46-2018-privind-infiintarea-organizarea-si-functionarea-oficiului-national-pentru-achizitii-centralizate>
- ⁴² https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en
- ⁴³ https://ec.europa.eu/info/publications/2019-european-semester-country-reports_en
- ⁴⁴ <https://cniplmmr.ro/2019/03/11/pozitia-cniplmmr-privind-raportul-de-tara-din-2019-pentru-romania/>
- ⁴⁵ <http://www.aippimm.ro/articol/programe/programul-de-microindustrializare-/anunt-programul-de-microindustrializare-2018>
- ⁴⁶ <http://www.aippimm.ro/categorie/programe/programul-de-comercializare-a-bunurilor-i-serviciilor-de-pia-/>
- ⁴⁷ http://ec.europa.eu/internal_market/scoreboard/performance_overview/index_en.htm
- ⁴⁸ http://ec.europa.eu/internal_market/scoreboard/index_en.htm
- ⁴⁹ www.acceptance.ec.europa.eu/internal_market/scoreboard/archives/2019/07/performance_by_governance_tool/eu_pilot/index_en.htm
- ⁵⁰ http://www.acceptance.ec.europa.eu/internal_market/scoreboard/performance_overview/index_en.htm
- ⁵¹ https://ec.europa.eu/growth/industry/innovation/facts-figures/scoreboards_en
- ⁵² <https://ec.europa.eu/docsroom/documents/35908/attachments/1/translations/en/renditions/native>
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- ⁵⁴ <http://www.inforegio.ro/ro/axa-prioritara-1/apeluri-lansate/376-ghidul-specific-pi-1-1-a-prioritate-de-investitii-1-1-operatiunea-a>
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- ⁵⁶ <http://www.inforegio.ro/ro/axa-prioritara-1/apeluri-lansate/379-modificarea-ghidului-specific-1-1-c-apel-proiecte-por-2017-1-1-1-c-1-ordinul-nr-5128-22-06-2018-publicat-la-22-06-2018>
- ⁵⁷ <http://www.research.gov.ro/ro/articol/4785/minister-comunicare-mci-lanseaza-competi-ia-2018-pentru-proiecte-tip-cecuri-de-inovare>
- ⁵⁸ <http://www.fonduri-ue.ro/apeluri/details/2/178/apeluri-poc-524-2-2-sprijinirea-cre%C8%99terii-valorii-ad%C4%83ugate-generate-de-sectorul-tic-%C8%99i-a-inov%C4%83rii-%C3%AEEn-domeniu-prin-dezvoltarea-de-clustere>
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- ⁶⁰ <http://www.mmediu.ro/articol/comunicat-de-presa-conferinta-de-deschidere-a-proiectului-aplicarea-sistemului-de-politici-bazate-pe-dovezi-in-ministerul-mediului-pentru-sistematizarea-si-simplificarea-legislatiei-din-domeniul-deseurilor-si-realizarea-unor-proceduri-simplificate-pentru-r/2864>
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- ⁶⁴ <https://claudiuvrinceanu.ro/internationalizarea-firmelor-romanesti-ce-este-nou-in-proiectul-start-up-bridge/>
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