

SBA Fact Sheet 2012

ROMANIA

In a nutshell:

- ✓ Small and medium-sized businesses are comparatively more prevalent in Romania compared to the EU as a whole;
- ✓ The Romanian SME sector is slowly recovering from the crisis. Employment and value added have stabilized in 2010/2011, although they are still well below pre-crisis levels;
- ✓ Romania scores under the EU average for seven SBA principles, with only 'Entrepreneurship' above average. In 2011, Romania addressed eight out of ten SBA areas through targeted policy measures, with the main focus on entrepreneurship and responsive administration.

About the SBA Fact Sheets¹:

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). The aim of the annually updated Fact Sheets is to improve 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. The job of the SME envoys is to spearhead the implementation of the SBA agenda in their representative countries.

1. SMEs in Romania – basic figures

	Number of Enterprises			Employment			Value added		
	Romania		EU27	Romania		EU27	Romania		EU27
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	475.536	89,6%	92,2%	993.079	24,9%	29,6%	7	14,4%	21,2%
Small	45.131	8,5%	6,5%	840.848	21,1%	20,6%	8	17,8%	18,5%
Medium-sized	8.348	1,6%	1,1%	843.021	21,2%	17,2%	9	20,5%	18,4%
SMEs	529.015	99,7%	99,8%	2.676.948	67,2%	67,4%	24	52,7%	58,1%
Large	1.527	0,3%	0,2%	1.304.963	32,8%	32,6%	22	47,3%	41,9%
Total	530.542	100,0%	100,0%	3.981.911	100,0%	100,0%	46	100,0%	100,0%

Estimates for 2011, based on 2005-2009 figures from the Structural Business Statistics Database (Eurostat). The estimates have been produced by Cambridge Econometrics. The data cover the 'business economy' which includes industry, construction, trade, and services (NACE Rev. 2 Sections B to J, L, M and N). The data does not cover the enterprises in agriculture, forestry, fishing or the largely non-market services such as education and health. The advantage of using Eurostat data is that the statistics from different countries have been harmonised and are comparable across countries. The disadvantage is that for some countries these data may be different from data published by national authorities.

Romania's SME sector is characterized by a greater importance of small and medium-sized enterprises, to the detriment of micro-firms. The medium-sized group in particular reveals above-average contributions to employment (21.1% as compared to 17.2% in the EU) and value added (20.6% as compared to 18.3% in the EU). Overall, the SME sector contributes less to value added and equally to employment when compared to its European counterparts on average, which suggests that the labour productivity of SMEs in Romania is lower.

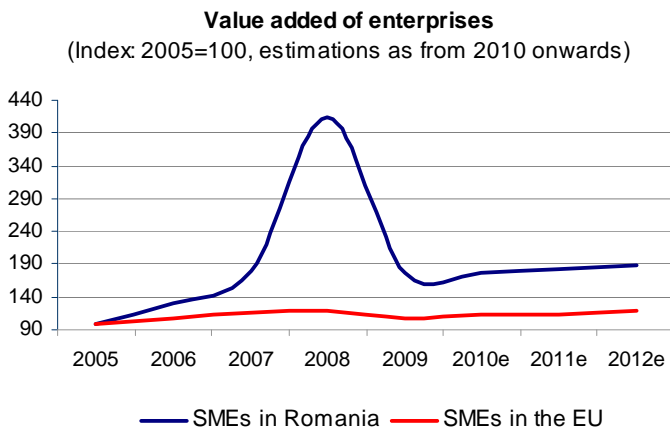
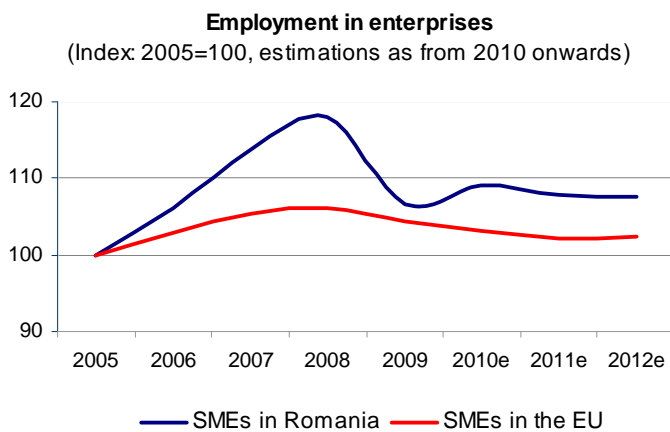
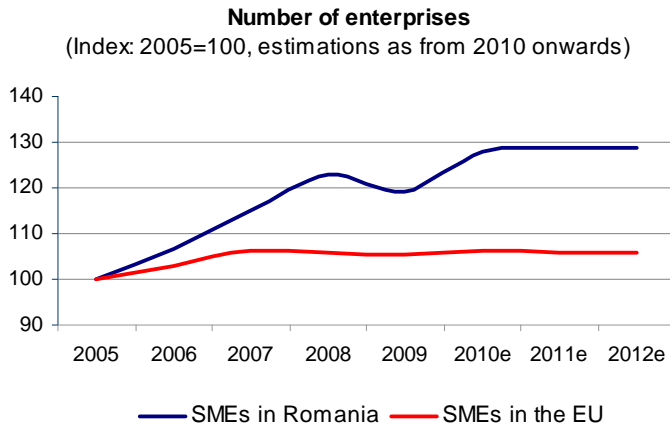
This may be the partly due to the industrial structure of the Romanian economy. In terms of sectoral

distribution, the trade sector dominates, accounting for 42% of SMEs, as compared with only 30% in the EU. The remaining SMEs are distributed among services (34%), manufacturing (10%) and construction (13%).

The Romanian SME sector is still struggling with the impact of the crisis. When analysing the trends over time, the figures show that the number of enterprises stabilized in 2010-2011. The same can be said about employment and value-added, with the caveat that the current level is well below the 2008 peak.

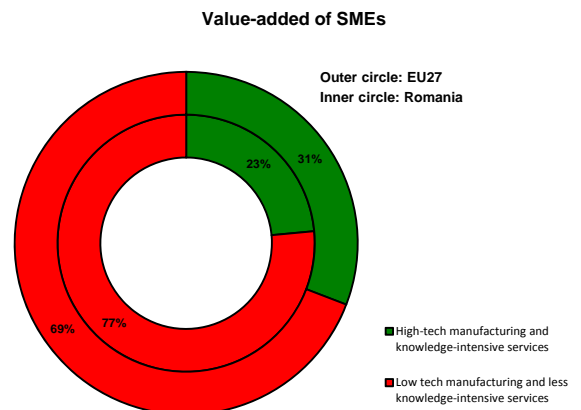
The sectors that are considered key for restoring competitiveness to European firms are the high-tech

SME trends in Romania³

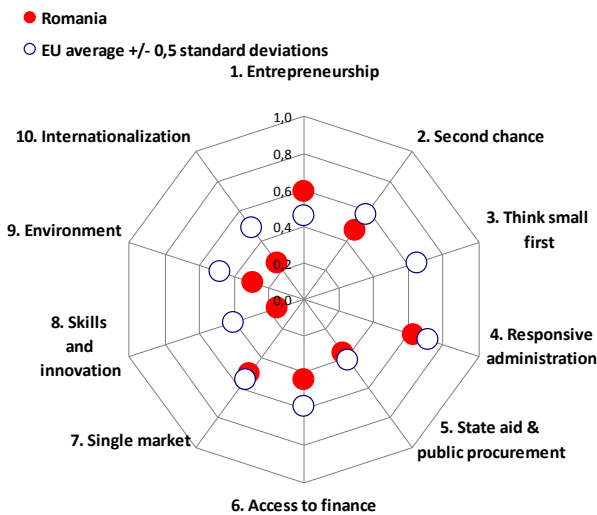


manufacturing and knowledge-intensive sectors².

These firms are relatively less numerous in Romania, accounting for 23% of the number of SMEs, compared to 26% in the EU. In terms of value added they also achieve a more modest performance, accounting for 25% of the economic contribution of the entire Romanian SME sector.



2. Romania's SBA profile



Overall, the statistics on SMEs reflect a 'below-average and somewhat stagnating SBA profile' for Romania. The country delivers a below par performance in seven SBA principles and is above average only in 'Entrepreneurship', although by a large margin.

When comparing Romania's performance to the

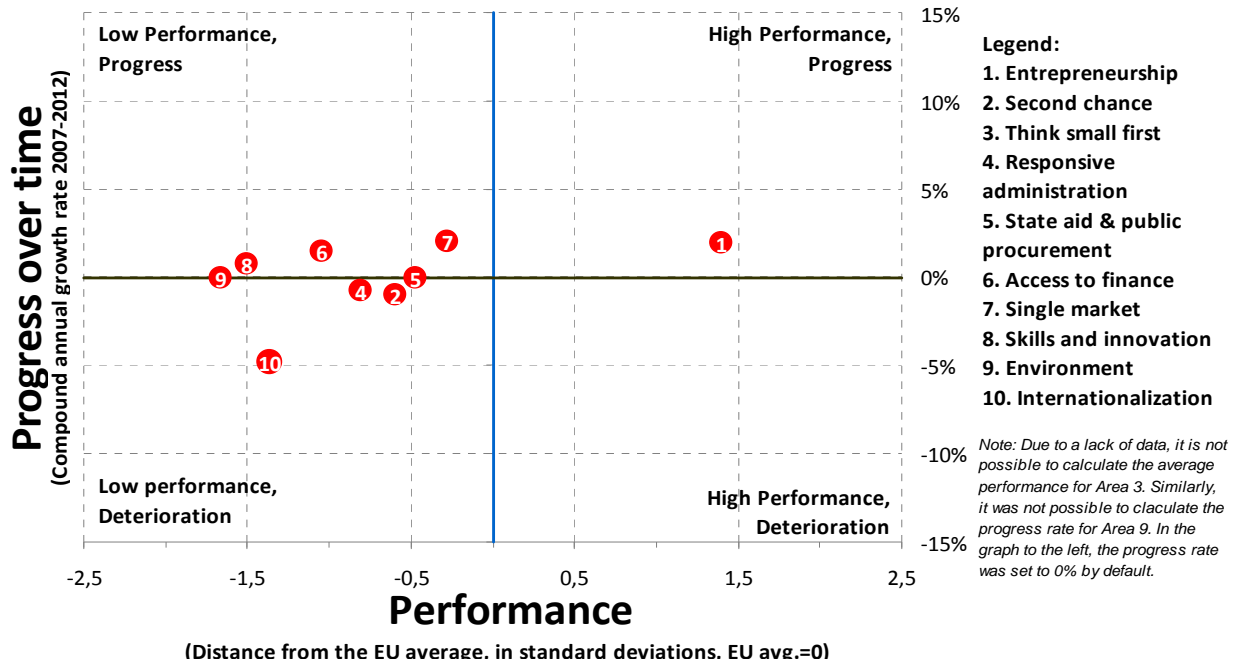
country's own past results, the picture that emerges reveals a relatively stagnating profile, with four SBA dimensions registering progress, albeit limited, and three deteriorating slightly since 2007.

In 2011, Romania's policy record⁴ is characterised by a focus on promoting entrepreneurship and reducing the administrative burden of businesses. However, progress across the other areas of the Small Business Act was limited.

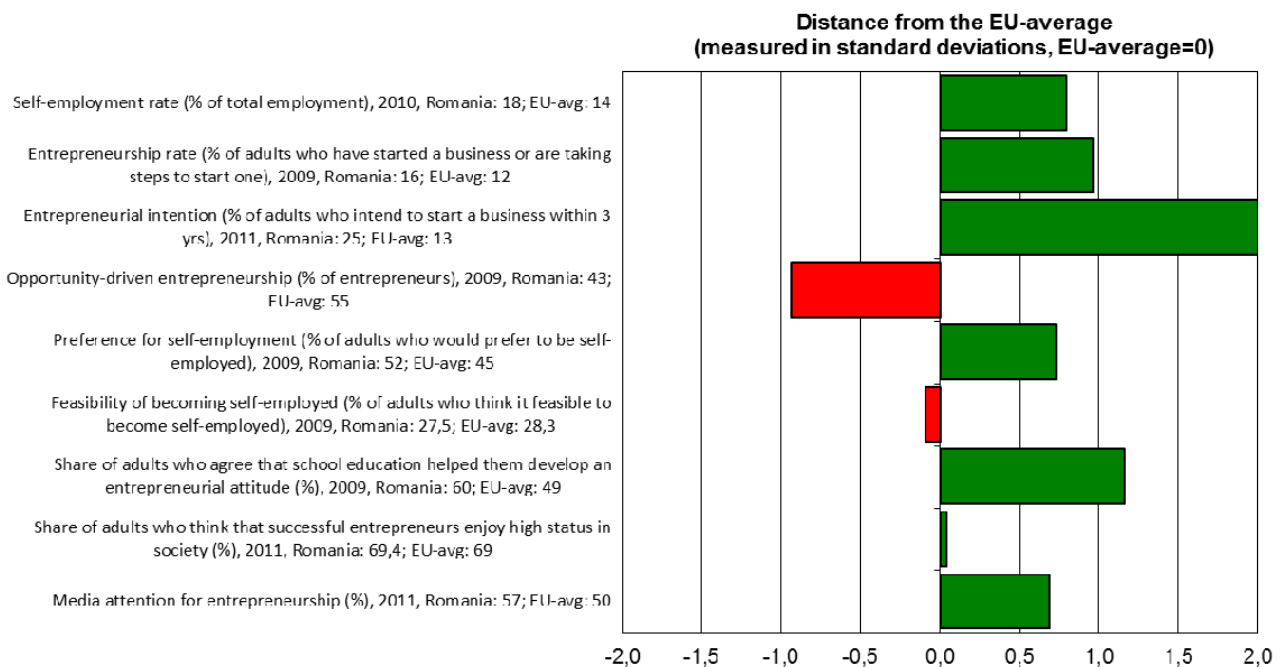
One of the problems reflected by stakeholders is that the existing laws and the business regulatory system do not acknowledge the need to treat the small and medium sized enterprises differently, and in particular the microfirms. There is a very close corollary between the beaurocratic burden on SMEs and the burden on large companies, which – for the smaller companies – makes reporting and accounting far too expensive relative to their turnover and profit margins.

The 'Think Small First' principle has yet to be systematically applied in the Romanian administrative and legal process.

Romania's SBA performance: Status quo and development over 2007-2012⁵



I. Entrepreneurship



Note: Data bars in green (pointing right) show stronger than EU-average performance and data bars in red (pointing left) show weaker performance.

The available indicators measuring entrepreneurship show that Romania scores well above many of its European peers.

The indicators measuring the level of entrepreneurial activity in particular stand apart, as 18% of the Romanian population are self-employed.

The only sign indicating that there might be a problem with the value of entrepreneurial activity is the fact that significantly fewer Romanian entrepreneurs (43% vs. 55% in the EU) are opportunity-driven, which means that the rest of them have been pushed into starting a business due to the lack of better alternatives.

Society's perception of entrepreneurship, measured by the degree of media attention and the status accorded to entrepreneurs in society appear more favourable for business owners in France compared to the EU average. School education is the lever for developing a sense of initiative and action, and is significantly greater than in other Member States, which is a characteristic of entrepreneurs and business owners.

The most noticeable change – probably due to the crisis and the sluggish job market - has been registered in the area of entrepreneurial intention (measured as the share of adult population intending to start a business in the near future), which grew significantly from 8.6% in 2010 to 25% in 2011.

During the school year 2011-2012 a new curriculum has been introduced at secondary level, which includes entrepreneurship learning. For each level of the education system, the government has clearly identified entrepreneurship learning as a priority

development area with due reference to curriculum, teacher training and secondary education.

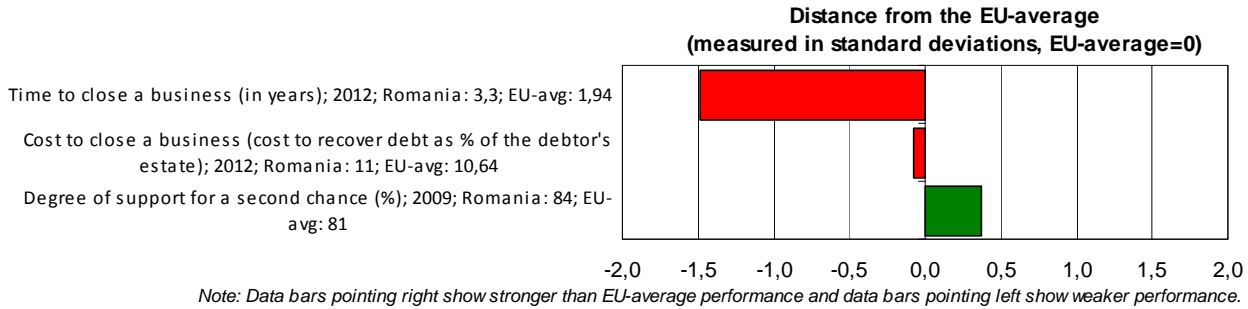
In 2011, the Ministry of Education implemented a policy measure linked to the introduction of entrepreneurship and finance related competencies in the secondary education curricula. Another action was aimed at increasing the capacity of teachers in entrepreneurial training through the ongoing revision of professional standards by the National Council for the Development of Professional and Technical Training.

In 2011, the Agency for the Implementation of projects and Programs for SMEs implemented a measure on the development of entrepreneurial culture among women involved in the SME sector. The main purpose of this policy measure was to facilitate the mobility of women in the labour market in the context of maintaining the balance between family and professional obligations. The same Agency also developed a program aimed at increasing entrepreneurial skills among young people and facilitating their access to finance.

In 2011, a measure was introduced to encourage young people to start up a new business. The measure supports the starting up of new micro enterprises and the development of existing ones by young entrepreneurs. The program also promotes the creation of new jobs.

Finally, the program for the setting up and development of business incubators was started in 2011. The aim of this Program is to increase the number of operating business incubators throughout the eight development regions of Romania.

II. Second chance



‘The indicators measuring ‘Second chance’ reveal a relatively unfavourable environment for re-starters. Honest entrepreneurs whose businesses have failed and who want to start over again have to put up with longer times for closing a business (3.3 years in Romania vs. 1.94 years on average in the EU), even though the corresponding cost (11% of the debtor’s estate) is similar to the EU-average.

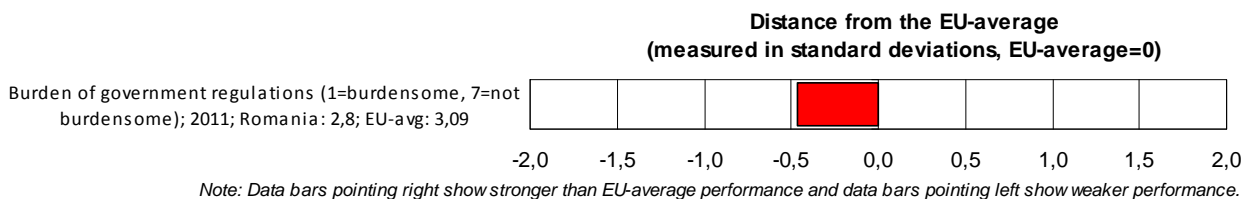
One area where Romania distinguishes itself in a positive light is the slightly higher-than-average support from the population to give a second chance to entrepreneurs who have previously faced bankruptcy .

As for policy measures, in 2011, a new law

regarding non - fraudulent bankruptcy and duration of fiscal criminal record was passed, so that now the period of full discharge after bankruptcy and non payment of fiscal obligations is reduced, in some cases from 5 years to one year. However, this reduction is subject to compliance with some special conditions and payment of penalties and fiscal arrears.

In 2011 a draft law was adopted on non-fraudulent bankruptcy. This law will reduce the effects of and the discharge period for non-fraudulent bankruptcy, and will be finalized in 2013.

III. Think Small First

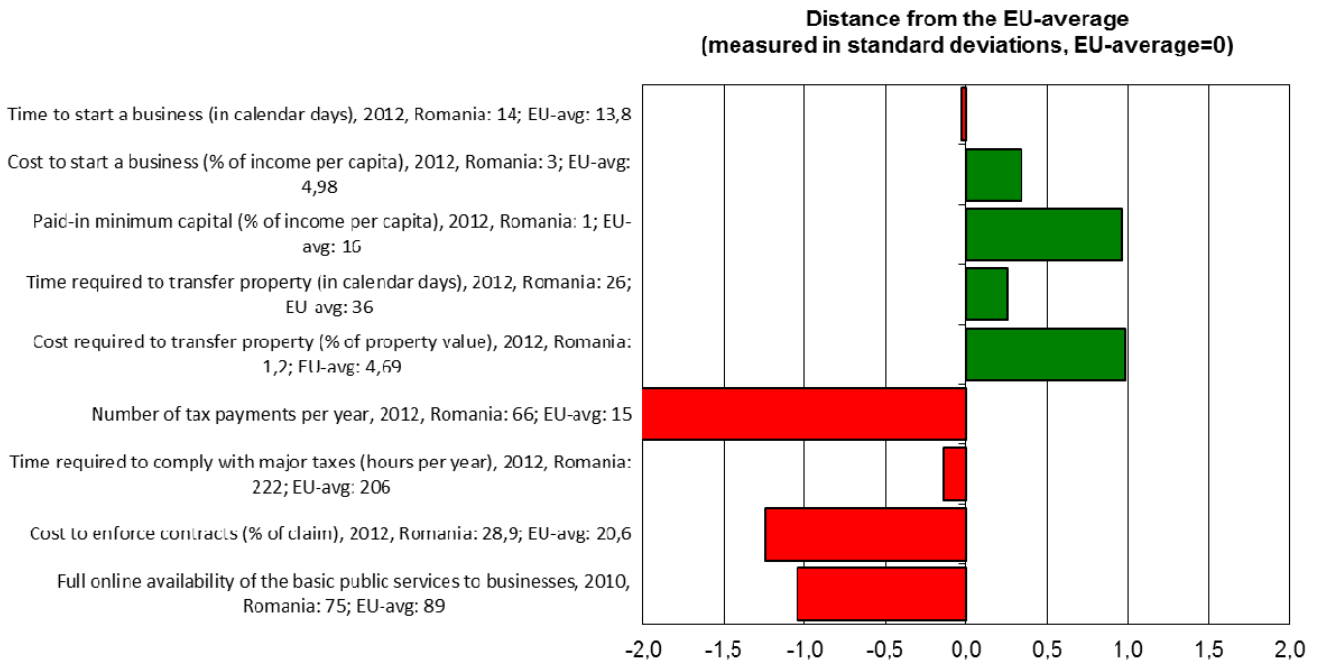


In ‘Think small first’, there is only one indicator available, which measures the entrepreneurs’ perception of the burden of government administrative requirements for permits and reporting. It is unfavourable when compared to the EU average. However, it is not possible to draw any general conclusions on this basis.

In 2011, the One Stop Shop for SME-s, namely the portal www.immoss.ro, was set up. This is a portal serving the SME sector by cutting the cost and

reducing the time spent on registration of new companies, while also providing a wide range of useful information about SMEs in order to increase the effectiveness of their operations. Official requests and tax related statements can also be submitted online through this portal, using the electronic signature.

IV. Responsive Administration



Note: Data bars in green (pointing right) show stronger than EU-average performance and data bars in red (pointing left) show weaker performance.

Romania scores below the EU average in terms of responsive administration. Although the indicators measuring the conditions for starting a business⁶ in Romania are still on a par with the EU average, they deteriorated between 2011-2012. The time required to start a business has increased by 4 days and the cost has risen from 2.6% to 3% of per capita income. At the same time, the formal procedures for the registration and transfer of property, have improved: in Romania it now takes only 26 days to transfer property, and it is relatively less costly than in the European Union on average.

A major leap forward was achieved in terms of reducing of the yearly number of tax payments, which was cut by half, from 113 to 66. However, the gap with the EU is still considerable, suggesting that further improvements are both possible and necessary.

Another area where is certainly scope for improvement is electronic access to the main public services of businesses (such as social contributions,

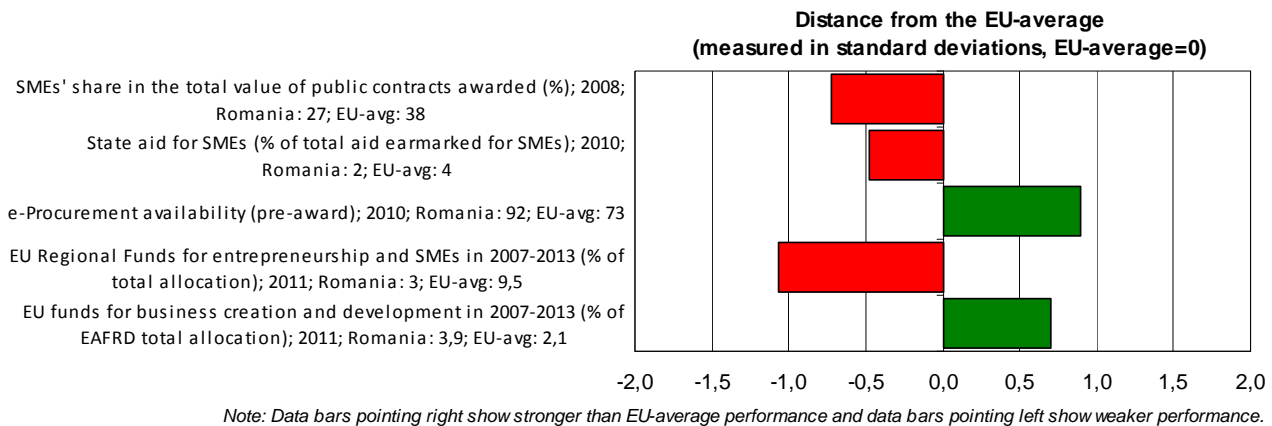
VAT, custom declarations, environment-related permits, etc.), an area where Romania scores well below average.

As regards policy, fiscal reporting requirements on businesses were reduced in 2011 with the introduction of the Unique Statement 112, which combines in a single step the reporting requirements for determining both social contributions and income tax.

During 2011, the number of separate taxes to be paid by SME-s was being steadily reduced, down to 237 now, as compared to 491 in 2009. The respective taxes have been either eliminated or combined with other taxes in order to reduce administrative burden.

During 2011 a new service was made available to the SME sector: New online services provided by the Business Registry of Romania, enabling entrepreneurs to request that data are sent via email; information are also available in English.

V. State aid and Public procurement



Romania scores slightly below the EU average when it come to State aid and public procurement.

The e-procurement conditions remain more favourable for Romanian SMEs. At the same time, the share of State aid earmarked for SMEs has increased from 1.3% in 2009 to 2% in 2010, albeit still below the EU-average.

Small and medium-sized enterprises in Romania account for a significantly lower proportion of the value of public procurement contracts (27 % vs. 38 % in the EU in 2008).

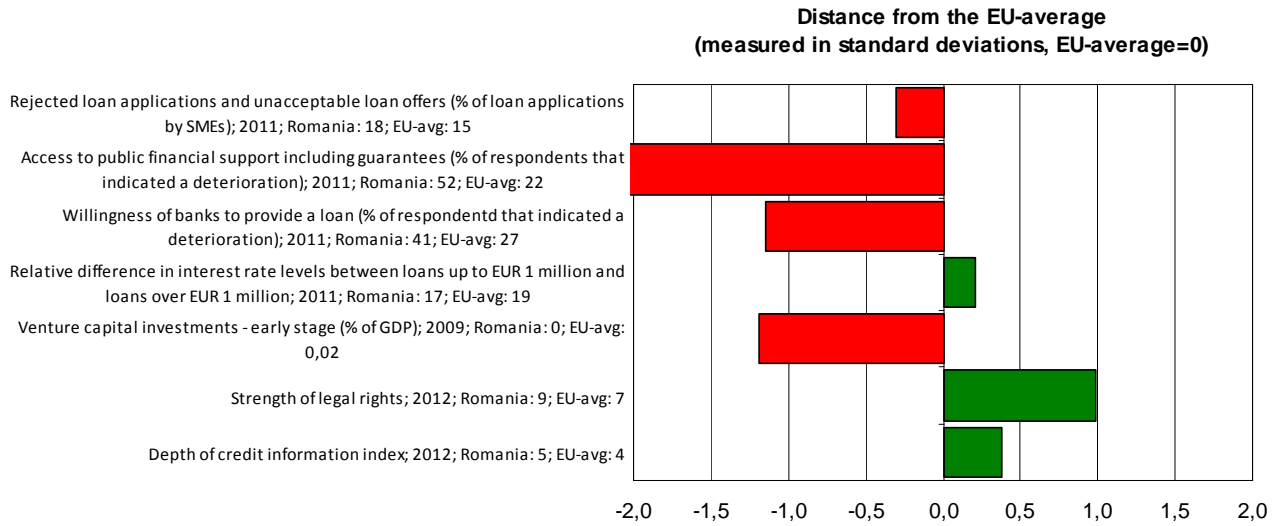
As far as the allocation of EU funds for new business and SMEs is concerned, the European Fund for Agriculture and Rural Development is clearly favourable for entrepreneurs, with an allocation that is almost twice the EU share for small businesses in rural areas. However, for the European Regional Development Fund, the situation is reversed.

On the policy front, the public procurement process was improved, in 2011, by an amendment to the public procurement law which enables of the procurement procedures to be speeded up for some goods and services, depending on the individual procurement contracts. Acceleration and simplification of public procurement in some cases will improve the chances of SMEs to participate to the public tenders.

In 2011, the online public procurement system was improved, and access to public procurement

opportunities is now fully transparent as a result.

VI. Access to finance



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

Romania offers reasonable conditions for access to various sources of financing for SMEs, although progress in this area has stalled, and the return of the financial crisis has created a very difficult context for enterprises.

Although there has been a significant decrease in the proportion of rejected loans, - from 48% in 2009 to 18% in 2011 - the share of Romanian business owners who report that they have noticed a deterioration in the willingness of the banks to provide loans has remained stable of 41%, which is a high level and well above the EU-average of 30%. This suggests that the continuing tightening of the standards applied to borrowers has been effective in discouraging many entrepreneurs from applying for a loan. At the same time, the conditions for accessing public financial support, including guarantees, have also become more restrictive.

On the positive side, the cost of credit for small businesses (for loans under €1 million) is only about 17% higher than for larger enterprises (which generally require loans of over €1 million), and this gap has narrowed slightly since 2010.

Institutions and systems that can facilitate access to finance, such as credit registry bureaus and the

legal rights system, are as sound as in most other EU countries.

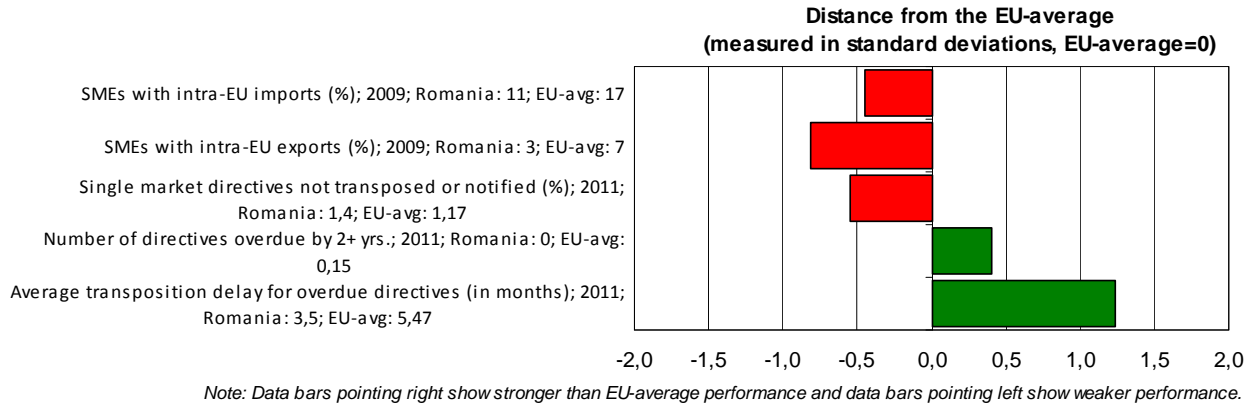
A number of policy measures have been taken recently to improve the situation in this policy area in Romania.

In 2011, the Government adopted Order no 9/2010 concerning the issuing of guarantees by the National Guarantee Fund for SMEs to the beneficiaries of structural funds, based on the contracts signed with the Management Authorities or Implementing Bodies.

In 2011, the program for financing SMEs in the crafts industry was implemented. This program has disbursed grants for the development and promotion of the SMEs in the crafts industry.

Finally, the Program Mihail Kogalniceanu took steps to improve the cash flow and profitability of the SME sector by subsidizing interest on loans or offering loan guarantees through the National Guarantee Fund for SMEs.

VII. Single market

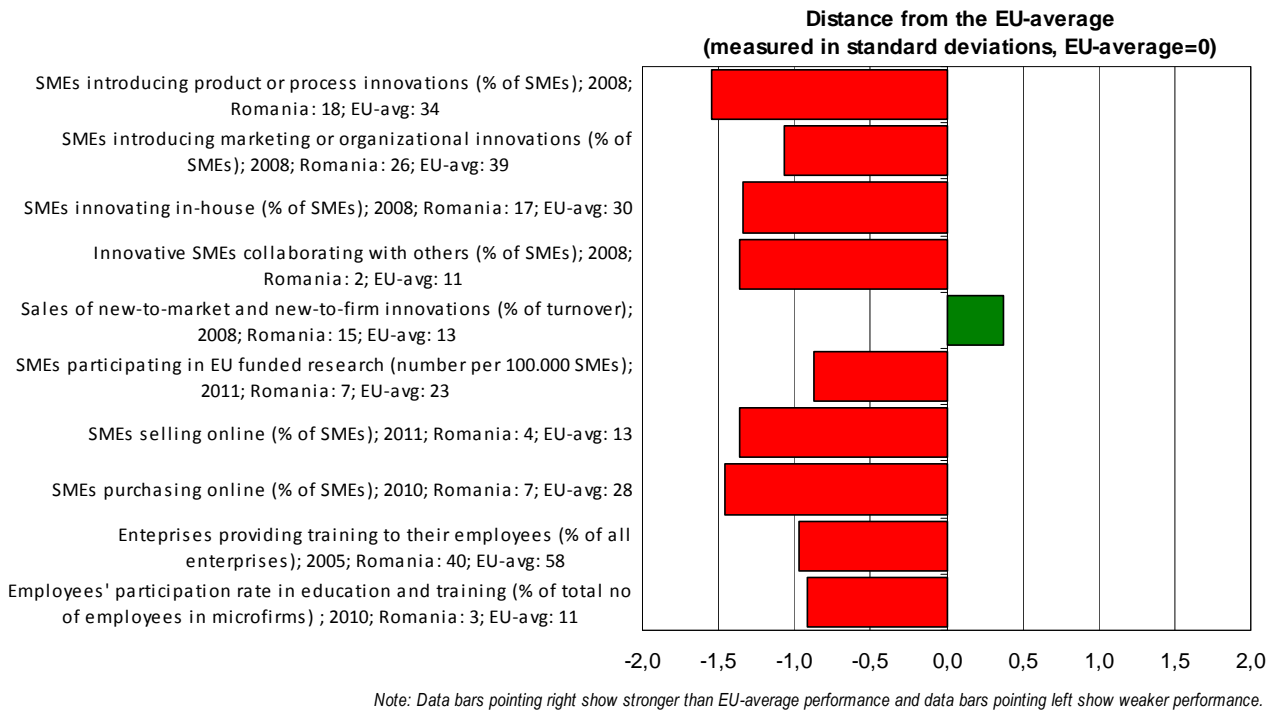


Romania's score is behind the EU average and reflects the low level of competitiveness in Romanian firms on the internal market and beyond. The performance in terms of exports (to other EU countries) is fairly modest and shows the most room for improvement.

In terms of internal market legislation and the transposition of EU legislation into national law, Romania seems to be performing slightly better than its EU peers, with fewer directives overdue by more than 2 years, and lower accumulated delays.

The Program for financing market related activities for SMEs was started in 2011. This program consisted in the facilitation of procurement of equipment and consulting services in order to increase competitiveness and the economic performance in the new, single EU market.

VIII. Skills and innovation



Romania lags far behind in this area, which covers both skills/training and innovation aspects.

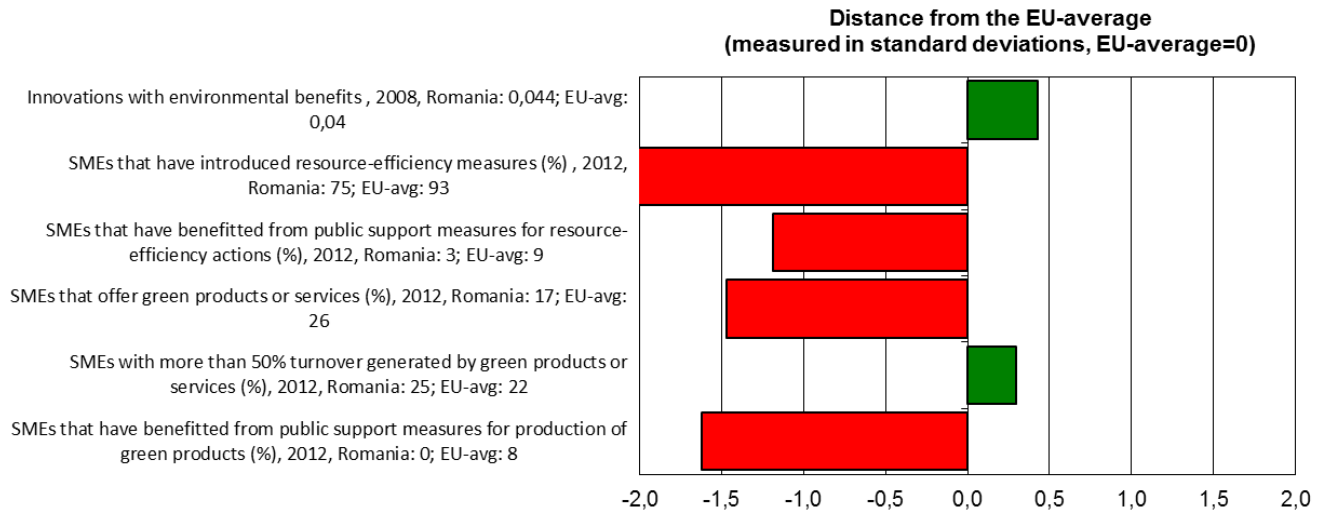
All but one of the core indicators relating to innovation are below the EU average. Romanian SMEs are less likely to introduce innovations, to collaborate with each other or to innovate in-house. However, the firms that do innovate are more successful than their EU peers in turning these new products and processes into sales revenue. Apart from the innovation-related indicators, Romanian SMEs also perform below par in other aspects, such as their IT readiness, which is defined by their ability to sell their products and make purchases online.

The two indicators that measure training and skills

development show similar results: the proportion of enterprises providing vocational training to their employees is below the EU average (40% vs. 58%), and Romanian micro firms are even less inclined than their peers in other EU countries to ensure that their employees participate in lifelong learning activities.

In 2011, the program supporting the implementation of the Cohesion Policy by facilitating access to guarantees for SMEs. The implementing body for this measure is the National Guarantee Fund, and the guarantees are targeted at SMEs that are seeking funding for innovation and knowledge related projects.

IX. Environment



Note: Data bars in green (pointing right) show stronger than EU-average performance and data bars in red (pointing left) show weaker performance.

Romania scores well below the average on this dimension, but its performance is somewhat differentiated across the individual indicators.

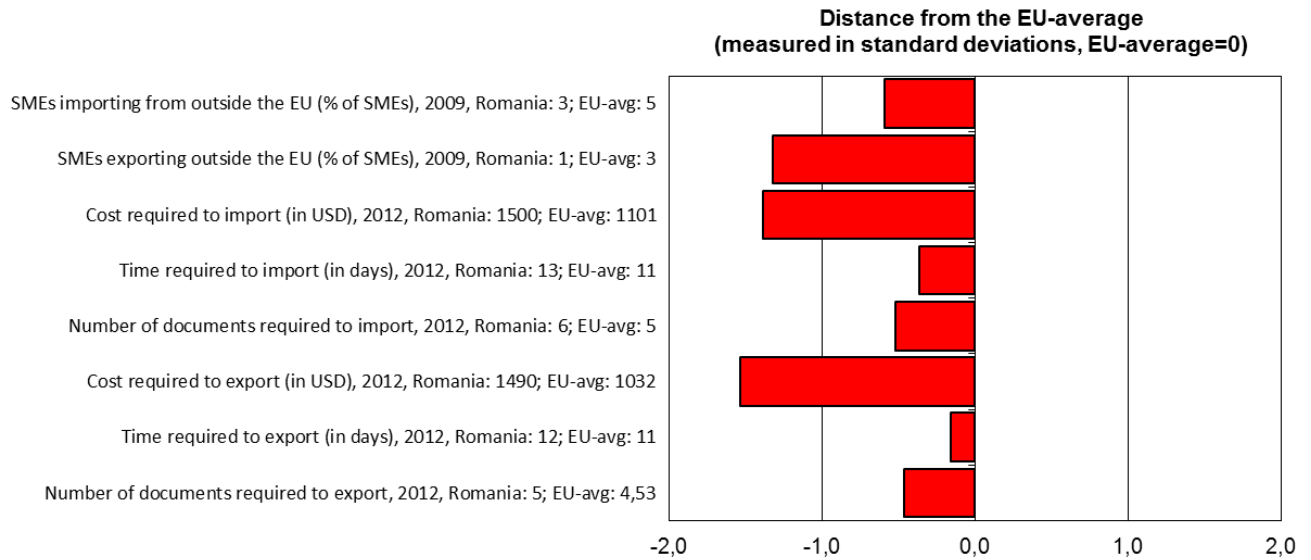
Romanian SMEs are much less likely to take steps to increase their resource-efficiency by comparison with the European average. This is partly because they do not benefit from public support for such measures to the same extent as their European peers.

Similarly, only 17% of the companies in Romania as

compared to 26% in the EU have begun to exploit the opportunities offered by the demand for green products and services, although those who have done so are more successful in generating a significant proportion of their revenues by selling these green products.

No major policy initiatives were reported in this area in 2011.

X. Internationalisation



Note: Data bars in green (pointing right) show stronger than EU-average performance and data bars in red (pointing left) show weaker performance.

Based on the available indicators measuring internationalisation, Romania is well behind the EU average.

The general framework conditions for trading are – without exception – less favourable than in the other EU countries, on average.

It is therefore not surprising that the indicators

reflecting the performance of Romanian companies on third country markets remain modest.

No major policy initiatives have been reported in this area in 2011.

3. Good practice

To show what the government does to promote SMEs, we include an example of good practice.

The launching, in June 2011, of the **One Stop Shop for SMEs** has had some impact on the development of the SMEs sector.

The One Stop Shop is an online portal (www.immoss.ro) which caters for a wide range of specific needs of the sector, including the availability of online registration forms and statements, useful information for the operation of existing SMEs, useful information on relevant legislative acts that affect the activity of SMEs, information on existing sources of financing, reduction of the administrative burden due to the online submission of fiscal statement for SME-s based on acquisition of the electronic signature (a list of providers of electronic signature is also posted on the portal).

The portal acts as a gateway, with well structured and continuously updated information which considerably reduces the time and effort involved in the registration and operation of SME-s in Romania.

About the SBA Fact Sheets

The Small Business Act (SBA) Fact Sheets are produced by DG ENTR as part of the SME Performance Review (SPR), which is its main vehicle providing an economic analysis of SME issues. They combine the latest available statistical and policy information for the 27 EU Member States and another 10 non-Member States which also contribute to the EU's [Competitiveness and Innovation Framework Programme](#) (CIP). The Fact Sheets — which are produced annually — help to organise the available information so as to facilitate SME policy assessments and monitor SBA implementation. They document both the status quo and progress. They are not an assessment of Member State policies, but should be considered as an additional source of information designed to improve evidence-based policy making. For example, the Fact Sheets cite only those policy measures that are deemed relevant by local SME policy experts. They cannot, and do not, reflect all of the measures taken by the government over the reference period. More policy information can be found on a database that is accessible from the SPR website. Please also see the end notes overleaf.

For more information

SME Performance Review:

http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm

Small Business Act:

http://ec.europa.eu/enterprise/policies/sme/small-business-act/index_en.htm

The European Small Business Portal:

http://ec.europa.eu/small-business/index_en.htm

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¹ The SBA Fact Sheets 2012 have benefitted substantially from input by the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC has made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

² The indicators measuring the number of high-technology SMEs in the manufacturing industries and knowledge intensive SMEs in the service sectors, and their contribution to employment and value added, were calculated following the Eurostat definition on 'High-technology' and 'knowledge based services' aggregations based on NACE Rev. 2. For more information please see: http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/Annexes/htec_esms_an3.pdf

³ The three graphs below describe the trend for the variables over time. They consist of index values for the years since 2003, with the base year 2003 set at a value of 100. As from 2008, the graphs show estimates of the development over time, based on 2003-2007 figures from the Structural Business Statistics Database (Eurostat). The estimates were produced by Cambridge Econometrics. The data cover the 'business economy', which includes industry, construction, trade, and services (NACE Rev. 1.1 Sections C to I, K). The data do not cover enterprises in agriculture, forestry, fishing or largely non-market services, such as education and health. A detailed methodology can be consulted at: http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/index_en.htm.

⁴ The policy measures presented in this SBA Fact Sheet represent no more than a selection of the measures taken by the Government in 2011 and the first three months of 2012. The selection was made by the SME policy country expert contracted by Ecorys (DG ENTR's lead contractor for the 2010-2011 Fact Sheets). The experts were asked only to select those measures which were the most important in their view, i.e. were likely to have the greatest impact in the specific SBA area. The complete range of measures that the experts compiled when producing this year's Fact Sheets will be published in the form of a policy database on the DG ENTR website alongside the Fact Sheets.

⁵ The quadrant chart combines two sets of information: firstly, it shows the status quo 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 EU-27. The vertical corridor marked by the dotted lines defines the EU average. Secondly, it reveals progress over time, i.e. the average annual growth rates for the period 2005-2011. The growth rates are those of 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 not only status quo information about where the country is located in this SBA area relative to the rest of the EU at a given point in time, but also the extent of progress made during the period 2005-2011.

⁶ The start-up indicators are based on World Bank data. For methodological details, please consult the Doing Business 2012 report at <http://www.doingbusiness.org/>. It should be noted that these findings differ from corresponding figures obtained directly from Member States, through a self reporting exercise according to which, in 2011, it took three days and a cost of 100 - 125 Euro to start a business in Romania. For more details please see: http://ec.europa.eu/enterprise/policies/sme/business-environment/start-up-procedures/index_en.htm.