OCCASION

This publication has been made available to the public on the occasion of the 50th anniversary of the United Nations Industrial Development Organisation.

DISCLAIMER

This document has been produced without formal United Nations editing. The designations employed and the presentation of the material in this document do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations Industrial Development Organization (UNIDO) concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries, or its economic system or degree of development. Designations such as “developed”, “industrialized” and “developing” are intended for statistical convenience and do not necessarily express a judgment about the stage reached by a particular country or area in the development process. Mention of firm names or commercial products does not constitute an endorsement by UNIDO.

FAIR USE POLICY

Any part of this publication may be quoted and referenced for educational and research purposes without additional permission from UNIDO. However, those who make use of quoting and referencing this publication are requested to follow the Fair Use Policy of giving due credit to UNIDO.

CONTACT

Please contact publications@unido.org for further information concerning UNIDO publications.

For more information about UNIDO, please visit us at www.unido.org
A Comparative Analysis of SME Strategies, Policies and Programmes in Central European Initiative Countries

Part III
Romania
A COMPARATIVE ANALYSIS OF
SME STRATEGIES, POLICIES AND PROGRAMMES IN
CENTRAL EUROPEAN INITIATIVE COUNTRIES

PART III

ROMANIA
This country report represents the basic background material covering policy, institutions, assistance and perceived needs relating to SME development. It has been compiled by the Romanian Development Agency within a framework developed by the UNIDO project. Together with the results of follow-up discussions, interviews and workshops involving key institutions and personnel, this report has provided the basis for the comparative analysis in Part I.

This document has been reproduced without formal editing.

The views expressed in this document are those of the authors' and do not necessarily reflect the views of the United Nations Industrial Development Organization.

The annexes are reproduced in the form in which they were received.
Contents

BROAD ECONOMIC AND SOCIAL POLICIES ................................................................. 1
Introduction ................................................................................................................... 1
Governmental institutions with prime responsibility for SME support ...................... 1
Other government departments with small business development roles .................. 3
The degree of coherence and cooperation between departments ......................... 5
Current government economic and social policies and priorities ............................ 6
Specific references to SME development: Objectives and action plans of the
'The Strategy for the Economic and Social Reform' .............................................. 7
Industrial policy ...................................................................................................... 9
Regional Development Policy ................................................................................. 11
Overall policy for SMEs ......................................................................................... 12
The process by which policy and strategic development goals are set ..................... 13
Information on the health of the SME population ............................................... 16
The needs of SMEs perceived by policy makers .................................................... 17
The vision of long-term sustainability .................................................................... 18

REGULATORY POLICY ............................................................................................ 20
Priorities in the regulatory environment ................................................................. 22
Official statements and actions towards modifying the legal system ....................... 23
SME advocacy and communication with small business ........................................ 33
Major problems with regulations ............................................................................ 35

SPECIFIC SUPPORT POLICIES FOR SME DEVELOPMENT AND THEIR
RATIONALE ............................................................................................................. 40
SME Definition ...................................................................................................... 40
Specific Policies and Programmes focused upon SME ........................................... 41
Resources and powers of regional and local authorities ......................................... 52
Policy focus on specific stages of SME development ............................................. 53

INSTITUTIONS ......................................................................................................... 54
Major variations by region ..................................................................................... 54
The key SME associations ...................................................................................... 55
Areas of foreign donor involvement ..................................................................... 58
Integration, coherence and sustainability of services ............................................. 58
Key future players in SME support ....................................................................... 61
Central support for local development ................................................................... 62
Monitoring and Evaluation .................................................................................... 64
Future shape of the institutional environment ....................................................... 64
COMPETENCY AND TRAINING NEEDS OF SPECIALISTS

OUTSTANDING TRAINING PROGRAMMES AND MANUALS FOR SME TRAINING

OUTSTANDING INSTITUTIONS

EVALUATION OF ASSISTANCE METHODS

ANNEXES

I Grants
II World Bank: Industrial Development Project
III World Bank: Private Farmers and Enterprises Support Project
IV EBRD Credit Line for Romanian Exporters
V National Bank of Romania: Credit Line for Export Financing
VI EBRD Credit Line Extended Directly to BANKCOOP
VII Financial aid programme for granting bonus interest credits to entrepreneurs
VIII Financial scheme providing bonus interest rate loans for SME that support job development
IX Romanian-American Enterprise Fund's SME Investment Programme
X Programme for providing Loan Guarantees to private SME
XI PHARE Loan Guarantee Programme for Agriculture Sector Development
XII PHARE Programme to develop a network of pilot BICs
XIII Technology Incubator Centres Programme
XIV Training programmes for SME organized by the Romanian Institute for Management
XV Training programmes organized by CIMP Foundation for SME
XVI Programme of Entrepreneurial Development in Romania
XVII Pro-Active Employment Measures Programme
XVIII Enterprise Promotion Programme
XIX Young Managers School
XX Entrepreneurs International Training Advisor Programme
XXI The Master of Business Administration Programme
XXII The Executive Master of Business Administration (EMBA)
XXIII The Post Graduation School for Academic Studies (INDE)
XXIV ROM-UN Programme for SME Promotion
XXV The Regional Project for Private SME Support in Central and Eastern Europe and CIS
XXVI PHARE Programme for SME Support
<table>
<thead>
<tr>
<th>XXVII</th>
<th>USAID/Washington State University Small Business Development Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>XXVIII</td>
<td>Know-How Fund (KHF) Programme for SME Development</td>
</tr>
<tr>
<td>XXIX</td>
<td>The Pilot Integrated Regional Project</td>
</tr>
<tr>
<td>XXX</td>
<td>Business Entrepreneur Programme</td>
</tr>
<tr>
<td>XXXI</td>
<td>Multiple Service Business Programme</td>
</tr>
<tr>
<td>XXXII</td>
<td>Small Business Development Programme</td>
</tr>
<tr>
<td>XXXIII</td>
<td>Business Assistance Sources Catalogue</td>
</tr>
<tr>
<td>XXXIV</td>
<td>Business Information Centre</td>
</tr>
<tr>
<td>XXXV</td>
<td>Communication Network on Business Opportunities in Romania and in the European Union</td>
</tr>
<tr>
<td>XXXVI</td>
<td>INFOTIN Programme</td>
</tr>
<tr>
<td>XXXVII</td>
<td>Image building and promotion in favour of SME</td>
</tr>
<tr>
<td>XXXVIII</td>
<td>Romanian Development Agency Journal</td>
</tr>
<tr>
<td>XXXIX</td>
<td>The Balkan Centre for SME Cooperation</td>
</tr>
<tr>
<td>XL</td>
<td>‘Good Morning Romania’ Campaign</td>
</tr>
</tbody>
</table>
BROAD ECONOMIC AND SOCIAL POLICIES

Introduction

To better understand small business development in Romania, some preliminary comments will be necessary:

- Prior to 1989, the small and medium enterprises (SME) sector in Romania was insignificant.\(^1\) The private sector's contribution to the gross domestic product was less than 10%;
- Few small businesses existed, most of the companies being large or very large;
- Western information had not been available (including management techniques) for the past decade.

As a result, contrary to many of the other Central and Eastern European former communist countries, the Romanian reform process that started in 1990 had to develop the private small business sector without any recent experience, knowledge or institutional and legal framework available.

All the information presented below deals with the efforts and achievements that occurred exclusively in the last five years.

Governmental institutions with prime responsibility for SME support

Romanian Development Agency and National Agency for Privatization

Until September 1995, the Romanian Development Agency (RDA) has been the specialized body of the public administration in charge of small business development. The SME Division operated within RDA. Its mandate included the design of the small business development policies and the coordination of the SME assistance programmes, with the following main responsibilities:

---

\(^1\) In 1989, industrial small businesses represented only 25.5% of the total number of the Romanian enterprises and employed 4.1% of the Romanian labour contributing to Romanian production with only 6%. Eighty per cent of the domestic trade activity was operated through State-owned companies, which employed over 200 people each.
In the field of designing the economic policy:

- To submit proposals to the Government for improving the small business development strategy;
- To design programmes for developing the SME and to follow-up their fulfillment;

To support the implementation of the programmes developed with external financial assistance and Romanian co-financing; In the field of implementing the economic policy:

- To coordinate programmes for granting incentives to SME;
- To select, based on performance criteria, the SME suitable to benefit from special programmes;
- To organize and to keep record of granted facilities and benefits, as well as monitor implementation;

In the field of improving the legal framework:

- To elaborate or to approve draft regulations concerning the SME sector;

In the field of improving the institutional framework:

- To support, together with the other bodies of the central and local public administration and with non-government institutions, the establishment of the National Network of Small Business Development Centres;

In the field of improving the social dialogue:

- To cooperate with other central and local administration bodies, non-governmental organizations and business units, in order to establish a favourable framework for development of SME.

RDA submits annually to the Government a report on the development of the SME, which is subsequently published.²

Along with the restructuring and acceleration of the privatization process of the State companies, the development of new private companies has led to a reappraisal of the institutional framework. In September 1995, the Government decided to transfer

---

responsibility for coordination of development and support for SME to the National Agency for Privatization. ³

The SME Division constitutes a part of the organizational chart of the National Agency for Privatization (NAP), keeping the same mandate and staff.

Other government departments with small business development roles

*Council for Coordination, Strategy and Economic Reform (CCSER)*

The CCSER is part of the Government's operational body and has general responsibilities for designing the process and supporting the implementation of the economic reform in Romania. CCSER endorses all legal initiatives or programmes with macroeconomic impact before submission to government for approval. Hence, development strategies, including those related to small business development, are integrated into the general scheme of the Romanian reform.

To achieve this goal, the Council coordinates the activity of an inter-ministerial Committee which brings feedback from all government bodies involved in the reform process.

Within the operational body of the Government there is a Department for European Integration which coordinates all European Union assistance programmes and promotes Romania's integration into the European economic structures.

*Ministry of Labour and Social Protection*

The Ministry has established, as one of its major priorities, the development and implementation of policies and measures to reduce unemployment. The Ministry identifies small business development as an important tool for job creation and therefore develops programmes and allocates funds for that purpose.

It coordinates a financial scheme for supporting small businesses that hire unemployed people, based on Law no.1/1991 on social protection. These businesses have access to lower interest rate bank loans. The scheme uses funds from a special government reserve fund for unemployment (235 billion lei for 1995) and is operational through the Romanian Development Bank.

The Ministry also administers a component of the PHARE Employment and Social Development Programme, the Pro-Active Employment Measures (PAEM)⁴. The PAEM Programme focuses on supporting local capacity to generate active employment measures through the involvement and commitment of the local people.

---

⁴ PAEM is implemented by a non-government body, the FIMAN Foundation.
Part of these measures are directed towards supporting the development of private business to address to unemployment.

The Ministry initiated, together with the United Nations Development Programme (UNDP), a programme for unemployed women, including a component for supporting them to start their own business.

**Ministry of Finance**

The Ministry of Finance submits to the Government proposals related to the fiscal policy. The new Romanian accounting and taxation systems include specific requirements and incentives for SME.

The Ministry cooperated with RDA for the development and the implementation of financial schemes for SME support. For example, the Ministry and RDA initiated a financial aid programme for SME (approved by Government Decision 805/1994) for subsidized interest rate loans to entrepreneurs.

The Ministry is also involved in the final approval of the business projects that are candidates for the World Bank and EBRD credit lines available to agricultural or food processing businesses.

**Ministry of Industry**

The Ministry develops policies and programmes to support industrial restructuring and growth. In the field of small business development, it coordinates the ‘Restructuring and Regional Integrated Pilot Project for the Counties of Maramures, Hunedoara and Caras-Severin’ which is part of the PHARE Privatization and Restructuring Programme. The project aims to tackle issues such as industrial restructuring and economic reconversion on a regional basis.

**Ministry of Research and Technology**

The National Research and Development Programme includes the support of the private SME that develop R&D activities for encouraging innovation. As part of this programme, the Ministry supported the establishment of 21 Business Innovation Centres. The Centres provide premises, consulting services, access to research, equipment and financing to SME that use advanced technologies.

**Ministry of Youth and Sports**

The Ministry coordinates and supports financially the development of business training programmes for youth. Together with the Swiss FREE Foundation the Ministry has
set up a school for young managers. Another project initiated by the Ministry is the establishment of a national informational network that includes data on business opportunities.

**Local Administration**

The Romanian Constitution and Law 69/1991 state that the local authorities (regional/local councils and the mayoralties) have the authority to decide their involvement in the support of the local small business development. Several local councils and mayoralties have provided cash or in-kind contributions to the establishment of Small Business Development Centres (SBDCs) or Business Incubator Centres (BICs).

**The degree of coherence and cooperation between departments**

The institutional framework for small business development is coherently designed; CCSER develops an integrated macroeconomic and social framework while RDA and NAP act as a public administrator in the field of supporting small and medium enterprises (SME).

The Government Ordinance 25/1993 regarding the stimulation of SME specifies that the governmental institution responsible for small business development "collaborates with ministries, other public specialized bodies, central and local governmental organizations and economic agencies, with the purpose of creating a favourable framework for developing SME". To guarantee the coherence of central bodies' actions in the field of small business development, it has the authority to approve legal initiatives concerning SME.

RDA has had an important role in facilitating the dialogue between specialized institutions of the central public administration, international donors and non-governmental organizations (NGOs).

Among the main actions carried out by the Romanian Development Agency in favour of the private SME, it is worth mentioning:

- Cooperation with the ROM-UN Centre in order to set up 10 local development centres for the private SME;
- Logistic support provided to the CRIMM Foundation;
- Establishment of the Balkan Centre for Cooperation among SME; together with the Department for the Reform (of the Council for Coordination, Strategy and Economic Reform), RDA supports the activities of the Permanent Secretariat of the Centre;
Cooperation with the Ministry of Finance, National Commission for Statistics and Romanian Chamber for Commerce and Industry for the elaboration of measures for simplifying the commercial companies registration procedures;

Formulation and implementation of the Government Decree 805/1994 regarding the economic and financial facilities granted to the private SME;

Publication of periodicals for private SME, including participation in radio and TV broadcasts.

Although the mechanisms are well designed, the cooperation process has not been perfect. During the past two years there have been overlaps of programmes or activities initiated by different governmental institutions; these overlaps have caused waste of resources and delays in implementation; some legal provisions with impact on small business development have been promoted without RDA consultation.

The main reasons for these difficulties are:

- Ministries and other central institutions that RDA cooperates with have been in the process of establishing or restructuring their activity;
- Small business development is not their main responsibility;
- The SME Division within RDA is understaffed, its labour turnover has been relatively high due to low salaries and there is still need for personnel training and organizational development;
- Communication skills are still to be improved in Romania;
- The creation and the improvement of the institutional framework has developed in parallel with the change of mentalities and the increase of experience in the field of small business development.

To overcome these shortcomings and to ensure a better cooperation with other government bodies, RDA has established a network and partnership through:

- Consultation meetings with the specialized central institutions before designing new programmes or submitting to Government proposals for the improvement of the legal framework;
- Bilateral cooperation agreements signed with specialized bodies to support small business development;
- Informing the Council for Coordination, Strategy and Economic Reform and suggesting corrective solutions whenever main issues appear.

Current government economic and social policies and priorities

To implement the governance programme, the Romanian Government elaborated and published 'The Strategy for the Economic and Social Reform' in February 1993. The main priorities are:
• Macroeconomic stabilization through tight fiscal and monetary policies combined with measures for price liberalization and a prudent wage and income policy;
• Strengthening of the enterprise financial discipline, promoting competition, privatizing State-owned companies, SME sector development and the restructuring of the banking system;
• Restructuring of non-profitable companies;
• Development of external economic relations;
• Enhancing the system of social security;
• Reform of the public administration.

The main government activities during 1994 and the priorities for 1995 are presented in a report by the Department for European Integration, May 1995.

Specific references to SME development: Objectives and action plans of the ‘The Strategy for the Economic and Social Reform’

The Government considers that the establishment and development of private enterprises is crucial for the success of Romania’s transition to the market economy. The government programme states that: ‘On the extent to which the development of economic reform determines or not the growth and consolidation of the private sector finally depends the trend of all present processes in the Romanian society: toward transition or towards restoration’. It also mentions that: ‘The Government is aware of its responsibilities to channel its efforts and available resources in order to facilitate and support the private initiative’.

The main goals envisioned are:

• To achieve a significant increase in the number of the new private entrepreneurs and in the share of their activity within the national economy;
• To stimulate small- and medium-sized productive enterprises, in sectors with medium and high rates of development (with a dynamic domestic and foreign demand);
• To design and implement new State mechanisms and procedures to support small- and medium-sized enterprises both in their initial and development stages.

To attain these goals, the Government designed three main directions of action: financial; logistic-organizational and legislative-institutional.

Financial action through:

- Creating a functional and advantageous loan-guarantees system for SME;
- Improving the eligibility conditions for reductions or exemptions from the payment of the profit tax in accordance with the economic importance of the activity and own efforts to expand it;
- Including in annual public budgets a distinct line item stipulating the financial means allocated for 'Schemes of assistance in favour of SME';
- Credits under favourable financing conditions will be mainly directed towards start-ups, while loan guarantees will concern mainly enterprises in the development stage.

Logistic-organizational action through:

- Supporting the organization of consultant activities and managerial training for entrepreneurs;
- Eliminating discrimination between the public and the private sector; State companies should be encouraged to conclude contracts of supply with private enterprises; creation and development of leasing companies to facilitate the access of entrepreneurs to domestic or imported means of production or equipment should be supported;
- Allocating, in the context of national or local programmes, areas and production spaces under preferential conditions mainly to private entrepreneurs proposing viable development projects;
- Supporting the access of entrepreneurs to infrastructure facilities needed to start and carry out their activities; the State will get involved in the financial support of such projects;
- Supporting the creation of wholesale trade firms as an essential condition to assure the supply of SMEs operating in the field of goods production.

Legal and institutional action through:

- Improving the legal framework specific to SME;
- Making institutional framework for SME support more operational and functional;
- Establishing and administering an information system able to ensure efficient access of entrepreneurs to current economic data;
- Creating a national network of centres for counseling and training services.
Taking into account the scarcity of available resources, priorities have been established. One of these priorities refers to supporting primarily the companies that create jobs and contribute to the balance of payments equilibrium, in the areas of food-processing, suppliers for the state companies (especially for tractors and agricultural machine manufacturers), innovation / high technology and exporting.\(^6\)

**Industrial policy**

The Government included as an important part of its Strategy of Economic and Social Reform, the section on 'Restructuring of the National Production System'. The restructuring programme contains a special section on the industrial policy. It declares the main lines of industrial development as part of the 'Structural Adjustment Programme for Industry over 1993-1996'.

The goal of the Programme is to improve the structure of the industry (i.e. the share of each industrial branch and sub-branch in the total industrial output) by increasing the share of high value-added industries at the expense of those that add little value (base metallurgy, low-processing chemical industry). This is a precondition for higher returns (profitability) and a more efficient international exchange.

The main lines of the structural adjustment are:

- The rehabilitation of the sub-branches that are not profitable in financial and accounting terms, but could become efficient in the future;
- The development of sub-branches that produce items of added value for which there is export market;
- The revitalization and development of the food industry and of sub-branches of the light industry that were traditionally exporting;
- The assistance to and development of activities regarded as being of national interest;
- The modernization (acquisition of new technologies and new equipment) and growth of the specialized small scale chemical sector.

The Ministry of Industry is the main government institution charged with implementing the industrial development programme. In this respect it cooperates with other governmental organizations such as the Agency for Restructuring, NAP and the State Ownership Fund that deal with privatization of the state companies.

The Structural Adjustment Programme for Industry envisages mainly the state industrial sector, for the following reasons:

- The state sector still has a large coverage of the Romanian industry;
- The state industrial sector is a major issue of Romania's economy. Due to its wide structural imbalances, the horizontal integration, over-diversification of production and the lack of concordance between supply and demand patterns, it influences negatively the economy in general, and private sector development in particular;
- The small private business sector is relatively new. Until recently, entrepreneurs have focused mainly on commercial activities that required less start-up financing or premises. Some of the successful SME that started in retail and other commercial activities are now re-investing and expanding their activities to include production.

The Government is aware of the fact that, unless the above-mentioned difficulties are overcome, there will be no real chances for SME participation in the country’s industrial development.

The Romanian Government developed special support policies in order to increase the role of the SME in production and industrial service fields within the overall industrial development process. This took place in two main phases:

- The emergence phase, during which special tax incentives were granted to entrepreneurs that were starting up a manufacturing or industrial service activity. (For example, manufacturing start-ups were exempted from tax-on-profit for a period of five years and industrial services from one to three years);
- The development phase, which is the current phase, when the emphasis is put mainly on strengthening SME participation in the country’s industrial growth.

The role of SME in industrial development is perceived in two main directions: producing goods for domestic and foreign markets and acting as a dynamic supplier for large companies.

The Government Ordinance no. 25/1993 provides that: 'With the purpose to create new jobs and to promote production in areas such as industry, construction, tourism and services having added value, the state has to support the establishment and development of SME by granting special incentives'. The specific incentives envisioned for SME involvement in industrial development are:

- Lending and guarantee schemes;
- Allocation for the acquisition of production space, equipment and manufacturing technology;
- Preference systems for obtaining and using available assets, including assets made available by the state companies;
- Leasing schemes;
• Funding for industrial research and support to scientific research-development centres;
• Granting access to specialized technological information;
• Supporting subcontracting activities of SME in production and services;
• Granting non-discriminatory access of SME to public acquisitions as well as premises, raw materials, equipment, spare parts and services provided by state companies;
• Facilitating access to information on foreign markets for exporting SME and providing support for the organization and funding of specific promotion activities for exports.

Regional Development Policy

The ‘Strategy for Economic and Social Reform’ of the Governance Programme established the following priorities for the SME regional development:

• Identifying areas of expansion: areas will be identified, for which stimulative conditions will be created to foster the establishment of SME (for example in areas with unemployment problems);
• Conducting surveys to estimate the local economic potential in order to identify the necessary actions and priorities.

The RDA Strategy for small business development contains a list of programmes to be developed in order to support the economic restructuring of those regions which are strongly affected by the process of transition to a market economy. The main objectives are:

• To set up small business development Centres and Business Incubator Centres (BICs) with international support and the establishment of integrated national networks;
• To build an effective and standardized information system on vacant premises and building sites that could be taken over by the entrepreneurs;
• To facilitate entrepreneurs’ access to existing premises, building sites and equipment.

Romanian Constitution and Law 69/1991 grant significant powers to the local authorities in the field of local development. In a broader sense, local/regional councils decide in all matters related to the activity of the community.

In reality, there are some difficulties in implementing the regional policy. New and old laws still co-exist which introduce legislative uncertainty. Some of the laws drafted by the Government have not been discussed yet by the Parliament, which limits the

7 There is evidence that state firms and state agencies are not sufficiently aware of private SME.
authority of local bodies. Few data are available locally on unemployment statistics, SME registration and state financial programmes. This lack of information limits the possibility of local authorities to devise appropriate regional development strategies and policies.

Aware of the above-mentioned difficulties, the Romanian Government approved the '1995-1997 PHARE Programme for SME and Regional Development'. The Programme has four components:

- Support for regional policy analysis and development, and support to the Romanian Development Agency in SME policy;
- Information, training and advisory activities to raise awareness on SMEs role and improve development agents' skills for initiating local development activities and promoting pilot actions. The programme stipulates that local councils are responsible for all activities of the territorial and administrative unit in which they are elected, with the exception of those issues which are placed by the law under the jurisdiction of other public authorities;
- Establishment of Local Development Initiative Funds to strengthen existing and support new pilot actions and local initiatives;
- Establish and pilot new decentralized financial instruments for small business development.

Overall policy for SMEs

The Government strategy in this field was drafted by RDA. Upon approval by the Government in March 1994, it became the official government SME development strategy. It is a concrete and integrated programme, with activities clearly scheduled for three years, 1994-1996. The strategic priorities highlighted by the strategy are:

- Elaboration of the development policies for private SME sector and coordination of the national programmes for small business development;
- Consolidation of the necessary institutional framework;
- Development of a national institutional system to provide information, assistance and consultancy services to entrepreneurs;
- Establishment of an information system to support SME access to data;
- Provision of financial assistance for the private SME sector;
- Start-up of regional development programmes for SME support;
- Creation of a favourable climate for the private SME sector;
- Development of integrated programmes for human resources training;
- Supporting foreign trade activities and encouraging contracts and international associations between Romanian and foreign SME.

Specific activities are assigned to each objective:

- Setting the criteria and the methodology for selecting the SME that could benefit from specific facilities;
- Financial and logistic support for the institutional development of the ROM-UN Centre and of the CRIMM Foundation;
- Logistic support for other organizations involved in small business development;
- Organizing periodical meetings between government, NGOs and international donor representatives in order to coordinate programmes;
- Technical and financial assistance for establishment of new business centres;
- Elaboration of a system of common standards and operation procedures for the centres that will be part of the national network of small business development centres;
- Setting up the EURO-INFO Centre that will be connected to the EU’s EURO-INFO Centre;
- Establishment of an effective information system to allow entrepreneurs to identify available spaces within the state companies and support SME to access them;
- Creation of a revolving fund for entrepreneurs and of venture capital schemes for investments;
- Financial and logistical support for developing advertising campaigns.

During 1995, ‘The National Strategy for Preparing Romania’s Integration into the European Union’ was elaborated\(^9\). SME development represents an important part of the strategy and is perceived as a priority of Romania’s economic reform. The objectives of the strategy are:

- To create a stimulating small business development policy;
- To create an integrated system for information collection and dissemination; to develop and publish an annual report of SME sector’s development stage;
- To establish the national network of small business development centres;
- To promote Romanian SME internationally.

The process by which policy and strategic development goals are set

Since the SME representative organizations are immature, the Government involvement in supporting small business development was seen as mandatory. Therefore, in Romania, the policy for supporting SME sector is developed at the public institution level, through a bottom-up consultation process:

• The Romanian Government sets strategic development goals in its Governance Programme and other official documents. As mentioned before, small business development is considered a priority for the economic and social reform of the country and is addressed specifically in the Government’s macroeconomic strategy;
• As a basis for defining realistic and effective small business development goals, the Government uses the expertise and the experience of the public specialized institutions: the Council for Coordination, Strategy and Economic Reform and the Romanian Development Agency;
• In order to identify development needs, these bodies utilize information / analysis and recommendations provided by several sources such as other public institutions, small business development centres, non-government organizations, research centres, foreign experts and entrepreneurs themselves;
• RDA processes information and suggestions, assesses issues and needs and submits recommendations to the Council for Reform. CCSER analyses RDA’s proposals and integrates them into the overall framework of the Romanian reform;
• The Government decides on priorities and settles the directions for the state involvement in small business development. If legislative actions are necessary, the Cabinet submits law proposals to the Parliament;
• As soon as the general lines of SME development are adopted by the Government, RDA develops specific strategies to achieve the overall goals. Every three years RDA has to submit to Government a long-term strategy for small business development.

The implementation of small business development policy is accomplished at two different levels:

**The Parliament and Government level**

**The Parliament** creates the legal framework for SME development through issuing laws in the field of taxation, labour, contracting, exporting/importing, insurance, etc. Also the adopted SME Law is an important tool for small business development.

**The Cabinet** establishes the institutional framework for state involvement in SME support. The Government is empowered by the Constitution to set up specialized public institutions. Such institutions established for small business development were RDA, the Balkan Centre for SME, the Romanian Loan Guarantee Fund, UNDP/RDA Centre for Promoting SME, etc. The Cabinet is authorized to issue ordinances and ‘Government decisions’. Some examples are: Government Decision no. 805/1994 about loans with subsidized interest rates for SME, Government Decision no. 70/1994 tax on profit uniformity. The Cabinet provides subsidies for small business development centres that are part of the national network of small business development centres.

**Romanian Development Agency** designs, initiates and coordinates the implementation of different small business development programmes; selects local NGOs that will carry out government initiated programmes; administrates government subsidies for
the development of those programmes; provides information to those selected institutions; provides information to entrepreneurs through RDA Journal; and organizes/participates in national and international conferences and seminars to share information with Romanian business associations, entrepreneurs, other interested public and non-governmental institutions.

Non-governmental institutions level

The main institutions that participate in implementing government-initiated programmes are the following:

**Small Business Development Centres**  SBDCs created with local, international and/or RDA support were initially set up as business counselling centres. Being, in most countries, the only organizations dealing with small business development, they were selected by RDA to implement development programmes through:

- Assessing businesses that apply for financial support such as grants, lower interest rate loans, loan guarantees;
- Helping SME to prepare business plans or feasibility studies for these schemes;
- Organizing courses for management training programmes;
- Identifying SME for international business scholarships;
- Providing support for regional development programmes.

**Business Incubator Centres and Technology Incubator Centres**  BICs are involved with supporting start-ups through providing space, counselling and sometimes finance. TICs are implementing the programme for promoting SME innovation and high technology activities.

**Banks**  Private and State-owned banks have been selected by RDA and/or international donors to operate credit lines for SME or to administrate the funds provided by the government for different financial schemes in support of SME.

**Intermediary financial institutions**  The Romanian Loan Guarantee Fund and the Rural Credit Guarantee Fund implement programmes for assisting SME access to bank loans by providing guarantees for those businesses that have good projects, but lack collateral.

There are many other non-government organizations (such as Chambers of Commerce, business associations, private counselling companies) that do not implement government programmes but still contribute to small business development through their activity.
The process of reporting on policy

The institutions / organizations that carry out government programmes provide RDA with information on results achieved. RDA presents annual reports to Government. These reports are published and made available to the public and international donors.

Based on RDA's data, the Government informs the Parliament, when required, about accomplishments and issues.

Given the early stage of programme implementation and the lack of a structured and standardized reporting system, the data collected is still fragmented and incomplete. A new PHARE programme is beginning in 1996 which aims to define a monitoring and evaluation model which will assist the future development of the network of small business development centres.

Another important source for assessing policy impact is the analysis of statistical data on SME growth.

Information on the health of the SME population

Presently there are three main sources to obtain data on Romanian SME:
- The Statistical Register (REGIS) of the National Commission for Statistics,
- The Commercial Register of the Romanian Chamber of Commerce and Industry;
- The database of the Ministry of Finance.

These sources are used in reports on the SME sector produced by NGOs such as CRIMM, ROM-UN Centre and CBE.

Statistical data  The Statistical Register offers information on the number of existing companies, their distribution per judet and field of activity, the number of employees and the company turnover. The statistical register collects its data from the balance sheets submitted by companies to the Ministry of Finance.

The Statistical register is developed by the National Commission for Statistics. This commission issues a monthly statistical bulletin that includes among others, data related to the SME evolution.

The Commercial Register is the main information source on SME evolution, because all newly created enterprises have to register here before starting operations. It offers information on the number and distribution of companies, on the dynamic of their emergence but it cannot offer a real image of companies that are actually operational. (The register holds track of all registered companies, operational or not.)

The Commercial Register is kept by the Chamber of Commerce.
The database of the Ministry of Finance is based on companies’ financial statements.

The SME policy-makers examine primarily the operational statistical data relevant to SME dynamics (published monthly by the National Commission for Statistics) such as retail sales, the value of services provided to the population, exports, unemployment and firm registration dynamics. Special attention is paid to the evolution of interest rates, inflation rates and the level of taxes.

**Surveys** Analysis and surveys have been undertaken by non-government institutions. The most comprehensive report on SME development in Romania was elaborated and published by the CRIMM Foundation under PHARE assistance as an annual report.10

This Annual Report on SME sector, published in late 1994, presents a broad image of SME development in Romania, utilizing information from both the Statistical and the Commerce Registers and from the Ministry of Finance database. At the same time the report presents the results of a survey undertaken by the Foundation in 1994, on a representative sample of SME. Data on the number of employees, the companies turnover, companies dynamic and SME regional distribution are made available some for the first time in Romania. The information is structured on enterprise size-classes (micro, small, medium and large) and field of activity (industry, construction, trade and other sectors). The results of the survey allowed the estimation of some important indicators such as: value added, labour productivity, volume of procurements and investments. Additional information refers to financing sources, regional distribution and multi-product firms.

The White Book on SME, another study issued by CRIMM Foundation in 1995, updates the information from the Annual Report. It contains information on size-distribution of SME by field of activity (number of SME, number of employees, sales, fixed assets and fixed investments) and financial and economic indicators (production costs/1000 lei sales, share of wage expenses/total costs, fixed assets/employee, fixed investment/employee) etc.

**The needs of SMEs perceived by policy makers**

SME needs, as perceived by policy makers, are stated in the official documents presented above. Since the process of small business policy development development is mainly a bottom-up one, the needs have been identified first in order to design political actions.

---

Some of the major difficulties that have to be overcome include:

- The insufficient premises and equipment available to SME;
- Lack of capital resources on accessible terms and conditions;
- Lack of business information on domestic and foreign markets;
- Bureaucratic administrative framework;
- Unclear, complicated, incomplete legal framework;
- Incipient support infrastructure providing insufficient advice, information, training and other services to SME;
- Unfair competition from the state sector.

These needs have been identified using different surveys, analysis and reports carried out by some Romanian NGOs.

The vision of long-term sustainability

The most efficient policy to support the SME sector is to assure a favourable environment for economic development, in general, both from an institutional point of view and a legislative one, and to assure the coherence of the economic policy. Many organizations, both governmental and non-governmental, contribute to policy development, by suggesting solutions and by creating an important lobby force.

The non-governmental organizations will represent an important element to support SME development, while strongly assisted in the future.

Four elements are critical for the future sustainability of SME development in Romania:

- Government commitment and its concrete, coherent actions in the field of small business development;
- Consistent institutional framework to support the SME sector;
- Enabling legal framework;
- Involvement of the banking system in assisting SME through financial incentives.

Most of these elements are already in place or are in the process of improvement in Romania:

- There is a clear Government political statement in this line;
- A long- and medium-term strategy has been developed;
- the institutional framework is developing, including government and non-government bodies;
• The entire legal framework is improving, and it includes special provisions for SME support;
• The banking system restructuring has been launched;
• Several SME programmes are implemented by newly established support institutions with good results for existing SMEs.

These first achievements represent proof of Romania’s commitment for building a sustainable SME support in the long run. This process is only one part of the overall economic, political and social reform effort involved by the transition. In order to ensure an effective and sustainable assistance infrastructure, the Government has to find solutions to problems generated by the following aspects:

• The need for changes in mentality and attitudes, including those of bureaucracies responsible for change and development in the SME sector, and in economic behaviour;
• The need to provide development agents and government personnel with further training, technical assistance, and transfer of know-how in areas such as organizational and policy development, management methods and techniques, institutional communication, programme monitoring and evaluation, information systems, etc.;
• The high costs of implementing and continually adapting an effective SME support system.

An important role in this process may be played by the international aid assistance which is able to support and foster the national effort in this respect.
REGULATORY POLICY

The transformation that has occurred in Romania in the last five years has required many changes in the legal system. These changes have been accomplished by the adoption of new laws and regulations. The fundamental legal basis of the centrally planned economy has been replaced by a framework of laws specific to the market economy.

The legal framework necessary for the functioning of the market economy has, in large part, been accomplished.

The legal framework required attention to the following: 11

- Definition of a system of property rights (real property, tangible and intangible personal property, commercial and intellectual property);
- Establishment of a system for the exchange of property rights;
- Establishment of a system for the creation of companies and bankruptcy;
- Establishment of legal regulation of the competitive system.

In 1990, regulations necessary for a system of market economy were either not in place or not observed. Since 1990, the three cabinets which have governed Romania have emphasized the need for radical legal changes to effect the transition to the market economy in their legislative programmes:

- The government recognizes the need for the transfer of property from the public to the private sector. To this end regulations were adopted for the privatization of the state land, 12 transfer of State-owned housing 13 to private ownership and privatization of State-owned commercial companies, 14 and the adoption of modern laws for the protection of commercial and intellectual property. 15

---


13 Law Decree no. 61/1990 regarding the sale of the state housing to the public, Law no. 85/1992 regarding the sale of the housing and premises financed out of state funds or economic agents funds.

14 Law no. 58/1991 regarding the privatization of the commercial companies and Law no. 55/1995 regarding the acceleration of privatization.

15 In that period the Parliament has adopted Law no. 64/1991 regarding inventions and Law no. 129/1992 providing for design and industrial models protection. The copyright Law remain still a concern for the legislative; At present this field is regulated by the provisions of the Decree no. 321/1965 regarding copyright. Trade marks are regulated by Law no. 28/1967.
• Revitalization of laws regulating civil and commercial contracts. These laws existed during the socialist period but were not observed or enforced;
• Regulation for the entry of entrepreneurs into the market system was a legislative priority, and was adopted in 1990.16 The bankruptcy laws which dated from 1864 were replaced in June 1995 by the provision of the Law 64, a modern bankruptcy procedure with provision for reorganization as well as liquidation of insolvent companies;
• A skeleton framework of legal regulation of competition was adopted in 1990-1991.17 A complete system of regulation of the market place was proposed by the Government and sent to the Parliament for adoption in June 1994.

The Romanian Constitution adopted in November 1991 provided in articles 134-135 the basic principles for the functioning of a market economy. Commercial liberty and the protection of property (public and private) was assured.

The process of developing the legal framework for the market economy is , in large part, complete: Regulation of the banking system has occurred on two levels, public finance and a capital market (securities exchange). A legal framework for private enterprise was created including liberalization of price controls and foreign trade, introduction of a new accounting system and simplification of fiscal legislation.19

---


17 Regulations regarding competition protection are included in Law no.15/1990 providing for the reorganization of State-owned companies into regies autonomous and commercial companies (art. 36-40) and Law against unfair competition no.11/1991.


Priorities in the regulatory environment

The present Cabinet instituted a vast programme of legislation to implement the Strategy of the Government, which includes:20

• Adaptation of the Laws necessary to implement the Government’s Programme;
• Creation of new legal mechanisms and institutions through new draft laws or ordinances;
• Implementation of the adopted laws by issuance of government decisions.

By these means the following goals will be accomplished:

• A legal framework for accelerating reform;
• Correlation of the legal enactment of 1990-1992 with the Constitution and the elimination of any inconsistencies;
• Simplification of the legislative system;
• Harmonization of the Romanian legislation with that of the European Union - *acquis communautaire* - in accordance with the provisions of the Agreement between Romania and EU, ‘The Strategy of preparation of the countries of Central and Eastern Europe for entry into the EU’ and recommendations of the White Paper issued by the Council of Europe at Essen in December 1994.

One important component of the process of legal reform is the creation of specific regulations for small- and medium-sized enterprises

Stimulation of the development of private SME has been an important objective of the Government since 1990. Fiscal incentives for the development of SME were designed, taking into account the scarcity of domestic capital. In 1992 The Romanian Loan Guarantee Fund was created to assist in the provision of credit to private enterprises.21 Other institutional structures have been created to direct foreign assistance to support SME and NGOs of the business community.

---


21 Formation of Romanian Guarantee Fund is stipulated by Gov. Doc. no. 463/1992 providing for creation of Romanian Guarantee Fund for private entrepreneurs and support of privatization through buying assets.
Legal enactment from 1990 to 1992 allowed creation of SME and in August 1993 the Government adopted Ordinance no. 25/1993 on the stimulation of SME specifically to support SME development. Under this Ordinance Government Decision no.805/1994 regarding the financial assistance to SME and Government Decision no. 216/1995 providing for the reorganization of the Romanian Development Agency were issued. In 1994, the Government modified the Law no 1/1991 to create a system of financing for SME which provided jobs for unemployed persons.

This chapter contains three parts. The first part presents the official statements and modifications made with respect to enterprises in general, and the specific issues relating to problems of SME. The second part reflects the dialogue between Public Central Administration and representative structures of the SME sector to improve the legal framework. The third part provides a summary of the legal problems facing SME and the priorities for their solution as contained in the main studies regarding SME legal framework.

Official statements and actions towards modifying the legal system

Legislative programme of the Government


During 1995 the Government envisaged legal enactment and decisions to assure actions in the following areas:

- Acceleration of privatization of the State-owned companies;
- Improvement of the commercial legal framework;
- Provision of a framework for development of a capital market (domestic and foreign);
- Improvement of the financial and banking system.

---

22 The Ordinance was approved by Law no.83/1994 regarding approval of some Government Ordinances issued on the basis of Law no. 58/1993 regarding Government ability to issue Ordinances and authorization of contracting and guaranteeing of foreign credits and of contracting state loans.

23 Through Law no. 57/1994 referring to modification and completion of Law no. 1/1991 regarding social protection of unemployed and their professional reintegration.

24 There is an intention to improve the implementation of the regulations referring to the evidence of indebtedness (bill of exchange, promissory note, cheque, credit card).
• Development of a system for determining the status of State-owned property and its possible transfer to the private sector;
• Regulation regarding the status of entities in the public sector (regies autonomouş),25
• Establish a system of reparations for the private properties nationalized by the State;
• Establish regulations for leasing of properties;
• Modification of the legislation regarding free trade zones;
• Acceleration of the implementation of the Land Law no. 18/1991;
• Implementation of a system of incentives for import of technology and export of the goods produced thereby;26
• Expansion of consumer protection regulation;27
• Improvement of social protection legislation28.

**Principal considerations regarding modification of the legal system concerning enterprises**

The main modifications until now and the changes anticipated in 1995-1996 are presented below.

---

25 It is intended to reduce the number and restructure the existing regulations and to introduce new management schemes based on commercial principles simultaneously with the continuation of a moderate financial assistance from the State.

26 Stimulate the utilization of modern techniques of contracting in foreign trade and incentives for import of know-how and high technology; financial assistance for the producers who export.

27 Harmonization of internal legislation with European and international standards regarding certification of the conditions under which goods are produced and distributed.

28 Government decisions to regulate absorption programmes for the unemployed.
(a) Fiscal legislation

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romanian Constitution provided that taxes for the State Budget or for Social Security shall be imposed only by Law (art. 138, 1).</td>
<td>Modernization of the tax system including:</td>
</tr>
<tr>
<td>Principal categories of taxes are:</td>
<td>• Introduction of an individual income tax in 1997; this will replace the taxes on separate sources of income and will eliminate instances of non-taxation such as interest income;</td>
</tr>
<tr>
<td>• Tax on profit: Government Ordinance 70/1994;</td>
<td>• As the new regulations are implemented, adjustments will be made to the profit tax and the value-added tax when necessary;</td>
</tr>
<tr>
<td>• Tax on dividends: Government Ordinance 26/1995;</td>
<td>• Ministry of Finance proposes a draft law to create a unified tax code which will provide for tax reporting, auditing and settlement of claims.</td>
</tr>
<tr>
<td>• Excise tax: Law no. 42/1993 with modifications added by Law 22/1994;</td>
<td>• These regulations made fiscal procedures simpler.</td>
</tr>
<tr>
<td>• Duty taxes: Government Ordinance 26/1993;</td>
<td></td>
</tr>
<tr>
<td>• Local taxes: Law no. 27/1994.</td>
<td></td>
</tr>
</tbody>
</table>

- 25 -
(b) Legal status of property

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The legal status of property is based on:</td>
<td>Continuation of the privatization process, provisions of regulations for the implementation of Law no. 55/1995;</td>
</tr>
<tr>
<td>- The provisions of articles 41 and 135 of the Romanian Constitution (adopted in 1992);</td>
<td>- Regulation of the private and public domain for the clarification of ownership and sustaining the private property initiative;</td>
</tr>
<tr>
<td>- The Civil Code;</td>
<td>- Improvement of the legislative framework applicable to foreign investment (by assuring proper treatment of investments in different activities and by simplification of the treatment of the in-kind capital contributions of tools and technological equipment);</td>
</tr>
<tr>
<td>- Law no. 15/1990 regarding the transformation of State-owned companies into regies autonomoi and commercial companies;</td>
<td>- Providing a unified system of regulation for leasing all categories of goods from the State, local authorities and public services;</td>
</tr>
<tr>
<td>- Company Law no. 31/1990;</td>
<td>- Harmonization of internal legislation with the norms of the EU regarding protection of industrial intellectual property.</td>
</tr>
<tr>
<td>- Legal Decree 61/1990 providing for the State-owned housing,</td>
<td></td>
</tr>
<tr>
<td>- Legal Decree 85/1992 providing for the sale of other State-owned buildings;</td>
<td></td>
</tr>
<tr>
<td>- Land Law no. 18/1991;</td>
<td></td>
</tr>
<tr>
<td>- Law no. 35/1991 regarding foreign investments;</td>
<td></td>
</tr>
<tr>
<td>- Law no. 58/1991 regarding private commercial companies;</td>
<td></td>
</tr>
<tr>
<td>- Law no. 55/1995 providing for accelerated privatization.²⁹</td>
<td></td>
</tr>
</tbody>
</table>

Modifications of the Civil Code and the Penal Code were made to assure equal protection under the law for private or public property.

---

²⁹ In conformity with article 72, paragraph 3, letter k in the Constitution, the legal system of the property is regulated by organic laws.
(c) Registration and operation of commercial companies

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The legislation regarding commercial companies:</td>
<td>Simplification of procedures for company formation and registration with jurisdiction over commercial companies being in a single Court;</td>
</tr>
<tr>
<td>- Law no. 31/1990 (with later modification);</td>
<td>- Establishing a distinct legal framework for creation of subsidiaries;</td>
</tr>
<tr>
<td>- Law no. 26/1990 providing for a Register of Commercial Companies;</td>
<td>- Clarification of legal processes for division of companies;</td>
</tr>
<tr>
<td>- Bankruptcy Law no. 64/1995 providing a procedure for reorganization and liquidation;</td>
<td>- Correlation of the Company Law with the Law of Civil Procedures and the Law of Commercial Register;</td>
</tr>
<tr>
<td>- Law no. 35/1991 providing for foreign investments (with later modification);</td>
<td>- Harmonization of the Company Law with the provisions of the Directives of the Council of the EU (first Directive referring to a unified system to assure the interests of owners, creditors and third parties and second Directive referring to the formation or modification of capital).</td>
</tr>
<tr>
<td>- Law no. 31/1990 providing for establishment, operation, liquidation, modification of social capital, management, administration and control of companies;</td>
<td></td>
</tr>
<tr>
<td>- Law no. 26/1990 provides for the entry of the companies in the Register; Bankruptcy Law 64/1995 addressing the treatment of creditors in the case of insolvency.</td>
<td></td>
</tr>
</tbody>
</table>

Company Laws provide:

- Regulations on provision of information to creditors or third parties through publication in Official Monitor or declaration in Commercial Register;
- Institution of a legal control over the company activity and modifications of activity;
- Requirements of financial auditing.
(d) Labour legislation and social security

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creation of the legal framework necessary for the functioning of the Labour Market:</td>
<td></td>
</tr>
<tr>
<td>• Law 3/1991 modified the Labour Code to encourage labour mobility by allowing reductions of the work force;</td>
<td>• The Ministry of Labour and Social Protection will propose a draft Law for regulation of the individual labour contract;</td>
</tr>
<tr>
<td>• Regulations allowing labour unions and collective bargaining;</td>
<td>• The Government has already presented to parliament a draft law on working conditions;</td>
</tr>
<tr>
<td>• Salaries and pensions are indexed to inflation;</td>
<td>• Ministry of Labour and Social Protection is in the process of drafting a new Law on Social Security and Pensions;</td>
</tr>
<tr>
<td>• Law no. 1/1991 providing social protection for the unemployed and job retraining and allowing the use of part of the unemployment fund to provide loans at reduced interest rate to SME which hire unemployed persons to fill more than 50% of job openings.</td>
<td>• Ministry of Labour and Social Protection will follow the scheme to provide loans with reduced interest to SME which hire unemployed persons.</td>
</tr>
</tbody>
</table>
(e) Contract law

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Civil Code and the Commercial Code provide the general regulations for contract formation, modification, termination and assignment. No other laws have reference to contract matters. The Commercial Code regulates all contracts formed since 1886. In conformity with the principle of freedom of contract contained in art. 5 and art. 969 and following the Civil Code, legal persons and individuals may form contracts as long as they are not contrary to the public interest or morality.</td>
<td>- Recently the Civil Code was modified by Law no. 105/1992 regarding the regulation of the international private law;</td>
</tr>
<tr>
<td>- Recently the Civil Code was modified by Law no. 105/1992 regarding the regulation of the international private law;</td>
<td>- Modification of the Civil Code and the Code of Civil Procedures;</td>
</tr>
<tr>
<td>- The Commercial Code was modified through Company Law 31/1990 and Bankruptcy Law 12/1995;</td>
<td>- Regulation of factoring contract.</td>
</tr>
</tbody>
</table>

(f) Business insurance

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Law no. 47/1991 regulates the formation, organization and operation of commercial companies in the area of insurance.</td>
<td>Draft Laws have been sent to Parliament regarding insurance and reinsurance.</td>
</tr>
</tbody>
</table>
### (g) Consumer protection

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>The legal framework of consumer protection is established by Government Ordinance no. 21/1992.</td>
<td>Harmonization of internal legislation with EU standards.</td>
</tr>
</tbody>
</table>

### (h) Foreign trade

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities for foreign trade have increased since 1990. In 1995, 45% of the foreign trade was carried out by the private sector. Export activities were stimulated by the creation of regulation through Government Ordinance no. 13/1992 providing favourable credit for foreign trade. A moderate system of duties was adopted through Government Ordinance 26/1993. Through Government Ordinance no. 26/1993 regarding import duty tariff, a moderate duty system was adopted. Government Ordinance no. 25/1993 providing for support to SME, stipulates in art. 16-17 for the encouragement of exports through: • Facilitating access to information about external markets and foreign trade; • Organizing and supporting promotion activities; • Financial assistance for SME with export activities.</td>
<td>The creation of a legal framework and economic and financial incentives to stimulate exports and develop domestic substitutes for imported goods. To ensure the facilities provided in Government Ordinance 25/1993, the Government will support the establishment of specialized organizations.</td>
</tr>
</tbody>
</table>

---

30 The Ordinance was approved and modified by Law no. 11/1994.
(i) Accounting

<table>
<thead>
<tr>
<th>Accomplished</th>
<th>Anticipated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law no. 15/1994 provided for depreciation of fixed capital (tangible and intangible assets).</td>
<td>Criteria will be established for the precise definition of a SME to allow implementation of the simplified accounting system.</td>
</tr>
</tbody>
</table>

**Assurance of a Specific Legal Framework for SME**

To stimulate SME development, Ordinance no. 25/1993 and Government Decision no. 805/1994 providing for financial economic incentives for SME were adopted.31

(a) Fiscal legislation

SME receive special beneficial treatment in the areas of profit tax and the collection of value added tax.

- Government Ordinance 70/1994 provides for a different level of profit tax on small and large tax payers.32 SME (as those defined in Romanian Law) fall into the category of the small tax payers. To stimulate the capitalization process, the tax on reinvested profit is reduced by 50% in the case of small tax payers. For large tax payers, the tax base and the value of the fixed assets are adjusted according to the

---

31 Government Ordinance 25

32 Small tax payers are considered: the economic agents which are legal persons; have an annual turnover up to 10 billion lei (for a 12 month period which is closed on 30 November of the previous fiscal year; number of permanent employees less than 299 persons at the beginning of the fiscal year, and have the above-mentioned criteria observed in all the years since the establishment.

The Ordinance established only one level of taxation (38%) except for the tax payers which realize at least 80% of their income from agriculture (level of taxation is 25%). The Ordinance provides an additional quote of 22% for the economic agents authorized to obtain incomes from practising gambling. Although the Ordinance has been enacted on 1 January, all the legal persons registered at the Register of Commerce before that date have continued to benefit from the tax exemptions provided by the previous regulations until the end of the exemption period with the condition to continue to operate and realize incomes for a period equal to the exemption period. The Ordinance provides for the same fiscal treatment of domestic or foreign entrepreneurs.
rate of inflation. This system which requires very difficult accounting techniques is optional for small tax payers which have a simpler alternative method for calculation of taxes;

- Government Ordinance no. 3/1992 provides an exemption from the value-added tax for self employed persons and businesses with annual sales less than 50 million lei.

(b) Legal status of property

There are no special provisions regarding SME.

(c) Registration and operation of commercial companies

By simplifying the procedures of formation and registration of commercial companies, conditions are created for increasing the number of economic agents, particularly SME. The elimination of ambiguities between the Company Law, the Law of Civil Procedures and the Company Registration Law will have a similar effect.

(d) Labour Legislation and Social Security

SME do not benefit from special treatment in the regulation of labour or labour protection.

The social policy (for the reduction of unemployment) and the economic policy (for the growth of the SME sector) have been correlated. Law no. 1/1991 regarding social protection for the unemployed and job retraining envisaged the possibility of using a part of the unemployment fund to provide loans at reduced interest to SME which assured new jobs for the unemployed. Through Ordinance no. 2/1994, the Government approved the transfer of a sum of 100 billion lei for the ‘Unemployment Fund’ to the commercial banks selected by the Ministry of Labour and Social Protection to implement the financing scheme. Later, the sum was increased to 235 billion lei.

The conditions for receiving loans from the fund have been established by the Ministry of Labour and Social Protection. Beneficiaries of the loans must hire a minimum of 50% of their employees from the ranks of the unemployed and must be in the business of production. Businesses located in the areas of the country with high unemployment received priority in obtaining loans. The interest rate is reduced by 50% from the bank rate set quarterly.

(e) Contract Law

There are no special provisions for the SME.
(f) Business insurance
There are no special provisions for the SME.

(g) Consumer protection
There are no special provisions for the SME.

(h) Foreign trade
Government Ordinance no. 25/1993 providing for supporting SME, stipulates in article 16-17 for the encouragement of exports through:

- Facilitating access to information about external markets and foreign trade;
- Organizing and supporting promotion activities;
- Financial assistance for SME with export activities.

(i) Accounting
Regarding accounting, there are less requirements on SME in the area of presentation, publication and auditing of financial statements:

- In accordance with art. 5, paragraph 2, of the Accounting Law 82/1991, the Ministry of Finance establishes the categories of legal persons who can use simple bookkeeping and furnish a balance sheet. This category includes mainly the self-employed;
- The new Romanian accounting system treats large firms and SME differently. For the large firms there is a classic system of accounting. For SME there is a simplified system. The two systems (especially concerning the Plan of Accounts and the financial statements) are not yet operational, because regulators have not yet defined the difference between large firms and SME;
- starting with 1994, the audit of accounts for a firm with annual sales greater than 500 million lei must be performed by a certified accountant.

SME advocacy and communication with small business

While to date there is no formal institutional framework, the communication process between the Public Administration and the representative structures of the SME sector exists. The public authorities are interested to know the views of and to support the representative structures of the SME sector, in order to improve the legal framework for business.

33 In 1992 during the project stage of the new accounting system the regulators tried to define the thresholds for SME based on three criteria:
- Balance sheet: Lei 300 million;
- Turnover: Lei 600 million;
- Average number of employees: 100 persons.

The proposals of the regulators have not been validated in the final form of the accounting regulation since the inflation-adjusting mechanisms of the total assets and turnover had not been regulated by that time.
At the non-governmental institution level, within the ‘Romanian Centre for Small and Medium Enterprises’ the ‘Office of Advocacy’ was established, which operated in the period April 1994 - April 1995. Its main role was to lobby for the interests of the entrepreneurs’ associations in order to improve the legal framework. The Office of Advocacy was established with financial assistance from the PHARE Programme. The conclusions of the activities developed by the Office are presented in the White Book for Small and Medium Enterprises.

It is considered that the impact of such an organization could be largely improved if established beside the central authority with responsibilities in the SME sector. In conformity with the PHARE Programme for SME and Local Development (1995-1997), the Romanian Government has decided to establish an expert organization for legal problems, the Office of Advocacy, which will facilitate the contacts with entrepreneurial associations.

Public administration uses the input of the business community’s representatives in the process of elaboration of the actions to support SME. To identify the legal problems facing SME, SME Division uses the recommendations of experts, entrepreneurs’ associations, technical organizations and Chambers of Commerce and Industry. Based on these recommendations, priorities to improve the legislative framework are established.

SME Division endeavours to consolidate its role of supporting SME through the improvement of its staff’s economic and legal expertise and through foreign consultants’ assistance. SME Division uses the results of the studies and research by non-governmental organizations in the area of small business. The lack of staff specialized in legislative problems (determined by low salaries) and the scarce information about the regulations on SME in other countries decreases the efficacy of actions by the SME Division.

The main actions undertaken by SME Division in the legislative area concern the elaboration of the draft Ordinance 25/1993 regarding SME development (considered the reference Law for the SME sector) and the elaboration of a draft legal act providing for the financial facilities given to SME adopted by the Government through Decision no. 805/1994.

In order to facilitate the process of regional cooperation between entrepreneurs, small business development centres and business community organizations, the RDA initiated draft regulations regarding:

- The creation of a Balkan Centre for Small Business Cooperation (Government Decision no. 237/1993) with a permanent Secretariat operating within the RDA (Government Decision no. 216/1995, article 7);

Among the institutions with which SME Division closely collaborated, the Office of Advocacy of CRIMM Foundation and the International Centre of Entrepreneurial Studies was mentioned.
A regional project to support SMEs in Central and Eastern Europe and the Community of Independent States. ROM-UN Centre manages the project. The project is financed by UNDP and the Romanian Government. Establishment of a national network of Small Business Development Centres is one of the main priorities.

RDA has already established contacts with 30 entrepreneurs' or professional associations. The communication process includes:

- Participation of RDA representatives in the seminars, conferences and workshops organized by the associations of entrepreneurs;

- Communication with the chambers of commerce and industry, as representatives of the business community, to collect information about the difficulties facing SME in coping with the legal requirements;

- Analysis of the written recommendations prepared by the entrepreneurs' associations containing proposals to change the legal framework (especially those referring to fiscal legislation, procedures of establishment of commercial companies or modification of the articles of association, procedures which regulate the access to land and premises).

According to the Financial Memorandum between the Romanian Government and PHARE, providing for SME and Local Development (1995-1997), the Romanian Government has decided to establish a Council for Entrepreneurship to work with RDA in legal improvements for small business development. However, no action has been taken yet.

**Major problems with regulations**

The following studies contain a comprehensive approach of the impact of legislation upon SME:

- Two articles published by the International Centre of Entrepreneurial Studies;
- Barriers facing entrepreneurs in Romania; quarterly bulletin, 8-9, vol. VI, 1995;
- White Book on SME prepared by the Office of Advocacy of the CRIMM Foundation, August 1995;

35 At the initiative of four Small Business Development Centres (SBDCs) and with the support of RDA a National Conference was organized on development of the network between centres for counselling and small business development during 6-7 July 1995. Representatives of 30 SBDCs participated in the Conference and underlined the necessity to create a network among them.
• ROM-UN Centre Survey on difficulties faced by SME when registering the company.

The articles published by the International Centre of Entrepreneurial Studies entitled 'Barriers facing entrepreneurs in Romania' presents the difficulties facing entrepreneurs with respect to the legislative framework, the institutional framework, financial and banking relations, etc. Regarding the legal framework, the study concludes the necessity of improving it, especially through a better orientation of the support policies established by the Government Ordinance no. 25/1993: start-up policy for start-up of small-sized enterprises and policies for development of medium-sized enterprises. The study recognizes that most of the difficulties result from an extremely bureaucratic way of implementing the legislation.

The article titled 'Recommendations to ameliorate the legal framework and procedures for SME' presents some proposals:

• Improvement of the provisions of the Ordinance 25/1993 regarding the criteria for enterprises to be classified as small or medium size;
• Legal recognition of the principle of equal treatment for public or private companies;
• Reduction of bureaucracy and special provisions to reduce the discretionary power of the public servant (to be stipulated in the Law of Public Servant);
• Changes in the company legislation in order to simplify the registration procedures;
• New legal enactments such as competition law, bankruptcy law and simplification of the procedure regarding land sale;
• Facilitate the access of SME to the State assets.

Other recommendations envisage the improvement of the institutional framework and creation of new financial schemes to support SME, facilitating the access to loans through favourable treatment.

The 'White Book on SME' addresses the legal framework for these entities and the related problems and discusses the solutions to those problems. It is too recent to be able to gauge the response of ministers to it.

The difficulties are summarized hereafter.

The regulatory effort so far generated a strong framework of laws and procedures, with most of the legal institutions necessary for the operation of SME defined and operational. Nevertheless, there still exist laws and other regulations in force that generate difficulties to the development of the private SME sector. The legal and procedural difficulties to the development of the private SME sector tend to be mostly connected to regulation enforcement.

The legal and procedural difficulties may be systematically presented as follows: The legal system in force is not a homogeneous one, with contradictions between regulations adopted within different historical periods, governed by different
constitutional regimes. One can remark on the coexistence of regulations generated by three legal systems of different constitutional regimes:

- The pre-1948 law system when important laws for operating SMEs were adopted that are still in force such as the Civil Code, Commercial Code, Law on the consignment contract, Law on the letter of exchange and promissory note, Law on the cheque. These regulations that were modern when adopted are partially obsolete today, due to the economic and social dynamism;

- The legal system specific to the proletariat dictatorship period, of which regulations relevant for SME are still in force, such as the Labour Code, Family Code, regulations on the running of liberal professions and handicraftsmen, regulations on the Notary Public and the Bar Association activities. Some of these regulations were partially abrogated or altered. Despite the adjustment efforts, the regulations of the communist dictatorship period are not appropriate to the principles of the free market economy and democratic society.

- The post-1989 law system, which lacks the coherence of a system consolidated and adjusted by a long-lasting legal practice.

The law system in force shows certain mismatches between the stipulations of various regulations, and also between the stipulations of the laws and ordinances on one hand and the regulations issued for their enforcement on the other hand.

The new legal system was developed under the pressure of the economic and social requirements of reform and without much experience concerning the legal framework of a democratic society and free market economy. The institutional mechanisms needed to harmonize legal provisions have not become operational yet. This fact generated mismatches both within the new system and with the elements in force from the previous systems. For example, there are presently such mismatches between the provisions of the Labour Code and of the Decree 31/1954 on legal persons. As for the contradictions between stipulations of certain laws and the regulations issued for their enforcement, it is worth mentioning that they are caused by the lack of clarity in the text of the law, which entails interpretations and arbitrary enforcement.

The legal and procedural framework tends to be relatively unstable. Between December 1989 and April 1995 many alterations have been made to the legal and procedural framework relevant for SME. After 1993, the dominant concern became the improvement of law enforcement and, consequently, the number of regulations initiated by the Government or the bodies of central public administration has grown substantially. The number of regulations which refer, directly or indirectly, to the

---

36 The Legislative Council provided in the Constitution is not operational yet.
running of SME increased three-fold, between 1994 and 1995 as against the 1990-1993 period.37

The regulations have been designed based upon different legal systems and have different structures and ways of presentation. By and large, the regulations adopted or issued in the post-1989 period do not rely on a uniform drafting technique. Different sources were used: the Romanian pre-war legislation (e.g. the case of Law 31/1990 on commercial companies) and the West-European legislation (e.g. the case of fiscal legislation on VAT or profit tax). Some regulations are divided into parts and some others into chapters. Moreover, the drawing out tends not to observe strictly the accepted rules regarding the structure of the regulation as a whole or on articles. A inappropriate drawing out generates ambiguity in the interpretation of the provisions in certain regulations. The difficulties in drafting are generated by the sometimes excessive pace of issuing new regulations, but also by the lack of legal personnel at the central administration level. The logistic shortcomings have a negative impact on the enforcement of laws and the other regulations.

As far as enforcement of the regulations is concerned, certain difficulties arise due to the small number of judges and employees with legal training, and also to the inappropriate infrastructure (small buildings, insufficient data-processing systems). In short, the legal framework for the development of SME can be described as follows:

- The regulatory effort carried on so far has generated a solid legal and procedural framework with most of the legal institutions necessary for the operation of the SME, having been defined and operational;
- The legal and procedural issues have mainly a general character and do not refer specifically to the private SME sector;
- The specific problems of the private sector SME are caused mainly by the bureaucratic ways of enforcing the regulations.

The major difficulties in the operation of private SMEs, identified by central authorities upon discussions with entrepreneurs and non-governmental organizations are:38

- Imperfections of the SME Law;
- Lack of information about the legal framework and the administrative procedures;
- Insufficient incentives regulated by legal enactments to stimulate the establishment and the development of SME.

The main priorities to improve the legal framework for SME development are:

- Simplification of the registration procedures for SME;
- Harmonization of the Romanian legislation with that of the European Union.

37 In conformity with the Legislative Index, an operational tool developed by the Office of Advocacy of CRIMM Foundation, the regulatory velocity for the private small firms was, on average, 38 new enactments per year compared with only 12 new enactments per year in the 1991-1992 period.
As to simplification of registration procedures, RDA, the Ministry of Finance, the National Commission of Statistics and Chambers of Commerce and Industry will implement a simplified system for the registration of new companies. The objectives are:

- To establish a system which provides for integration of the payment of taxes, registration of companies and filing of statistics;
- To develop a pilot programme regarding the attribution of fiscal codes in Sector 2 of Bucharest;
- To determine from the authorities of the respective judet the possibility of incorporating all of the reporting requirements at a single location by the end of 1995;
- Through Law no. 36/1995 and Law no. 51/1995 the services of notary publics and lawyers are provided for in a single place;
- To implement the suggestions of the study by the Centre for the Promotion of SME (ROM-UN Centre) to determine the problems of company registration and the solutions thereto.

It is anticipated that through the adoption of these measures it will be possible to create a central location for all company registrations at the seat of the National Office of the Commercial Register in Bucharest by the end of 1995. This will reduce the time necessary to register a company from 30-40 days (at present) to 10 days.

With regard to harmonization of the domestic legislation with that of the European Union, in line with the provisions of the Agreement of Association between Romania and the EU, 'The Strategy of preparation of the countries of Central and Eastern Europe for admission to EU' adopted by the Council of Europe at Essen in December 1994, the Government of Romania will adopt legislation in conformity with the European Union.

The 'White Paper - Preparation of the associated countries of Central and Eastern Europe for integration into the common market of Europe' identifies these measures by priority for the present and the future. The legal framework for SME refers to company law, fiscal law, civil code, labour and social protection, property law, industrial and intellectual property and consumer protection.

The document 'The Strategy of preparation and adherence of Romania to the European Union' was adopted in June 1995 by the Government, the parties represented in Parliament, the President, the Romanian Academy and other structures of the civil society. Sectoral programmes including measures for legislative harmonization will be established taking this Document into account.
SPECIFIC SUPPORT POLICIES FOR SME DEVELOPMENT AND THEIR RATIONALE

This chapter presents the main assistance programmes designed to implement the SME support policies. Tables of programme details are structured according to their goals and source of financing in the Annexes. Since SME definition is crucial to their eligibility, the chapter starts with some considerations on this issue.

SME Definition

Romanian legislation does not provide unitary criteria for the delineation of private SME.

The concept of enterprise is a pragmatic one, with few legal interpretations. Therefore current legislation does not include a specific definition or regulations for enterprises in general. The legal instruments needed for the enterprise operation, as an economic reality, are associated with the concepts of trader (undertaking) and/or commercial companies.

In order to allow for a system of benefits and facilities for the private SME sector, the Government Ordinance 25/1993 includes a certain delineation of this sector. The Ordinance defines small and medium enterprises based on two criteria, the number of employees and annual turnover.

- Number of employees: 0 to 25 employees for a small enterprise; 26 to 200 employees for a medium enterprise;
- Annual turnover: 20 million to 2 billion lei for both types of enterprises.

Besides the criteria stipulated by the Government Ordinance 25/1993, Romanian legislation provides separate treatments for SME regarding the taxation and accounting to be applied. In the taxation sector, special provisions for SME are stipulated with regard to the profit tax and value-added tax.

The Government Ordinance 70/1994 regarding the tax on profit classifies taxpayers in groups of ‘large’ and ‘small’. SME are included in the ‘small’ taxpayers category. The criteria for delineating the small taxpayers are the turnover and the number of employees:

- Annual turnover: up to 10 billion lei;
- Number of employees: up to 299 persons at the beginning of the fiscal year.
The Government Ordinance 3/1992 on value-added tax stipulates tax exemption for natural or legal persons with an annual turnover up to Lei 50 million.

The new Romanian accounting system addresses large companies and SMEs in a different way. In 1992, during the project stage of the new accounting system, the legislators tried to define the thresholds for SME based on three criteria:

- Total of balance sheet: Lei 300 million;
- Turnover: Lei 600 million;
- Average number of employees: 100 persons.

The proposals of the legislators have not been validated in the final form of accounting regulations. This is due to the fact that inflation-adjusting mechanisms of the balance sheet and turnover had not been regulated at that time.

In order to audit the balance sheets of commercial companies in the 1994 tax declaration period, only the companies with a turnover higher than 500 million Lei were to submit the accounting records for fiscal check-up.

Specific Policies and Programmes focused upon SME

Several programmes were designed to address the SME needs. The major objectives envisaged were to: (1) increase entrepreneurs’ access to finance; (2) support entrepreneurs’ access to premises; and (3) improve sector image and internationalization of Romanian SMEs.

(1) Increase entrepreneur’s access to finance

Finance has been recognized as the main constraint to SME sector development. Before 1989 the incomes from secondary employment were illegal and wages from primary employment were too small to enable considerable savings. After 1990, inflation restricted private savings growth. This contributed to insufficient private capital from domestic resources for the start-up of businesses. Banks lacked experienced and trained personnel to analyze and assess loan applications. Consequently, they were very hesitant in providing credit to new and small private companies. To overcome these difficulties and to support SME access to funding, special finance schemes have been developed.

Grants (Annex I)

A conditional grant scheme has been developed by CRIMM Foundation under the PHARE 1992 ‘Programme for SME Development in Romania’. The scheme provides
financial facilities in the form of grants made available to private SME for the purchase of assets.

SMEs have to submit their business and financial plans to the local small business development centres that have been designated by CRIMM. Upon project assessment, the centres recommend the viable business plans to CRIMM. In the ‘Committee for Grant Allocation’, a decision is made on SME projects to be selected. The Committee is comprised of appointees from CRIMM, representatives from banks, the Romanian Development Agency and the Romanian Loan Guarantee Fund. Every six months, the centre that submitted the business and financial plan approved by the Committee, has to visit the company that received the grant. This is done in order to check if the business has respected the legal provisions of the grant and to check performance against their projected business and financial plans.

Lending

The main issue faced by entrepreneurs in accessing bank loans was the banks' reluctance to provide credits to newly created SMEs. One of the reasons for this attitude, apart from the difficulty in assessing SME repayment capability, was the banks' low capitalization. Thus, the Government decided to develop lending schemes by providing banks with funding specifically for loans to SME. On the other hand, the range of loan interest rates was also an obstacle in SME access to credit. Consequently, the Government initiated a lending scheme which promoted subsidized loan interest rates for specific types of SME.

Credit lines extended by international organizations

The World Bank and EBRD extended to Romania credit lines for supporting projects perceived critical to the economic reform by both the Romanian Government and international banks. One of the priorities was the development of the private sector, including private SME. The following programmes were developed:

World Bank: Industrial Development Project (Annex II) The credit lines were opened in July 1995 through five banks: Romanian Foreign Trade Bank, Romanian Bank for Development, ‘Ion Tiriac’ Bank, Chemical Bank and Societe Generale. Lending procedures are different according to the scope of loan: for investment projects the credits are provided for a time period of 3-17 years, with 1-5 years grace and for exporting the period is up to 12 months.

World Bank: Private Farmers and Enterprises Support Project (Annex III) Although designed to cover mainly the agricultural sector, the project also supported food-processing SMEs, one of the most important fields in which SME have developed in Romania. The credit line has been operated through the Romanian Development Bank and The Agricultural Bank.
EBRD Credit Line for Romanian Exporters (Annex IV)  This credit line has been extended directly to the Romanian Development Bank.

National Bank of Romania: Credit Line for Export Financing (Annex V)  The credit line has been opened through the following banks: Romanian Commercial Bank, Eximbank of Romania, Romanian Development Bank, Romanian Bank for Foreign Trade, ‘Ion Tiriac’ Bank, Agricultural Bank and Franco-Romanian Bank.

EBRD Credit Line Extended Directly to BANKCOOP (Annex VI)

Bonus interest rate lending schemes

Financial aid programme for granting bonus interest credits to entrepreneurs (Annex VII)  Together with the Ministry of Finance, Romanian Development Agency (RDA) initiated a financial scheme approved by Government Decision 805/1994 on financial facilities granted to SME. RDA was appointed to administer a 3 billion lei fund allocated by the state to the Programme. RDA selected, by tender, three Romanian banks (Romanian Development Bank, Ion Tiriac’ Bank and Mindbank) to operate the credit lines.

The business plans are assessed by local small business development centres and then submitted to one of the three mentioned banks and, if additional collateral is needed, to the Romanian Loan Guarantee Fund (RLGF). The banks send their loan approval to the Financing Committee (comprised of representatives from RDA, RLGF and the Central Association of Craft Cooperatives) who makes the final decision and sends the application back to the bank.

Financial scheme providing bonus interest rate loans for SME that support job development (Annex VIII)  On Government initiative, the Parliament amended Law no.1/1991 concerning the protection of unemployed and professional re-integration. One of the most important improvements was the allocation of a total amount of 235 billion lei from a special Government reserve fund for unemployment to be used for bonus interest rate loans to support small businesses that hire unemployed people. The Ministry of Labour and Social Protection coordinates this financial scheme that is operational through the Romanian Development Bank.

Special finance schemes (venture capital)

Romanian-American Enterprise Fund’s SME Investment Programme (Annex IX)  The Romanian-American Enterprise Fund (RAEF) is an investment fund established by the American Government to support the development of the private sector in Romania. The funds are provided by USAID. RAEF became operational in 1995.
Special finance schemes (loan guarantees)

Long- and medium-term loans for manufacturing and industrial service start-ups or expansion have been extremely limited during the first years of the transition in Romania. Entrepreneurs' demands were on the other hand large. The main obstacle inhibiting their access to these kinds of credit was the lack of collateral which, no matter how good the project was, restrained the banks from granting the necessary financing.

To support SMEs access to such loans, the Government decided to share the banks' risk for SME investment projects that have the potential to produce added value; export; replace imported products; generate hard currency for the country; improve infrastructure; and assist privatization through the purchase of state assets by SME.

Programme for providing Loan Guarantees to private SME (Annex X) The scheme was set up in 1992 as a pilot project in Central and Eastern Europe, with assistance from the Canadian and Austrian Governments. The Canadian Federal Business Development Bank provided assistance for the establishment of an intermediary financial institution (RLGF) designed to run the Programme. RLGF was set up as a stock company whose main shareholder is the National Agency for Privatization. The other shareholders are four Romanian major banks (Romanian Bank for Foreign Trade, Romanian Development Bank, Romanian Commercial Bank and Agricultural Bank).

The RLGF is capitalized with 5.065 billion lei of which 5 billion were committed by the National Agency for Privatization and the balance from the 4 banks listed above. The Fund operates on a cost recovery basis.

PHARE Loan guarantee programme for agriculture sector development (Annex XI) Although it is directed specifically to the agriculture sector we include this project in this presentation because it also supports SME involved in food production or related services.

The scheme was developed under the major and recently promoted form of PHARE assistance - investment and financial instruments, by initiating the establishment of a Rural Credit Guarantee Fund. The Rural Fund was set up as a stock company whose shareholders are the Ministry of Agriculture and four Romanian banks, the Agricultural Bank, Romanian Commercial Bank, Romanian Development Bank and BANKCOOP.

Special fiscal tax incentives

Between 1990-1994, during the initial phase of the private SME sector, special tax incentives were granted to entrepreneurs that were starting a company in order to support the establishment of a large number of SME.
Tax on profit Law 12/1990 granted exemption periods depending on the activity of the newly established company:

- Manufacturing and construction start-ups: 5 years;
- Natural resources exploitation, transportation: 3 years;
- Services: 1 year;
- Retail/whole sales activities: 6 months.

This facilitated the creation of over 600,000 new small private companies until 1995, though it has been estimated from Ministry of Finance statistics that 200,000 of them are not operating.

Presently, during the development phase a non-discriminatory tax treatment is in force for all companies. Ordinance 70/1994 that established a uniform tax rate of 38% for all enterprises allows all companies registered before 1995 to benefit from the above-mentioned exemptions until the expiration of settled periods.

Although aiming at creating a neutral tax system, the Ordinance 70/1994 still introduces facilities for the ‘small’ taxpayers in order to support the process of capital accumulation. For example small taxpayers are provided with a 50% reduction of the tax corresponding to the profit invested.

(2) Support entrepreneurs' access to premises

*Incubators (special premises or workshops)*

Entrepreneurs' access to appropriate space/premises was and still is a major issue identified and addressed by the Government. Especially manufacturing SMEs face a shortage of available industrial premises. Such premises are generally owned by state companies that either do not sell/rent them or request unreasonable prices. Thus, the Government and the international donor organizations initiated programmes which could overcome these obstacles. One solution adopted was the establishment of Business Incubator Centres (BICs).

**PHARE Programme to develop a network of pilot BICs (Annex XII)** The pilot BICs network is a component of the PHARE SME Development Programme in Romania. It started in 1994 and established four pilot BICs in different Romanian *judets*. The BICs are designed as associations of local/regional interested organizations/companies (at least 21 complying with legal provisions). CRIMM Foundation is running the project and is an associate member in each pilot BIC.

**Innovation support schemes for SME**

*Technology Incubator Centres Programme (Annex XIII)* The Romanian Ministry of Research and Technology initiated the set up and development of Technology Innovation Centres as part of pilot projects for R&D. The Centres provide facilities
Special training programmes

Since 1990, training for SME has been an ongoing preoccupation of government, non-governmental and international programmes. Considering the fundamental changes of the economic system, legal framework and business environment, the entrepreneurs needed to build on special skills and knowledge in order to adapt to the new market rules. Several training programmes were developed, of which the most important are:

Training programmes for SME organized by the Romanian Institute for Management (Annex XIV) The Romanian Institute for Management (IROMA), a public non-profit institution, organizes training programmes for managers of large or small Romanian companies. This institution runs a special Programme to assist state firms to spin off private, new venture SME and is supported by Durham University Business School (United Kingdom). IROMA benefits from foreign assistance in organizing its training programmes from UNDP, Know How Fund (KHF), PHARE, BIT-Geneva, BIRD-IDE.

Training programmes organized by CIMP Foundation for SME (Annex XV) The Centre for the Improvement of Management Performance (CIMP), an independent foundation established by KHF together with RDA, the Ministry of Industry, Herdfordshire University and the 'Politechnica' University in Bucharest, is organizing training programmes for all types of companies, some of them being specifically directed to small business development.

Programme of Entrepreneurial Development in Romania (Annex XVI) The Programme was run between 1992-1993 by the International Centre for Entrepreneurial Studies (ICES), a Romanian non-governmental professional association. The Programme was supported by CIPE Washington DC, an American organization affiliated to the American Chamber of Commerce.

Pro-Active Employment Measures Programme (Annex XVII) The Pro-Active Employment Measures Programme (PAEM) is a component of the 'Employment and Social Development Programme' initiated by PHARE and the Romanian Government for a period of three years, 1994-1996. PAEM is implemented at the national level by a Romanian non-governmental body, the FIMAN Foundation and at the local level by a local consortium (community representatives), the agent for local development (a person/company hired by PAEM to monitor the programme) and local implementation units (any local organization that could run a PAEM project). The PAEM Programme focuses on supporting local capacity to generate active employment measures through the involvement and commitment of the local people. Part of these measures are directed towards supporting the development of the private enterprise as an option to unemployment.
Enterprise Promotion Programme (Annex XVIII) The Programme, a joint undertaking between the Romanian and the German Governments, was developed by the Romanian Ministry of Labour, the Romanian and the German Ministries of Interior, in early 1992. The German Government is mainly financing the project. Three local foundations were set up in Sibiu, Arad and Timisoara and designated to carry out the programmes. GOPA Consultants of Germany was assigned to assist the project implementation. The project has two main components, namely vocational training and small enterprise development. The programme's approach to small business support is an integrated system of training, counselling and financial assistance. SMEs financing is provided by a revolving fund established in 1993 through a donation of the German Government.

Young Managers School (Annex XIX) The project is part of the Ministry of Youth Programme 'On-going Education' which was designed in order to equip young people with the necessary skills to find and successfully perform a job. The Young Managers School component was initiated by the Ministry with the support of the Swiss Foundation FREE, the Western I.Q. Foundation and two student organizations, AIESEC and BEST.

Entrepreneurs International Training Advisor (EITA) Romania Programme (Annex XX) The United States Agency for International Development (USAID) has implemented the EITA Programme in Romania since 1992. The project is administrated by Partners of International Education and Training (PIET), a USAID contractor.

The Master of Business Administration Programme (Annex XXI) The Programme was created as a result of the cooperation between the University of Quebec and Montreal and the Academy of Economic Studies in Bucharest. The curricula emphasize the development of management, marketing and finance. It is available for selected university graduates in cycles of 60 students.

The Executive Master of Business Administration (EMBA) (Annex XXII) This Programme started in September 1993. The Programme is the result of cooperation between the Washington State University in Seattle and the Academy of Economic Studies in Bucharest and has been partially funded by USAID. The EMBA Programme emphasizes the development of general management skills through an approach combining theory and practical application. It is available for selected university graduates and begins each autumn with a week in residence and continues with one full day of classes each week on alternating Fridays and Saturdays throughout the academic year.

The Post Graduation School for Academic Studies (INDE) (Annex XXIII) As a cooperation between the Academy of Economic Studies in Bucharest and the National Institute for Economical Development in Paris, France, this programme started in 1991 and is included in the National Conservatory for Arts and Vocations in Paris. Focused on modern management techniques and practical experience in French companies, this two-year programme is available for selected university graduates.
Special counselling/consulting schemes

Counselling for SME is one of the most important assistance areas in Romania. Together with finance schemes, counselling programmes have been developed by national or international organizations since 1990. The Romanian Government and RDA included in their small business development strategy the establishment of a national network of Small Business Development Centres (SBDC). The network concept was developed in order to:

- Create a standardized, visible institutional framework for small business development programmes;
- Allow information/experience exchange among centres;
- Set-up quality standards and promote consulting activities in Romania;
- Avoid waste of resources.

The network is viewed as integrating already established centres (or centres to be created in the future) that meet special quality standards into a collaborative frame, without a central coordinator. RDA is supposed to support the centres or implement programmes, but the centres are totally independent. The existing centres are Romanian independent foundations or part of Romanian organizations (such as chambers of commerce or universities) and have been created with central, local and international assistance.

The process of establishing the national network is not completed yet. There have been some initiatives to create smaller networks of centres set-up under the same international Programme (e.g. the RADLAR the network for dialogue and exchange of experience between SBDCs and BICs organized with PHARE support; FAIR Foundations of SBDCs assisted by UNDP).

RDA is trying to put together these initiatives in order to develop the national SBDC network. RDA organized a ‘National Conference of SBDCs’ during which representatives of local centres and international organizations discussed the implementation of the network concept.

Although in general they have similar structures and operations, the consulting programmes could be distinguished by the international organization that assisted their development.

ROM-UN Programme for SME Promotion (Annex XXIV) The Programme set up by United Nations Development Programme and the Romanian Government is the first counselling scheme for SME in Romania. It was designed in 1991 and became operational in 1992 when the ROM/UN Centre was established under the United Nations and RDA support. Since 1994, the Programme has also received assistance from the Dutch Government and today KHF is also supporting a consultancy for the restructuring programme developed by the Centre.
Aside from its counselling activity, the Centre supports, together with RDA, the establishment of local SBDCs, providing seed-funding and training for the personnel. Also, a consultant from ROM/UN Centre provides four months of assistance to help the local centres start-up. The SBDCs have to become self-sustaining in the future.

The Regional Project for Private SME Support in Central and Eastern Europe and CIS (Annex XXV) The project is the first regional cooperation programme involving Romania and UNDP and represents the follow-up of the national programme. Benefiting from the Romanian experience, this programme aims at multiplying and disseminating the results of SME assistance in Albania, Moldova and Kazakstan.

PHARE Programme for SME Support (Annex XXVI) The ‘Network of SBDCs and SME Counsellors’ is another project of the 1992 PHARE Programme: ‘SME Development in Romania’ run by the CRIMM Foundation. The project is aimed at supporting the development of a network of regional consulting centres which will have the role of a local small business development catalyst. Five centres (SBDCs) were created as Romanian Foundations, CRIMM being one of the founding members together with local organizations.

The Programme assisted the centres’ development financially (seed-money and equipment) and through technical assistance provided by national and international experts. The SBDCs have to become self-sustaining in the future.

USAID/ Washington State University Small Business Development Programme (Annex XXVII) Started in 1992, the USAID Programme for Management Training and Enterprise Development was implemented in Romania by specialists from Washington State University and the University of Washington. The Programme was developed through Romanian universities covering two main areas, namely training and curriculum development for faculty members, and small business counselling through SBDCs. The SME counselling part of the Programme was so successful that it developed into a separate programme.

The Programme set up four SBDCs: the Centre for Business Excellence with the Polytechnic University of Bucharest, the small business development centre of the Academy for Economic Studies of Bucharest, the small business development centre with the Craiova University and a small business development centre with the Chamber of Commerce and the University of Timisoara. The centres’ consultants are university professors who were trained in the United States of America and became part-time advisors for SME. The Bucharest Centre for Business Excellence (CBE) also provides training of trainers/counsellors for other business centres in Romania.

Know-How Fund (KHF) Programme for SME Development (Annex XXVIII) KHF assisted the small business development through the establishment of a Business Support Centre in Tirgu-Mures and a similar foundation in Cluj to support a management counselling and training centre there.
The Ministry of Industry, under the auspices of PHARE Privatization and Enterprise Restructuring 1992 Programme, launched a special programme to facilitate productive employment creation in both large companies to be privatized and SMEs. The selected regions are Maramures, Hunedoara and Caras-Severin where high social costs are expected as a result of the industrial restructuring.

One of the major goals of the project was to set up a Business Advisory Centre in each of the mentioned regions. Consorzio Progetto Lazio provided technical assistance for the development of the project. The Centres started their activity in January 1994, working together with the foreign consultant to provide business counselling services to local companies.

Advice schemes

Business Entrepreneur Programme (Annex XXX) The Business Entrepreneur Programme is sponsored by the Citizens Democracy Corps a private American non-profit organization that receives its funding from USAID and from American corporations, foundations and other private sources. The Programme started in Romania in 1991. It utilizes the resources of volunteer American senior-level business managers.

The American and the Romanian programme managers run the project by identifying the assistance needs of the domestic companies and by providing the appropriate American business advisor.

Multiple Service Business Programme (Annex XXXI) The Programme is sponsored by the International Executive Corps, a private US non-profit organization that receives its funding from US private businesses and from USAID. The Romanian Programme contains three main components: Management Assistance (MA), Business Development Services (BDS); and Marketing on the US Market (MUS).

Small Business Development Programme (Annex XXXII) The Programme is sponsored by the US Peace Corps, Romanian Government and local communities. It started in 1993 when a Memorandum of Agreement was signed between Peace Corps Romania and RDA for a period of 6 years. Thirty-four Peace Corps small business development volunteers were assigned to Small Business Development Centres and Chambers of Commerce in order to provide technical assistance to Romanian counterparts and to private SME.

Information Schemes

Business Assistance Sources Catalogue (Annex XXXIII) The Catalogue is an outcome of the ‘Good Morning Romania’ Programme funded by USAID. The Programme started in 1993 and comprised two phases: a promotional one (that is
described under the Special Promotion Activities section) and the second phase focused on creating a comprehensive reference source of information on SME support institutions and programmes.

Business Information Centre (Annex XXXIV) The Business Information Centre (BINC) is part of the Romanian Chamber of Commerce. It has established a large data-base with domestic and international business information. The domestic information is collected through a communication network system among the local chambers of commerce in Romania.

Communication Network on Business Opportunities in Romania and in the European Union (Annex XXXV) The Romanian Chamber of Commerce and Industry of the Private Entrepreneurs together with the Bureau de Rapprochement des Entreprises (BRE) initiated a Programme to support business contacts between Romanian SME and EU companies. The CRIMM Foundation provided part of the funds for the project development.

INFOTIN Programme (Annex XXXVI) The Ministry of Youth initiated a programme for teenagers support in 25 judets of the country. The Programme aims at creating an information network which could provide youth with relevant data for their personal future development. A component of the programme is a data-base on business opportunities for young people.

(3) Improve sector image and internationalization of Romanian SMEs

Special promotion activities

Image building and promotion in favour of SME (Annex XXXVII) The project is part of the 1992 PHARE Programme: ‘SME Development in Romania’ run by the CRIMM Foundation. Together with international experts, the CRIMM Foundation staff has developed and is presently implementing a promotion and information campaign which aims to create a favourable atmosphere for SME development in Romania.

Romanian Development Agency Journal (Annex XXXVIII) In June 1994, RDA started publishing the RDA Journal, a promotional magazine meant to reflect major achievements in the developing SME sector. The journal is issued in 5,000 copies, every two months. Entrepreneurs and business support institutions are invited to promote their activities, free of charge. The journals are distributed, free of charge, to business centres, chambers of commerce, other governmental or non-governmental institutions and to entrepreneurs.

The Balkan Centre for SME Cooperation (Annex XXXIX) This Programme was initiated in 1992, when the Agreement for Establishing the Balkan Centre for SME
Cooperation was signed in Varna, by governmental small business development bodies from Romania, Turkey, Greece, Bulgaria and Albania.

The document stipulates the establishment of the Balkan Centre as a non-profit international organization with a Secretariat in Bucharest and two branches in Salonic and Istanbul. Other countries are allowed to become members on request.

In 1993, a Government Decision was issued by the Romanian Government to grant the funds necessary for the Secretariat's organization and operations.

'Good Morning Romania' Campaign (Annex XL)  
The 'Good Morning Romania' Campaign is the first phase of a Programme funded by the USAID that started in 1993. The Programme was completed in 1994.

Resources and powers of regional and local authorities

Local authorities are legally entitled to design and carry out regional development programmes. However, presently the local authorities face a lot of problems mostly because of the altered condition of the infrastructure and the poor local resources.

The local budgets are provided from the central budget and they cannot cover all the needs of the community. The taxes which can be collected by the local authorities are restricted to a few activities and the amounts are low. Thus, the local limited budgets are mainly used for urgent needs such as infrastructure improvement and restructuring. A 'local budget' law is expected to be discussed by the Parliament soon.

Ordinance 25 allows the local authorities to provide financial support to SME development. It states that funds from local budgets could be used to subsidize business development centres' activities or other SME support programmes. Unfortunately, the insufficient financial resources and other urgent priorities do not allow local authorities to contribute in a significant way to small business development. Political commitment may also vary from region to region.

Local authorities supported small business development mainly through in kind contributions such as premises, furniture, equipment for the business development centres, access to conference rooms, phones/fax and accommodation for foreign consultants (e.g. Peace Corps Volunteers).

The local authorities' involvement also consisted of designing programmes and bringing together the local institutions that could support each project (banks, chambers of commerce, local offices of labour, etc.) and encouraging them to sustain the SME sector. They also included private sector representatives in international trade missions.
Good examples of support provided by local authorities can be seen, especially relations to business centres and PAEM programmes. The small business development centre established with UNDP and PHARE assistance received considerable support from local authorities. Also PAEM could not be implemented without a sustained effort from the local authorities.

Policy focus on specific stages of SME development

The small business development policies' emphasis is on the growth stage of SME development. Most of the programmes have been oriented towards this type of support. Yet, all development stages were envisioned and respective programmes designed (as described above).

Policies on start-ups:
- Fiscal incentives (tax-on-profit facilities);
- Facilitating access to premises (BICs);
- Facilitating access to equipment (grants, leasing scheme);
- Favourable lending (subsidized interest rate loans);
- Facilitating access to training and counselling (the schemes assisted by UNDP, PHARE, USAID, KHF, the PAEM Programme, the Pilot Regional Restructuring Project, 'Good Morning Romania' Campaign).

Policies on survival and growth:
- Facilitating access to finance (credit lines, guarantee schemes, grants and specific lending schemes);
- Providing access to information (databases on business opportunities, trade fairs, suppliers, foreign investors);
- Facilitating access to counselling and training;
- Internationalization, promotion and export support.

Training and Innovation Centres (TICs) and export promotion (lending schemes for exporting) were also envisaged but not specifically for small businesses, although they included SME as an important target group.
Part II of the UNIDO report provides information on key institutions involved in small business development in Romania and general forms of assistance provided. Information divided according to the type of programmes was also made available, namely specifying the institutions having programmes for start ups and survival; those with programmes for growth and business development; those with programmes for export and the institutions providing assistance for SMEs involved in innovation. These matrices were not included in the report as similar comparable information was not available from other countries participating in the UNIDO research project.

Major variations by region

Development of a regional support structure for SME in Romania is still in its early stages and therefore, no clearly defined regional variations have yet emerged. The process of computing relevant local statistical indicators is not yet perfected and the data presently available is incomplete and insufficient to allow proper identification of regional variations and implementation of necessary support.

The Romanian Government has recognized that SME development has an important role to play in regional development, particularly in those areas where the process of transition to a market economy will have a high impact on employment and social stability. The 1995-1997 'Programme for SME and Regional Development' supported by PHARE will assist this process.

The employment support programmes that include SME development projects are the main projects with a regional orientation. They focus on regions where the unemployment rate is higher than the national average one. In this context, the following could be mentioned:

- Pro-Active Employment Measures (PAEM), a three-year PHARE supported programme implemented by FIMAN Foundation, whose core aim is to support those SME that create new jobs for unemployed persons;

- Ministry of Labour and Social Protection bonus interest rate lending scheme that is available through the Romanian Development Bank only, targeted for SME providing new jobs for unemployed persons;
• PHARE Pilot Integrated Regional Restructuring Project, that has to cope with the social and economic consequences of the restructuring process in the judets of Maramures, Caras-Severin and Hunedoara.

Focused regional development is also occurring as a result of the establishment of the pilot Business Incubator Centres (the programme supported by the CRIMM Foundation under PHARE financing) in four judets: Timis, Braila, Harghita and Sibiu.

The emergence of the business consultancy centres has geographically followed the pattern of business development in the country as a whole. The centres are more concentrated in areas of high economic activity and with a stronger commitment of local authorities to small business development. Up to now, no major differences could be seen in the implementation of the programme at the regional level.

A special example is the Bucharest area which has the largest number and the strongest SBDCs in the country (ROM-UN Centre, CRIMM Foundation, Centre for Business Excellence, CIMP Foundation) and the headquarters of the most important small business development programmes and most of the institutions that provide technical and financial assistance.

The key SME associations

The extent to which entrepreneurs themselves are participating in the SME development through organized associations of business owners is extremely limited. This is not surprising, considering the relative infancy of the private business sector in Romania and the need for the emerging private businesses to concentrate their efforts on the struggle to create and sustain viable private enterprise.

Nevertheless, some business associations have a larger representation and play increasingly a role in the life of the business community. Some examples could be mentioned.

*The National Council of the Romanian Private Small and Medium Enterprises (NCRPSME)*

NCRPSME is a non-governmental, non-profit, non-political, independent organization that represents its members' interests at the national level.

Its main objectives are:
• To protect and promote members' interests at the national level;
• To improve the legal and institutional framework which deals with small business development;
To develop commercial, financial and managerial relationships between private SMEs;

- To strengthen local branch activity;
- To facilitate its members' access to counselling, training and information services (free of charge or on low fees);
- To promote its members' interests in international negotiations;

To date, the Council has 30,000 members (private companies or individuals) from all Romania județs. NCRPSME signed a cooperation memorandum with 16 domestic non-governmental organizations and with 15 similar foreign organizations.

Activities carried out by the Council:

- Providing information on business opportunities (based on the Council data-base, INFOBUSINESS);
- Co-founder of the 'Businessman Mutual Fund';
- Organizing seminars and national conferences such as the first National Colloquium 'Innovations, Quality, Technology - the basis of Romania's future development';
- Publishing 'The Observer', the Council’s newspaper;
- Supporting establishment of BICs;
- Organizing trade missions for its members in countries such as France, Hungary, Israel and Italy. The council is involved in the economic cooperation activities of the countries bordering the Black Sea;
- Organizing exhibitions and trade fairs at the județs level;
- Lobbying for its members' interests at the national level;
- Offering, free of charge, legal and financial advice to its members.

**National Union of Romanian Employers (NURE)**

NURE is a non-governmental, non-profit, non-political, independent organization that represents its members' interests at the national level.

Its main objectives are:

- To represent, protect and promote members' interests in front of the central authorities and unions;
- To improve the business environment through the promotion of the necessary changes in the legal and institutional framework;
- To develop business ethics and good business practice of its members;
- To facilitate its members' access to counselling, training and information services;
- To promote its members' interests in international relationships.

To date the Union has 52 local federations, 8 professional associations and 234,000 associate members (private companies or individuals).
Activities carried out by the Union:

- Providing information to its members on business opportunities (based on the Union data-base);
- Organizing training programmes for the Union members;
- Publishing the Union’s newspaper;
- Lobbying for its members’ interests at the national level, trying to improve legal provisions, especially related to the taxation system;
- Organizing together with the Tripartite Secretariat for Social Dialogue (comprised of Government, owners and unions representatives) the Romanian Employers Forum;
- Promoting the establishment of a coordination council for Romanian employers’ representation.

General Union of Romanian Manufacturers (GURM)

GURM is a non-governmental, non-profit, non-political, independent professional association whose aim is the protection of the manufacturers’ interest.

Its main objectives are:

- To raise public interest and Government and Parliament awareness on the needs and goals of the Union members;
- To improve the business environment through the promotion of the necessary changes in the legal and institutional framework related to manufacturing;
- To facilitate its members’ access to counselling, training and information services (on new products and technologies) and the implementation of inventions and innovations;
- To edit publications;
- The organization of the Centre for Information on Manufacturing and Consulting;
- To cooperate with other structures of the civil society and authorities to develop common actions of general interest for the national economy;
- To establish contacts with similar international organizations.

To date the Union has 739 member firms, of which 55% are from the private sector and 45% are State-owned; 27 local branches are organized as non-profit organizations.

Activities carried out by the Union:

- Lobbying for its members’ interests at the national level, trying to improve legal provisions, especially related to the taxation system (Governmental Ordinance no. 70/1994 on tax on profit) and re-evaluation of the fixed assets of State-owned companies (Governmental Decree no. 500/1994);
- Organizing training programmes for the Union members in the field of marketing, management, technical expertise;
- Participation in fairs and exhibitions, in Romania or abroad (United States of America, the Czech Republic, Israel, Poland, Ukraine, the Russian Federation);
- Organizing the VIII International Congress of Manufacturers and Entrepreneurs in Bucharest (participants from 22 countries);
- Participation at the White House National Conference on Trade and Investment in CEECs, Cleveland, USA, January 1995;
- Meetings with representatives of similar international organizations.

Romanian National Council of Employers (RNCE)

RNCE is a non-governmental, non-profit, non-political, independent organization that represents its members' interests at the national level.

Its main objectives are:
- To represent, protect and promote members' interests in front of the central authorities and in the process of social dialogue;
- To promote the adequate managerial behaviour for the market economy;
- To promote its members' interests in international relationships;
- To support the respect of the fundamental principles of the market economy, of the private property and of the employers.

Activities carried out by the Council:
- Lobbying for its members' interests at the national level, trying to improve legal provisions, especially related to the taxation system;
- Providing legal counselling services on specific topics concerning the operation of the private sector;
- Promoting contacts with the employers' organizations from abroad.

Areas of foreign donor involvement

Foreign assistance for small business development is focused on the following areas:

- Training and counselling (PHARE, UNDP, British Know-How Fund, USAID, German, Dutch, Swiss and French Governments);

Integration, coherence and sustainability of services

Since the institutional framework for small business development is still in the process of being strengthened and the resources are quite limited, the SME Division considered the idea of integrating different types of services offered to the sector, in order to
maximize the use of available resources. Another strategic consideration was that an integrated set of services allows the entrepreneur an easier access support.

There is evidence of trends towards the integration of services at the level of the organization/programme and at the central level.

At the organization/programme level:

- The provision of services to the SME sector is accomplished primarily through the small business development centres and, for this reason, a degree of integration has been obtained. The centres are providing a full range of business consultancy in all the areas needed for start-up and restructuring, and connections with the financing entities;

- The Enterprise Promotion Programme initiated by the Ministry of Labour with the German Government support and implemented by the Romanian-German Foundations, with the assistance of GOPA Consultants, is a good example of the degree of integration achieved. The scheme provides support for all phases of a business project development: comprehensive business planning, selection and training, equipment procurement, including financing and follow-up assistance;

- The Chambers of Commerce also provide an integrated package of services: training, information, counselling, promotion and internationalization support activities.

At the central level services offered by different institutions are integrated in order to implement SME support programmes. There are Government Ordinances that specifically state which institutions are appointed to develop a programme and the general mechanism that has to be followed. For example, the lending schemes with bonus interest rates are centrally monitored. Integrated services are provided by:

- The banks which administer the funds and provide the loans;
- The loan guarantee institutions which provide the needed collateral;
- The SBDCs which are designated to assess the borrowers, assist them in preparing the business plans and provide follow-up assistance on the use of the loans.

Further integration will be accomplished by implementing the ‘10 Point Plan’ of the Final Document of The National Conference of Consultancy Centres on the establishment of the National Network of Small Business Development Centres. US Peace Corps volunteers placed with these centres will have an important role in supporting the communication network among SBDCs.

Immediately after 1990, neither the small business development policies nor the institutional framework were clearly set up. Decision-making powers and specific responsibilities were not well defined and consequently, the SME support measures initiated by governmental bodies, NGOs or international programmes sometimes lacked coherence. Overlaps occurred, while important areas were neglected. Resources were under-utilized and time was wasted.
After 1993 the situation improved considerably, since an overall small business development strategy was developed and the institutional framework was established.

The coherence of the support measures for small business development in Romania is a result of the Romanian Government’s commitment to assist the SME sector. The support measures are designed taking into account the government strategy, which corresponds with international donors’ programmes. The Council for Coordination, Strategy and Economic Reform is responsible for the integration of small business development strategy into the general scheme of Romania’s reform. The Department for European Integration assures that European Union assistance is used to promote Romania’s integration into the economic structure of Europe. The recent realignment of small business development support into the framework of the National Agency for Privatization will assure continued coherency in the spectrum of SME development. The SME Division assesses the SME needs, designs the support policies and coordinates small business development programmes.

Presently the SME development programmes are mainly supported from the central level, through central government financial assistance and contributions from international donors. Local support is still limited.

The future role of the SME Division for small business development is stated in the government strategy. Other institutions specifically envisioned to play a major role in future small business development are FIMAN, CRIMM Foundation, the FAIR Foundation, CIMP Foundation, Centre for Business Excellence, the national network of Small Business Development Centres, the Romanian Loan Guarantee Fund and the Rural Credit Guarantee Fund. Chambers of Commerce will also play a significant role.

Plans to sustain these organizations have been outlined in Ordinance no. 25/1993. Further regulations will in all likelihood be included in (new) banking and local administration legislation which will provide allocation of funds from the national budget to local administration for the support of the SME sector.

The sustainability of the SME support institutions is envisioned in three main phases:

**Short-term phase**  The support institutions, especially the business development centres and incubators, could not become self-sustaining in the short term. In this context, central government assistance is still extremely important. Some business development centres or incubators, for example, are still confronted with technical needs such as office space, equipment and furniture or funding staff wages, which impedes the pace of improvement of their operation and the quality of their services.

The immense task which Romania faces in updating and restructuring its infrastructure and economic base determines the lack of sufficient domestic resources available to small business development. Consequently, at present, there is a great need for outside support for developing the SME sector. To increase the synergic effects of the support programmes there is a need to coordinate efforts, to establish a coherent
system able to generate concrete and relevant projects. Parallel projects leading to unnecessary duplication or missed opportunities for cooperation must be avoided.

While there is an obvious desire to reduce the reliance on outside support as quickly as possible, there is also a need to develop local high quality capacity and a range of services to support entrepreneurs. This need outweighs the short-term goal of self-sustaining SME support institutions. The progress of SME development must not be threatened by a possibly premature move. The consequence could be that the support institutions would improve their short-term sustainability at the price of reducing the availability of services for the neediest such as start-ups and small businesses that face financial problems, which will not be able to pay for the services.

The Romanian Government considers that Romania’s access to foreign assistance is crucial for the development of the SME sector.

Medium-term phase The support institutions, mainly the Small Business Development Centres and the Business Incubator Centres, will necessarily continue to rely on the support of the Romanian Government and donors. The support of the local authorities and of the entrepreneurs' associations will increase. The centres will also be able to increase the number of customers and to charge higher fees (because of greater credibility) and cover a larger part of their expenses.

Long-term phase Support institutions will become self-sustaining. Still some local contribution will be needed to ensure the access of 'poor' enterprises to training, information and counselling services.

Key future players in SME support

The SME Division will coordinate strategies and policies for SME sector development.

The Small Business Development Centres included in the national network will continue to play an increased role in SME development. The future shape of the executive body of the network is not yet well defined. To date, a Permanent Committee elected at the National Conference of the Small Business Development Centres is functioning. It is composed of representatives of FAIR Foundation, CRIMM Foundation, Centre for Business Excellence and CIMP Foundation and Romanian Development Agency.

Associations of business owners, banking institutions, local authorities and chambers of commerce will also be important. It is necessary to create a comprehensive and reliable database of information related to SME in order to increase the effectiveness of their cooperation. It is hoped that the entrepreneurs’ associations will better define their role soon and act more dynamically in small business development in Romania.
The banks' activities will be crucial for SME development. Although at this time trends in the banking system are not very favourable to lending to SME, in the near future the privatization of banks and the establishment of new private banks will determine a higher risk-taking attitude towards lending to small businesses.

Local authorities will also have a very important role in local centre development, as soon as the legal framework will allow an increased participation (especially after the consolidation of their financial position).

Central support for local development

The National Agency for Privatization, through its SME Division, will play a central role in small business development (according to the provisions of Government Ordinance no. 38/1995 and Government Ordinance no. 25/1993), in providing support to local business development institutions. The activities carried out by the SME Division (up to now within the RDA) is a guarantee for on-going assistance to small business development centres, Business Incubator Centres and other local support institutions. The SME Division has acquired significant experience in this respect.

RDA was lobbying with the local authorities to attract their support for the establishment of small business development centres and has directed the international assistance towards these centres. Financial assistance has involved:

- RDA co-financing the establishment of the Business Incubator Centres at the local level and local small business development centres;

- The RDA scheme for the bonus interest rate loan which contributed to the promotion of small business development centres within the local business community. The centres were nominated through Governmental Decision 805/1994 as institutions with the role of assistance in loan application and of recommending viable businesses to the Financing Committee.

During its operation within RDA, the SME Division has organized meetings where small business development centres have been invited to facilitate the sharing of experience and exchanging of information. The most important event was the National Conference of SME.

SME Division issues a periodical journal which provides information in areas of interest to business counsellors and entrepreneurs, on general topics such as marketing and economics, and also in the form of case studies and success stories. The journal also provides information on support schemes available to SME and on the activities of the centres.
CRIMM, the ROM-UN Centre and the Centre for Business Excellence provide training for the staff of the local consultancy centres. Local authorities cooperate with both CRIMM and UN-RDA in the creation of the regional consultancy centres and business incubator centres.

The Strength of Local Authority Support

As stated before, the local authorities support to SME is limited partially because of their low ability to raise and use local funds and, in some cases, because of their lack of understanding of the small business development process.

Economic issues are frequently discussed in local council committees and divisions of prefecture. However, due to the dominance of State-owned companies (generally 65% of economic activity or more), attitudes and views of the local authorities on economic developments might be influenced. The impression is that there is an affinity between state companies and local public administration at the expense of the private initiative.

The future relevance and the economic potential of the emerging private sector is not widely recognized by the local administration as their level of experience did not adapt so fast to the changing conditions in the overall economy. Generally, there is a growing awareness of the economic issues and the increase in privatization will increase the need for restructuring. There is a need to educate and train local administrators to recognize the importance of the SME sector and to pursue policies designed to support its growth.

Institutional collaboration

The institutions which promote SME development at the national level have exhibited a high degree of cooperation and this is expected to continue. The RDA and the Ministry of Labour initiated the special lending schemes, which are cooperative in their nature, many institutions being involved in their operation.

The UNDP and RDA have jointly established 10 local business development centres. RDA has also cooperated with the CRIMM Foundation in the implementation of the grant scheme for SME and for establishing five Small Business Development Centres and four Business Incubator Centres.

CRIMM has worked together with the ROM-UN Centre to organize the training of the RADLAR local centre staff. The RDA and CRIMM cooperated in the implementation of the grant scheme funded by PHARE. RDA has worked together with both ROM-UN and CRIMM local centres to implement the special lending schemes. All of this collaboration will continue.

CRIMM is also working with entrepreneurs’ associations to increase the role of local businessmen’s associations and to involve business owners directly in the SME
development programme. This participation is small at the time but is quite active and is expected to grow rapidly as economic conditions improve.

As was mentioned earlier, central and local authorities cooperate in the process of establishing local small business development centres.

*SME Involvement in entrepreneurial support services*

Many small business development centres with the legal status of a ‘foundation’ were founded by a wide range of interested parties, including private companies (entrepreneurs) or SME associations and SME are represented in their board of administration. Private SME are involved in the management of the majority of the centres from the FAIR Foundation, RADLAR Network or German-Romanian Foundations. The Business Incubator Centres created in Romania have a similar management structure.

Some of the centres for innovation and business are commercial companies (State-owned or private) or associations of various entities of the business community.

SME associations are usually providers of services for their members.

*Monitoring and Evaluation*

The CRIMM Foundation has established a system for monitoring and evaluating the grant scheme. RDA has developed a system of monitoring and evaluating the bonus interest rate scheme. Through their participation in the creation and operation of the consultancy centres, CRIMM and UNDP are able to monitor developments at this level. (More details are provided in page 73) The PAEM Programme developed a monitoring/evaluation system for its implemented projects.

*Future shape of the institutional environment*

Generally, the future development is expected to follow the 10 points set forth in the final document of the National Conference of Small Business Development Centres. It is desirable to create core standardized services which will be available country-wide throughout the Centre Network. This should be supplemented by more specialized services where required on a community to community basis. For the near and medium-term future it is vital that public support to the centre network and its administration continues. This is the heart of SME support in Romania and the level of private support is, at this time, severely limited.
The integration of institutions at the local level has been followed and is considered to be the most effective. This will be continued, as will the non-profit nature of the institutions. This system is necessary to provide accessibility of services.

The existing institutions were created by top-to-bottom pressure and this will continue to be the driving force until they are mature and financially more secure and less reliant on outside sources. As they gain credibility and the economic climate improves, the bottom-up pressure is expected to increase.

The local small business development centres have already made considerable progress toward integration. They have formed networks. Their activities are already coordinated in many ways, such as personnel training and exchange of information. RDA provides for networking between the many centres in which it plays a role and the special SME support programmes bring the centres closer together. There are some centres still tending more toward isolated development such as the Transylvania Business Centre in Cluj and the Romanian-German Centres.

Governmental institutions that are controlled by the State and rely upon state funding are by their nature excessively bureaucratic. They are also subject to political pressures of a top-to-bottom type. Consultancy centres must be removed from this as much as possible and be strongly entrepreneurial in character to be successful. Given Romania's history the tendency is towards unnecessary bureaucracy and this must be avoided. The emphasis is and should continue to be on ready access to services.

Resources for future development are Romanian Government funds, external assistance programmes and bilateral programmes. Local sources of funding are minimal at present. The SME sector itself is not yet strong enough to provide meaningful funding. Local authorities, which are funded by the State, have huge needs in terms of infrastructure improvement and are generally unable to fund SME development in any significant way. For these reasons, central funding and continued outside assistance are crucial.

It is obvious that these institutions are still reliant to a large extent on assistance provided by foreign donors, both financially and technically. This is evident from the preceding description of activities, which shows international participation in the majority of the existing current projects.
ASSISTANCE

Competency and training needs of specialists

The development of technical skills of the small business development specialists was and still is a priority in Romania.

Since no former experience with small business development has existed, the first step undertaken in creating and implementing small business development programmes was the training of those who design these programmes. This process is an on-going one, since more and more projects must be developed.

There are several programmes dealing with training of trainers, consultants, bankers and representatives of central and local government institutions. Most of these programmes are promoted at the national level and organized by institutions from Bucharest. However, the participants and training locations may be of different regions of the country. The main universities (Brasov, Cluj, Craiova, Iasi, Timisoara) are also involved in the training process of small business development specialists or cooperate with some local small business development centres for consultancy activities. The training programmes consist of courses, on-the-job training, internships and scholarships.

Distinct organizations have developed special types of training for different target groups.

Training for government small business development experts

The training is organized mainly by foreign experts, either in Romania or abroad. In the field of public administration management, the Government has benefited from the SIGMA-OECD programme designed to improve the expertise of the top managers of the central public administration. No special small business development training programme was developed.

The main support for the training of small business development experts is provided by international organizations/specialists funded by:

- PHARE;
- USAID;
- British Know-How Fund;
- UNIDO/UNDP;
- the US Peace Corps.
IROMA, the Romanian Management Training Institute, with the support of Durham University Business School (United Kingdom), is also organizing programmes for developing the small business development skills of experts through programme development and project management.

Further needs The programmes are very successful. However, the rapid changes of the business environment and the turnover in personnel of the central institutions determines the need for on-going training. Urgent training is needed in the field of programme monitoring/evaluation and communication within and among institutions. To address these needs, the PHARE Financial Memorandum for the Programme for SME and Regional Development, 1995-1997, includes as one of its four components, staff development and general improvement of professional qualifications. The programme will provide information on good practice in the EU and CEE countries through study visits, reports and advice on the overall organization and management of SME Divisions.

Training of small business development consultants

The ROM-UN Centre can be considered as the most experienced organization running training-of-counsellors programmes. The Centre’s trainers have the advantage of being counsellors themselves and thus they can share not only theoretical knowledge but also practical expertise. The ROM-UN Centre has trained most of the local consultants from the small business development centres. Some training programmes were conducted by ROM-UN Centre in cooperation with the Centre for Business Excellence and Washington State University experts.

The staff of the five local small business development centres (established under the PHARE programme) attained courses run by ROM-UN Centre and the Centre for Business Excellence.

The CRIMM Foundation and local staff of small business development centres were trained by experts from the Scottish Enterprise Foundation and GOPA Consultants, Germany. One of the training programme components included study-visits and internships with similar organizations from the United Kingdom, Germany, Belgium, Portugal and Spain. Training for the staff of Business Incubator Centres was organized by Ramboll Hannemann & Hojlund, Denmark.

Further needs There is a need for management training of the directors of the Centres.

Training of trainers

Peace Corps has initiated a training programme for training of trainers (TOT) for the specialists of the small business development centres. The programme will be replicated by ROM-UN Centre.
Further needs  More training will be necessary in assessing the specific needs of different segments of the SME population; tailoring training to meet the specific needs of client groups; defining learning objectives; the use of facilitation methods; the production of Romanian training materials; the evaluation of learning and development achievements by clients and small business programmes.

Training the staff of banks

Many training courses for the Romanian bankers have been organized by foreign programmes. The domestic institution which is specialized in this field is the Romanian Banking Institute (RBI). The courses organized are highly appreciated by bank personnel. CRIMM Foundation has initiated a ‘Banker Training Programme’ in 1995 run by international and national consultants. Trainers from RBI will be involved from the beginning in designing and running the programme in order to create local capacity and attain project sustainability.

Further needs  The main purpose of such training in Romania is to change the attitude of bankers towards lending to SME and induce risk-taking skills. More training will be needed in these fields, since no former experience regarding SME lending schemes ever existed in Romania and since the banking sector is in the process of expanding and employing new people.

Outstanding training programmes and manuals for SME training

The programmes which have received broad appreciation are organized by ROM-UN Centre, Centre for Business Excellence, International Entrepreneurial Studies Centre, IROMA Institute and the Chamber for Commerce and Industry of Romania, FIMAN Foundation and GOPA Consultants.

The main topics addressed were business centre operations and counselling techniques for the staff of small business development centres, general management, marketing, finance, customer services, human resources, financial management, accounting and loan applications for small business.

The assessment was made based on the quality of curricula, training techniques used, hand-outs produced, training evaluation methods and expertise of the trainers.

Manuals for entrepreneurs

Due to the growth of the SME sector, the need for information increased considerably. Several booklets, books, manuals and the like were published addressing specific
topics such as registering a company, business plan development, fiscal obligations, notary procedures, draft model contracts for entrepreneurs, etc. Also, books and manuals were published on small business management and operation in general.

Examples of Romanian manuals available for small businesses include ‘The Entrepreneur’s Guide’, produced by the ROM-UN Centre; ‘The Successful Entrepreneur’s Manual’, produced by the CRIMM Foundation and ‘Case Studies on Good Business Practice’, produced by the Centre for Business Excellence.

‘The Entrepreneur’s Guide’ produced by the ROM-UN Centre is the first publication in this respect. A first edition was published in 1993 and was well received by entrepreneurs and small business counsellors. Consequently, a second updated edition was issued in 1994. The book presents, in a reader-friendly form, basic information for starting and running a small company, having the following contents:

- How to licence a Private Business;
- The Business Plan;
- The Tax on Profit;
- How to Apply for a Loan;
- Basic Marketing;
- Balance Sheet;
- Cash Flow;
- Income Statement;
- Debtors and Creditors;
- Costing and Pricing;
- Budgeting;
- Financial Ratios;
- Bookkeeping;
- Value Added Tax.

The manual is presently used by the trainers and consultants of small business development centres as a reference.

‘The Successful Entrepreneur’s Manual’ produced by the CRIMM Foundation was issued, in July 1995. The target users are private small businesses.

Its main chapters are:

- The Company;
- The Market;
- The Business Plan;
- The Legal Framework for Business;
- Accounting Documents;
- Taxes;
- Hiring Personnel;
- Banks and Loans Procedures.
‘Case Studies on Good Business Practice’ was published in 1994 by the Centre for Business Excellence. It presents success stories of Romanian businesses and examples of poor business practice. The case studies are used as reference material in seminars or courses. Also, the small business development centres’ counsellors utilize this manual in their activities.

Reference information for businesses

There are numerous catalogues containing information for businesses (National Pages, The Catalogue of the Romanian Chamber of Commerce and Industry). Relevant information for SME may be found in the Business Assistance Sources Catalogue.

The Business Assistance Sources Catalogue, one of the outcomes of the ‘Good Morning Romania’ Programme funded by the USAID, is a comprehensive reference source of information on SME support institutions and programmes. The catalogue contains information on international assistance programmes in Romania, government institutions with specific roles for the privatization process, services offered to SME by foreign embassies in Romania, assistance provided by chambers of commerce, other SME support institutions, financial assistance schemes and insurance companies, advertising companies and specialized publications. It is a useful data-base for small business development consultants.

Manuals for the operation of small business development centres

Two notable examples are the ‘Counselling Techniques’ of the Centre for Business Excellence and the ‘Quality Manual’ of the CRIMM Foundation.

‘Counselling Techniques’ was developed by the Centre for Business Excellence with technical assistance from Washington State University consultants. It provides technical guidelines for business counsellors which include:

- The status of the business consultant;
- Business counselling ethics;
- The operation of a consultancy centre;
- Counselling techniques.

The ‘Quality Manual’ of the CRIMM Foundation is used by the local small business development centres and Business Incubator Centres established with PHARE support.

It is worth noting that the local development centres have also issued guides for SME, containing detailed information on the support institutions and programmes available at the local level (relevant addresses of institutions and working hours, documents required by these institutions, programme descriptions and eligibility criteria, maps). For instance, Braila Business Incubator Centre and CRIMM Foundation have issued
the ‘Braila Entrepreneurs’ Guide’ and the Small Business Development Centre Arges, CRIMM Foundation and NEICO Group SA have issued the ‘Guide for Local Socio-Economic Development Monitoring’.

**Outstanding institutions**

The main areas in which good experience was accumulated are:
- Small business consultancy;
- Financial assistance;
- International partnership promotion.

Outstanding institutions that carry on programmes in the above-mentioned fields are the following:

**Consultancy**

*The ROM-UN Centre*  This was the first consultancy centre established in Romania in 1992. During 1992-1993 the main activity of the centre was to provide consultancy services for entrepreneurs. Due to the good experience gained, in 1994 the Centre was appointed by the Romanian Government to implement a programme for establishing local small business development centres. The programme aimed to replicate the model of the Centre at the local level. To date, ten centres have already been established, which are part of the network ‘FAIR Foundation of Small Business Development Centres, assisted by UNDP. Other criteria in judging the performance of the centre are highly qualified staff, appreciation from clients and small business development specialists; good counselling techniques adopted by other local centres and a well acknowledged manual for SME.

*The CRIMM Foundation*  It was established in 1993, as implementing authority for the 1992-1995 PHARE Programme for SME Development. The Foundation has implemented a Programme for establishing five local small business development Centres and four Business Incubator Centres. Another three centres will be starting in the near future. Furthermore, CRIMM has offered consultancy for SME on an occasional basis, and is now establishing its own consultancy centre. The CRIMM Foundation, the five local Small Business Development Centres and three Business Incubator Centres are part of the RADLAR Network, a network for dialogue and exchange of experience among these Centres organized with PHARE support. Furthermore the CRIMM Foundation has offered consultancy and grants for small business associations. Apart from consultancy activities, CRIMM has developed other activities, such as: operation of a grant scheme for SME; a programme for creating a favourable environment for SME and a project for economic and legal analysis. The CRIMM Foundation is implementing the DIFA programme (Development of Feminine Initiative in Business) and also developed actions to involve bilateral donors. The
centre has highly qualified staff, has received positive response from clients and small business development specialists and has published well-acknowledged publications for SME (Annual Report on SME Sector, White Book on SME, Successful Entrepreneur’s Guide).

The Centre for Business Excellence This was established by specialists from Washington State University and Polytechnic University of Bucharest in 1992 under the USAID Programme for Management Training and Enterprise Development. The Centre’s consultants are university professors that were trained in the United States of America and became part-time advisors for SME. The Bucharest Centre for Business Excellence (CBE) also provides training of trainers/counsellors for other business centres in Romania. The centre has highly qualified staff, has received positive feedback from clients and small business development specialists, and has published well-acknowledged publications for SME (Counselling Techniques and Case Studies on Good Business Practice).

The Centre for the Improvement of the Management Performance (CIMP) The Centre was founded in 1992 by the British Government Know-How Fund. CIMP’s consultants have received formal training in Great Britain. CIMP employs highly qualified personnel. All of its consultants hold a Master in Science in Organizational Development degree from the United Kingdom and have a very good track record using the most innovative methods acquired during their training and adapted to Romanian conditions by themselves. The major expertise of the staff is in the field of enterprise restructuring (mainly for State-owned companies) and consultancy services for SME.

International Centre for Entrepreneurial Studies The International Centre for Entrepreneurial Studies (ICES) was founded in 1992 by the Centre for International Private Enterprise from Washington DC (an affiliate of the US Chamber of Commerce). ICES main field of activity is research and training (through seminars or conferences for entrepreneurs). The Romanian staff is relatively small but has good qualifications. For training activities, ICES also uses trainers from the United States of America.

Financial assistance

Romanian Loan Guarantee Fund The Romanian Loan Guarantee Fund is an intermediary financial institution set up in 1992 as a pilot project in Central and Eastern Europe, with assistance from the Canadian and Austrian Governments. The Romanian Loan Guarantee Fund provides loan guarantees for private SMEs that have good projects but not enough collateral to access bank loans. The Fund is a joint stock company and operates on a commercial basis. It has highly qualified specialists trained in Canada and Austria. The guarantee officers analyse business projects and also provide advice to clients on the preparation of financial documents and alternative financing sources.
International Partnership Promotion

Romanian Chamber of Commerce and Industry  The Chamber organizes trade fairs, regional exhibitions in Romania and provides information on similar events internationally. It invites SME to participate and perform in such events. It has a comprehensive data-base which contains information on business opportunities in Romania and abroad. The Chamber specialists also provide advice to Romanian SME on how to present their business to foreign investors.

The SME division of the National Agency for Privatization (former SME division of the Romanian Development Agency) Within the system of the central public administration, the SME Division has much experience in the field of small business development. It designs small business support policies and programmes and advocates SME interests. The staff of the division has a good knowledge of the Romanian SME sector and actively participates in the events of the business community in Romania (conferences, seminars, congresses of SME associations). Its specialists successfully cooperate with other governmental or non-governmental institutions involved in SME promotion, facilitate contacts among business support institutions and disseminate information on SME support framework through specialized publications.

In the field of promotion of innovation, the programmes are relatively new and no substantial results can be reported to date.

Evaluation of assistance methods

An evaluation of PHARE Small Business Development Centres operations is presently being executed by RDH Consultants, France.

Annually, the ROM-UN Centre and the local Small Business Development Centres, established with UNDP and Romanian Development Agency (RDA) support, are assessed by UNIDO and RDA experts. The assessments are focused on the accomplishment of project objectives and the efficient use of funds.

In order to facilitate the establishment of a highly efficient network of Small Business Development Centres, a large survey was carried out between November 1995 and March 1996 at the request of RDA, and funded by PHARE. The survey was undertaken by a team of International experts assisted by local independent SME consultants. The overall objective of the assessment was to develop a reliable system of evaluation and measurement of the performance of Small Business Development Centres (and the achievement of each programme objectives). The survey included

39 PHARE Business Incubator Centres and the pilot projects of Ministry for Research and Technology Centres for Innovation and Businesses.
appropriate methodologies and techniques. Specific characteristics of each group of Small Business Development Centres were presented based on direct evaluation and monitoring the effectiveness of counselling and training programmes, on assessment of their economic impact, and on reports on referrals.

In practice, the project will be focused explicitly on four specific levels:

- Monitoring,
- Benchmarking of activity measurement;
- Client impact measurement;
- Overall impact and performance evaluation of the staff of Small Business Development Centres.
### Grants

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>to provide financing facilities for supporting viable production projects;</td>
<td>Romanian SMEs which develop production or industrial service activities.</td>
<td>Companies should have up to 50 employees; have annual turnover up to 1 million ECU; own assets up to 500,000 ECU total value; have at least 70% private ownership; have at least 51% Romanian ownership; develop production or industrial service activities;</td>
<td>Grants up to 50,000 ECU representing a maximum of 50% of the funds needed to purchase new productive assets for the company.</td>
<td>National</td>
<td>Development</td>
<td>The total amount allocated for this programme is 2,837,000 ECU. Probably, an extra amount of 600,000 ECU will be added until December 1995 (representing funds remained available from other CRIMM programmes)</td>
<td>There have been over 200 business plans presented and assessed, out of which 110 were approved up to now. The total sum committed to the approved projects is of 1,724,681 ECU out of which 1,2 million has been disbursed. New jobs created are estimated at 1,202. For the next three years CRIMM is reviewing the business activity especially to check if the equipment purchased is not sold or transferred.</td>
<td>Although this project has served its purpose in gaining experience in project appraisal and giving real assistance to a number of entrepreneurs, there is a feeling that repayable financial instruments would be a better choice, since it accustoms SMEs with free market rules.</td>
</tr>
</tbody>
</table>
Lending

- World Bank - Industrial Development Project

<table>
<thead>
<tr>
<th>Objectives of the programme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to improve private enterprises international competitiveness; - to support private enterprises export capability.</td>
<td>Exporting private companies.</td>
<td>for investment projects: - IRR of minimum 15%; - satisfactory business plan and restructuring program; - clearance concerning environmental aspects; for export financing: - irrevocable L.C. in convertible currency issued by a creditworthy financial institution or a confirmed purchase order issued by a respectable foreign buyer; - expert experience of the borrower; - positive value-added for the export product;</td>
<td>Loans up to US $8 million/borrower for investment projects which could improve company international competitiveness and pre-shipment finance up to US$ 5 million/borrower for imported inputs of exporting private firms. The interest rate to the final borrower is: - LIBOR+MOF margin + variable market-based spread for investment projects; - fixed market-based rate for 1 year for exporting financing.</td>
<td>National</td>
<td>- exporting companies; - growth.</td>
<td>$175 million</td>
</tr>
</tbody>
</table>
### World Bank - Private Farmers and Enterprises Support Project

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What Is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>to support investments in agriculture sector; to support food-process private SMEs access to finance.</td>
<td>- farmers; - private SMEs within food-processing and related service field.</td>
<td>- private companies; - at least 15% own-financing out of project's financing need; - debt service ratio: at least 1:3; - current rate 2:1.</td>
<td>Loans up to US$ 5 million and an interest rate of 9% (loans in US$), and 75% for loans in lei, for new investments and/or working capital needs.</td>
<td>National</td>
<td>Growth</td>
<td>$100 million</td>
<td>Being one of the first programmes of the sort, the lack of experience of the two Romanian banks that have operated the credit lines determined a slow start of the project. During the first year, only a small percentage of funds were committed. A World Bank consultancy team composed of international and domestic experts was established in the country and started assisting the banks and the entrepreneurs to move on the project. This spring the project was successfully completed. All funds were obligated, out of which US$ 69,321,900 have been already lent.</td>
</tr>
</tbody>
</table>
### EBRD Credit Line for Romanian Exporters

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Issues</th>
</tr>
</thead>
</table>
| To support exporting capacity of private companies.                                    | Romanian exporters private or state owned (only with a real privatization programme). | - IRR at least 15%;  
- very good financial situation and foreign resources available;  
- own contribution:  
  - loans up to US$ 500,000: 10-15%;  
  - loans over US$ 500,000: 20-30%;  
- debt service ratio:  
  - up to US$ 500,000: 1.2;  
  - over US$ 500,000: 1.5. | Loans up to US$ 5 million/borrower on a 9-10% interest rate.                    | National                                                    | Growth            | Lending conditions are too demanding for a small business. Mainly medium sized businesses could meet the eligibility standards.
- National Bank of Romania - Credit Line for Exporting Financing

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
</tr>
</thead>
<tbody>
<tr>
<td>To promote export and export production.</td>
<td>Romanian exporters</td>
<td>- export of manufactured goods; - the foreign content of the exported goods should not exceed 30% of the value; - existence of a valid export contract (or confirmed purchase order); - existence of a credit insurance policy for commercial or political (if needed) risks, issued by a specialized company from Romania.</td>
<td>Loans representing a maximum 50% of the value of the applying company's export contracts.</td>
<td>National</td>
<td>Exporting growth.</td>
</tr>
</tbody>
</table>
- **EBRD Credit Line Extended directly to BANKCOOP**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Issues</th>
</tr>
</thead>
</table>
| - to promote exports;    | Romanian exporters private or state owned (only with a real privatization programme). | - minimum 35% own financing;  
- debt to equity ratio: less than 65-35;  
- debt service ratio min 1.5;  
- very good financial situation and foreign resources available. | Loans up to US$ 1 million/borrower for export activities; repayment period of 5 years with up to 12 month grace; 15% annual interest rate. | National | Export | US$ 20 million | Lending conditions are too demanding for a small business. Mainly medium sized businesses could meet the eligibility standards. |
## Bonus interest rate lending schemes

- **Financial aid programme for granting bonus interest credits to entrepreneurs**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To support small business access to finance.</td>
<td>- Small companies defined under SMEs Law; - Craft cooperatives.</td>
<td>- investment activities in production, construction, industrial services, tourism, agro-tourism; - 90% of the persons to be hired by employment contracts; - during the credit utilization, the company should invest net profit into expansion activities and the loan repayment.</td>
<td>Bank loans with 50% subsidized interest rate. The credits can cover up to 80% of the needed project investment, but not exceed 50 million lei. The repayment period is up to 3 years, with a 6 month grace period. Companies are not eligible to re-enter this programme for three years after their initial credit. Also the beneficiary is not allowed to change the credit destination.</td>
<td>National</td>
<td>3 billion lei from the 1994 state budget</td>
<td>Up to August, 15 76 companies have received credits with interest rate subsidies. Main fields were: garment industry -17 loans, services-17, food processing -14, wood processing -7, printing houses -6, construction -5, other small industries -5, tourism -3.</td>
</tr>
</tbody>
</table>
Financial Scheme providing Bonus Interest Rate Loans for SMEs that Support Job Development

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to stimulate employment by job creation;</td>
<td>SMEs operating in fields of activity such as manufacturing, industrial services, tourism.</td>
<td>- above mentioned fields of activity; - number of employees up to 200; - annual turnover between 10 and 10,000 million lei; - to select at least 50% of new employees from people that were assisted through the unemployment social aid; - to keep them employed at least two years since the loan has been received; - to have a good business plan.</td>
<td>Lower interest rate bank loans for manufacturing and/or expansion activities.</td>
<td>National</td>
<td>Start-ups Job creation</td>
<td>235 billion lei</td>
<td>100 million lei already lent to entrepreneurs</td>
</tr>
</tbody>
</table>
**Special Finance Schemes**

- **Romanian American Enterprise Fund’s SME Investment Programme**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to encourage small businesses’ access to finance;</td>
<td>Private businesses</td>
<td>- Good business plans;</td>
<td>Investments between $250,000 - $3 million per invest. In most investments RAEP will receive a preferred or secured position along with some current income and equity participation. Terms for each transaction are negotiated on a commercial basis. The Fund expects to sell its interest in investees after 3-6 years, usually to its partners, strategic buyers or to the public. Separate programmes for lending smaller amounts will be established.</td>
<td>National</td>
<td>Development/growth</td>
<td>$ 50 million</td>
</tr>
</tbody>
</table>
Special finance schemes (loan guarantees)

- Program for Providing Loan Guarantees to Private SMEs

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to support Romanian entrepreneurs' access to medium and long term loans for investment and expansion/development; - to help SMEs purchase state assets made available through the privatization process.</td>
<td>Private enterprises</td>
<td>The companies have to: - be private; - be registered in Romania; - have bank's recommendation; - apply for a long or medium term loan to develop production or expansion activities;</td>
<td>Loan guarantees up to a maximum of 70% of the loan principal.</td>
<td>National</td>
<td>- mostly expansion, although start-ups are not excluded - exporting</td>
<td>- 5.065 billion lei (5 billion is the state contribution, 65 million is the banks' share).</td>
<td>To date, the value of the guarantees already provided is 12 billion lei, covering loans provided by the banks of about 25 billion lei; - through the approved projects, almost 700 new jobs were created. The number of applicants has been around 300. Most of them didn't have access to a bank loan, so the guarantee officers offered them advice about alternative sources of financing.</td>
<td>- RLGF activity relies entirely on banks commitment to provide loans to SMEs; - there is a need for RLGF's capital increase. If the Fund reaches the top edge before the first loans are paid back it will have to postpone guarantee provision for a while. Since it deals with medium and long term loans, this circumstances could occur rapidly without extra finance.</td>
</tr>
</tbody>
</table>
- **PHARE Loan Guarantee Programme for Agriculture Sector Development**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
</tr>
</thead>
</table>
| To support farmers and food-processing companies access to long and medium term financing | Farmers and SMEs operating within the food-processing industry or related services. | Companies should have:  
- Romanian capital in majority  
- the bank loan conditional approval | Guarantees to long and medium term bank loans representing up to 60% of the value of the credit + the due interest rate | National | 10 million ECU |
Support entrepreneurs access to premises

Incubators (special premises or workshops)

- PHARE Programme to Develop a Network of Pilot BICs

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to establish a network of 5 pilot BICs; - to provide space and a set of services to start-ups for a limited period of time; - to raise local organizations' involvement in SBD and to stimulate competition among counties; - to connect BICs to international similar networks in order to develop quality standards and business communication.</td>
<td>Private SMEs.</td>
<td>- appropriate space/premises for start-ups; - counseling services; - secretarial infrastructure and services; - access to information.</td>
<td>Five judets: Timis, Braila, Harghita, Sibiu, Bucharest.</td>
<td>- start-up; - innovation.</td>
<td>1 653,000 ECU</td>
<td>Three BICs have recently become operational in Timisoara, Miercurea-Ciuc and Braila. The other two, Bucharest and Sibiu are still in the process of fixing the premises. The BICs' staff has been trained and foreign consultants are working with locals to implement the programme at the local level.</td>
<td>The implementation of the programme has faced some serious obstacles due to the difficulties that Local Authorities and other local actors find in providing suitable premises. Also, the concept is totally new in Romania and some local actors or companies that want to provide the premises misunderstood and altered the idea. Finally it seems that the process is on the right path, but the implementation phase has been much longer than expected.</td>
</tr>
</tbody>
</table>
Innovation Support Schemes for SMEs

- Technology Incubator Centers Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National Coverage</th>
<th>Priority area</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to support know-how transfer</td>
<td>Private or state owned companies or individual entrepreneurs that could promote innovative activities or use advanced technologies.</td>
<td>Suitable space and equipment for research and implementation of new technologies; consulting and secretarial services.</td>
<td>National</td>
<td>Start-up</td>
<td>700 mil. Lei/1995</td>
</tr>
</tbody>
</table>
Increase entrepreneurs access to training, counselling, advice and information

Special training programmes

- Training Programmes for SMEs organized by the Romanian Institute for management

<table>
<thead>
<tr>
<th>Objectives of the schemes</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>To develop entrepreneurs' management knowledge and skills.</td>
<td>- SMEs owners and managers - experts in SBD.</td>
<td>Courses on: SMEs Management Management and Marketing Finance Management Human Resources Management Informatics for Managers Business Foreign Languages</td>
<td>National</td>
<td>Entrepreneurs lack time and it is very difficult for them to attain long term courses.</td>
</tr>
</tbody>
</table>
• Training programs organized by CIMP Foundation for SME

<table>
<thead>
<tr>
<th>Objectives of the program</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
</table>
| To develop entrepreneurs’ management knowledge and skills | - SMEs owners and managers  
- experts in SBD | Courses on:  
Start-up, survival, growth and development;  
Total Quality Management;  
Management and Marketing;  
Finance Management;  
Internal Culture of the Organization. | National | UK funding:  
1,243,000US$/1994-1997 plus income from charged fees  
662,000US$ | Over 1,000 managers have been trained.  
10 state companies have been assisted plus 30 private SMEs have been supported to get grants or soft loans. |
**Programme of Entrepreneurial Development in Romania**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To promote entrepreneurship development in Romania through know-how transfer from western developed countries.</td>
<td>Small private businesses</td>
<td>Courses and seminars on business planning, finance management, marketing, legal aspects of running a business, start-ups registering, etc.</td>
<td>National</td>
<td>Start-ups and growth</td>
<td>Over 900 entrepreneurs, business owners and managers attended the seminars organized.</td>
</tr>
</tbody>
</table>
### Pro-Active Employment Measures Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to support the economic reform through developing active measures against unemployment; - to assist local capacity in designing active employment measures; - to encourage the development of local institutional framework responsible with implementing PAEM.</td>
<td>- unemployed; - students, young graduates; - women; - business owners and local development institutions /organizations.</td>
<td>The programme selected counties with high unemployment rate and strong local commitment.</td>
<td>At the national level the programme offers: - training for local development agents /units; - reference materials development; - access to domestic and European information networks; - mass media and advertising; - assistance for project monitoring and evaluation. At the local level: - assistance in identifying good projects; - technical support for implementing projects such as: job clubs, BICs, vocational training, job subsidies, assistance for start-ups, unemployed unions, etc.; - funding for selected projects.</td>
<td>20 judets have been already covered during the first phase of the project.</td>
<td>- unemployed; - start-ups.</td>
<td>10 million ECU out of which 7 million for local PAEM.</td>
<td>9 SBD projects have already started in 9 judets (4 BICs, 3 counseling business schemes and 2 &quot;Services for the Community&quot; projects). Other 11 are designed and will soon become operational in other judets. By the end of 1996, 60 PAEMs will become operational.</td>
</tr>
</tbody>
</table>
• Enterprise Promotion Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to encourage the development of local small business start-ups; - to develop entrepreneurial skills and to support start-ups' access to finance and counseling; - to support SMEs' access to finance for machines and tools purchase.</td>
<td>- professionals that want to start-up their own business; - already existing and newly created private manufacturing and industrial service small business.</td>
<td>For would-be entrepreneurs: - professional training completed; - min. 5 years professional experience within the selected field; - min. age: 25. For existing businesses: - manufacturing or industrial service activities; - valuable business plans/ideas; - job creation (at least 5 new jobs created for the SMEs that request financing).</td>
<td>Phase 1 is a 4 weeks &quot;night school&quot; training programme (60 hours). The curricula includes: registering a company, legal aspects, marketing, production organization, human resources, finance management and accounting. Phase 2: would-be or existing entrepreneurs receive counseling services to draft their business plan. Once the plans are completed they are submitted to a neutral Project Approval Committee. As approved, the plan enters Phase 3: provision of funds for the purchase of equipment and tools on a hire purchase basis, up to a sum of DM 50,000 repayable over a period of 5 years with semestrial installments. The hire-purchase contracts are interest free. Phase 4 offers post-start-up follow-up technical assistance.</td>
<td>3 jude: Sibiu, Arad, Timis’</td>
<td>Start-up</td>
<td>3 million DM</td>
<td>By the end of the pilot phase 22 companies have been supported (538,500DM total).</td>
</tr>
</tbody>
</table>
**Young Managers School**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To equip youth with management skills and knowledge on how to start-up and run their own business.</td>
<td>Youth</td>
<td>- age between 18-30; - minimum a secondary school degree.</td>
<td>Training programmes on how to write a business plan and to run a business. The courses were designed and run by Swiss and domestic specialists.</td>
<td>3 judets: Dolj, Botosani and Maramures.</td>
<td>Start-ups</td>
<td>12 million out of which 35% provided by the Swiss Foundation, 45% by the Ministry of Youth and 20% charged fees.</td>
<td>To date 1,100 participants attended the courses. The programme is successful. Although the fees are low, the fact that the trainees are willing to pay for their training shows their interest and the quality of the programme.</td>
</tr>
</tbody>
</table>
- Entrepreneurs International Training Advisor (EITA) Romania Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To equip a broad base of SMEs' managers and/or owners with specialized skills and practical knowledge in order to successfully run their enterprise.</td>
<td>- SMEs' managers and/or owners</td>
<td>The company should: - have at least 90% private ownership; - have at least 51% Romanian ownership; - develop production and/or industrial service activities: - create new jobs; Entrepreneurs should: - be owners or top managers (only one candidate/company); - have at least one year experience within that field of activity; - speak fluent English.</td>
<td>4 weeks business internship for Romanian entrepreneurs in American companies in the United States. The training includes: management techniques, marketing, finance and human resources. On-the-job training is an important component.</td>
<td>National</td>
<td>Development</td>
<td>To date 70 Romanian entrepreneurs have been selected for the programme, over half of them having already completed their training. PIET is developing now a follow-up phase of the programme by assisting the entrepreneurs that completed the training to implement what they learned.</td>
</tr>
</tbody>
</table>
The "Master of Business Administration" Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What was offered</th>
<th>National coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to create and shape a practice of Western management in Romania;</td>
<td>University graduates</td>
<td>12 months full-time, intensive program. The program contains 17 different managerial courses. Nine candidates will be offered a two-months fellowships in Canada at the end of their MBA program.</td>
<td>National</td>
</tr>
<tr>
<td>- to develop an interdisciplinary perspective on management;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- to communicate in forceful and tangible manner the values and behaviours which create for effective business leadership and private sector competitiveness;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- to provide an excellent learning environment.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The "Executive Master of Business Administration (EMBA)"

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What was offered</th>
<th>National coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to refocus traditional business education to match the needs and perspectives of managers operating in economies in transition;</td>
<td>University graduates</td>
<td>A two years program having two courses per week and a two weeks intensive management course.</td>
<td>National</td>
</tr>
<tr>
<td>- to develop general management skills through an approach combining theory and practical application;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- to examine and integrate analytical techniques, conceptual framework, management of functional areas, and policy formulation and strategy.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The "Post Graduation School for Academic Studies (INDE)"

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What was offered</th>
<th>National coverage</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to improve the management performance;</td>
<td>Universitary graduates</td>
<td>- training and expertise conceived within the company;</td>
<td>National</td>
</tr>
<tr>
<td>- to provide practical management tools;</td>
<td></td>
<td>- practical training in a company;</td>
<td></td>
</tr>
<tr>
<td>- to present the methods and know-how used in the most dynamic European companies;</td>
<td></td>
<td>- a three months stage in a Western company;</td>
<td></td>
</tr>
<tr>
<td>- to offer mastering of economical and human tools and techniques.</td>
<td></td>
<td>- connection to the CNAM Network of business opportunities.</td>
<td></td>
</tr>
</tbody>
</table>
Special Counselling/Consulting Schemes

- **ROM-UN Programme for SMEs Promotion**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to provide impartial consulting, training and information services to existing and potential entrepreneurs; - to provide feedback to Government on problems and obstacles faced by the private sector and suggestions on effective support actions; - to assist in implementing the Government programme for developing the SBDCs national network.</td>
<td>- Small and medium private businesses; - local counselors and SBD specialists.</td>
<td>Private business or companies in the process of being privatized.</td>
<td>Free of charge impartial consulting, training and information services.</td>
<td>National</td>
<td>US$ 1.5 million + cash and in-kind local contribution</td>
<td>The programme is assessed by entrepreneurs, Romanian Government and international experts as an outstanding success project. The programme assisted over 1,700 entrepreneurs; in 1994 alone, it processed 91 loan applications worth US$ 33.6 million, out of which 36 loans were approved worth US$ 6.1 million, plus projects financed through equity funds worth US$ 1.1 million; it organized seminars attended (in 1994 alone) by 617 participants; assisted in establishment of 10 local centres; it trained a pool of 60 counsellors for the local centres; developed a data base with technical informations for entrepreneurs; published a book &quot;Entrepreneur's Guide&quot; sold in 50,000 copies.</td>
<td>The only issue with the programme, mainly a potential one, is the financial sustainability of the local centers (topic that will be addressed in the next chapter: Institutions).</td>
</tr>
</tbody>
</table>
The Regional Project for Private SMEs Support in Central and Eastern Europe and CIS

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What was offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assist the governments of Albania, Moldova and Kazakhstan in developing SMEs.</td>
<td>Private SMEs</td>
<td>Establishment of Consultancy Centres similar to those existing in Romania.</td>
<td>Regional</td>
<td>$586,000 US$ from UNDP 80 mil. Lei from Romanian Govt.</td>
<td>None</td>
</tr>
</tbody>
</table>
### PHARE Programme for SMEs Support

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to establish a network of 5 SBDCs that will support entrepreneurs' access to counseling, technical assistance and information; - to assist the development of the local authorities involvement in SBD and of the private consultancy activities.</td>
<td>- private SMEs; - local counselors.</td>
<td>Impartial consulting, training and information services.</td>
<td>5 judets: Arges, Braila, Dolj, Maramures, Teleorman.</td>
<td>1 435,000 ECU + cash and in-kind local contribution.</td>
<td>The five SBDCs are operational and develop successful activities such as counseling and training for the local SMEs. This activity allowed the centers to achieve sufficient revenues to reach the envisaged aim of their self-sustainability, at least on a short term level.</td>
<td>The main issues the programme is confronted with are: - the lack of a suitable space size for the business centers. The spaces provided by the local institutions are in general too small; - the number of consultants/center showed to be insufficient for the local demand of assistance.</td>
</tr>
</tbody>
</table>
- **USAID/Washington State University SBD Programme**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Evaluation</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to provide business advise to SMEs; - for CBE: to also provide training and TA for other business counselors</td>
<td>SMEs and business counselors</td>
<td>Counseling, information and training on: general management, business planning, finance, marketing, customers service, human resources, specialized publications, business opportunities.</td>
<td>Mainly 3 counties: Dolj, Timis and Bucharest, but clients are accepted from all around Romania.</td>
<td>Start-up and development.</td>
<td>- almost 1,000 private businesses consulted in the above areas: marketing, cashflow and financial projection and analysis, cost analysis, accounting and staffing, information management, QC, legislation and ethics. - about 3,000 new jobs created and more than 1 bil. Lei investments. - 25 companies participated in management training series. - consultancy for companies included in the privatization process. - training programs for 18 counsellors and staff from 5 local SBDC. - training for 100 managers from 20 tourism businesses. - business training for 30 owners of energy service companies. - 26 business seminars, 500 attendees. - 25 mil. Lei research and training contracts.</td>
<td>Since the centers are not independent institutions, but part of other organizations and the consultants' primary job is not with the center, some problems could appear as soon as the international assistance is over (The issues will be detailed in Chapter 4: Institutions).</td>
</tr>
</tbody>
</table>
- **Know How Fund (KHF) Programme for SME Development**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide improvement of SMEs management</td>
<td>Private SMEs or state companies to be privatized</td>
<td>Counselling services, training, business planning and feasibility studies</td>
<td>Judets of Transylvania</td>
<td>Start-up and growth</td>
<td>BKH provided funding for the training and wages of the staff in the first year. Presently the centre is self-sustained.</td>
<td>Center with the highest rate of business plans assessed (319 clients, 184 participants in training events, 8 feasibility studies for state companies to be privatized)</td>
</tr>
</tbody>
</table>
### The Pilot Integrated Regional Restructuring Project

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to encourage local development through enterprise development;</td>
<td>- SMEs;</td>
<td>No restrictive criteria were set.</td>
<td>Counseling services and training courses in the field of business planning, loan applications, market research, finance management and organizational behavior.</td>
<td>Judets of Maramures, Hunedoara and Caras-Severin.</td>
<td>Regional development.</td>
<td>1 million ECU</td>
</tr>
<tr>
<td>- to support local institutions in acquiring management techniques and in being able to overcome the economic and social challenges of the reform.</td>
<td>- would-be privatized large companies.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Advice schemes

- Business Entrepreneur Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To improve Romanian SMEs' management skills and to increase their knowledge on basic free-market business behavior and problem-solving processes.</td>
<td>Romanian private small and medium enterprises.</td>
<td>- small to medium (10 to 1,500 employees) private or actively privatizing companies; - productive companies, particularly manufacturers; - 100% local ownership; - at least one year since establishment; - stable and committed management.</td>
<td>Two months, day-to-day management assistance to SMEs from volunteer US senior-level business managers.</td>
<td>National</td>
<td>Development</td>
<td>To date, the programme has been successful in: facilitating international joint venture negotiations, identifying foreign marketing representatives for Romanian companies, securing bank loans, developing business plans, reducing operating costs and increasing profit margins.</td>
</tr>
</tbody>
</table>
- **Multiple Service Business Programme**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to increase productivity and upgrade management skills (MA);</td>
<td>Private Romanian businesses.</td>
<td>- Romanian ownership (all sub-programmes);</td>
<td>MA: management assistance and technical advice provided by highly experienced US</td>
<td>National</td>
<td>Development/Expansion</td>
</tr>
<tr>
<td>- to establish business contacts between American and Romanian companies (BDS);</td>
<td></td>
<td>- some experience with international business (for BDS and MUS).</td>
<td>executive and professionals for a period of time up to 3 months. BDS: information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- to identify business opportunities for Romanian SMEs on the US market (MUS).</td>
<td></td>
<td></td>
<td>on American products, technologies and equipment and business contacts with the</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>interesting partners identified in the US. MUS: research of the US market, on</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>client request.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**Small Business Development Programme**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>Eligibility criteria</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to transfer American management know-how to Romanian counselors and advise them on how to improve technical assistance services to SMEs; - to increase Romanian SMEs' management skills and productivity.</td>
<td>- business counselors and SBD agents; - small private companies.</td>
<td>The business centers where the Volunteers are assigned have to be part of the national network of SBDC and provide counseling services to private SMEs.</td>
<td>- advise to Romanian counterparts; - training programmes for Romanian counselors and government SBD experts; - seminars and conferences for SMEs (sponsored by Peace Corps) in fields such as: banking and finance, marketing, customer services, tourism, exporting, etc..</td>
<td>National</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Besides Peace Corps and local communities' financial contributions to support the Volunteers' activity in Romania, USAID granted an amount of $75,000/year for the programme.

20 business centers and chambers of commerce have been assisted up to now and 14 new Volunteers started their activity in new centers, this September. Over 300 Romanian counselors and SBD agents participated in the training events organized by Peace Corps Volunteers (29 seminars and courses in two years). A regional conference sponsored by Peace Corps and USAID, was organized in September last year. The conference on "Marketing Network in Eastern and Central Europe" brought together SBD specialists from 10 Eastern and Central European Countries that discussed communication alternative and business exchange opportunities.
### Information Schemes

- **“Business Assistance Sources” Catalogue**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide entrepreneurs with information on sources of assistance available in Romania.</td>
<td>- SMEs; - business centers and other SME support institutions.</td>
<td>A catalogue containing information on: - international assistance programmes in Romania; - government institutions with specific roles for the privatization process; - services offered to SMEs by foreign embassies in Romania; - assistance provided by chambers of commerce; - other SME support institutions; - financial assistance schemes; - insurance companies; - joint-ventures; - advertising companies; - specialized publications; - scholarships.</td>
<td>National</td>
<td>17,300 US$</td>
<td>The catalogues have been published and distributed free of charge to entrepreneurs, business centers and other support institutions.</td>
</tr>
</tbody>
</table>
### Business Information Center

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
</tr>
</thead>
</table>
| To provide companies' access to business information. | Romanian small, medium and large companies. Foreign companies that look for Romanian business partners. | On-line access to SIMFOCAM commercial database of the Chamber. Information available on:  
- company profile;  
- business opportunities;  
- domestic and international trade fairs and exhibitions;  
- branches of foreign companies in Romania;  
- useful addresses (in country or abroad);  
- cooperation projects;  
- domestic and international auctions;  
Access to foreign data-bases:  
- Italian and French National Business Registers;  
- 130,000 importing/exporting companies from Italy, France, Spain, Portugal;  
Access to EU-BRE, IBCC Net, Internet, E-mail.  
Business publications:  
- "Profitable Businesses' Catalogue" - in Romanian;  
- "Business in Romania" - in English;  
- "Business Events in Romania" - in English and Romanian. | National |
**Communication Network on Business Opportunities in Romania and in the European Union**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Priority area</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to design a national network for collecting and disseminating information about</td>
<td>- Romanian entrepreneurs</td>
<td>- current information on business opportunities;</td>
<td>National</td>
<td>Growth</td>
<td>9,750 ECU out of which 70%</td>
<td>Over 100 companies received information</td>
</tr>
<tr>
<td>domestic business opportunities;</td>
<td>- Business associations and advisory centers</td>
<td>- the Information Bulletin.</td>
<td></td>
<td></td>
<td>granted by CRIMM and 30% by the</td>
<td>up to now.</td>
</tr>
<tr>
<td>- to draft, publish and distribute an Informational Bulletin;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Chamber.</td>
<td></td>
</tr>
<tr>
<td>- to connect the national network to the BRE's database in Brussels.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
- INFOTIN Programme

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>To provide teenagers with information on business start-ups opportunities.</td>
<td>Young would-be entrepreneurs.</td>
<td>Access to data bases with information on business opportunities.</td>
<td>25 judets</td>
<td>1 billion lei</td>
</tr>
</tbody>
</table>
**Improve sector image and Romanian SMEs internationalization**

**Special promotion activities**

- **Image Building and Promotion in Favour of SMEs**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to raise awareness on SMEs' important role; - to promote Romanian SMEs' activities domestically and abroad; - to promote the services provided to SMEs by CRIMM, local Business Centers and BICs.</td>
<td>- Romanian private SMEs; - would-be entrepreneurs and the public in general; - governmental and non-governmental organizations;</td>
<td>Seminars, conferences on SMEs, programs on the national radio or TV broadcast about support services for SMEs; articles on important newspapers or specialized magazines on SBD; published advertising brochures for business centers, BICs and activities developed by them.</td>
<td>National</td>
<td>150,000 ECU</td>
<td>There have been organized several meetings with the press and governmental/non-governmental organizations to promote SMEs role for the economic development of Romania. During several TV public appearances and Radio broadcast programs CRIMM Foundations presented SMEs in Romania and the services provided by BICs and local Business Centers. Feature articles and news about SMEs sector's situation were published in national daily newspapers and economic magazines.</td>
</tr>
</tbody>
</table>
- **Romanian Development Agency Journal**

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>National coverage</th>
<th>Budget</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- to create a direct link between entrepreneurs and RDA;</td>
<td>- entrepreneurs; - business centers; - chambers of commerce; - governmental or non-governmental institutions.</td>
<td>Information on services available to SMEs, on Companies activities, business contacts and newly issued legal documents.</td>
<td>National</td>
<td>33.3 mil. Lei for the 3rd and 4th quarters 1995.</td>
<td>To date 7 issues have been published and distributed.</td>
</tr>
</tbody>
</table>
- The Balkan Center for Cooperation among SMEs

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What is offered</th>
<th>Coverage</th>
<th>Priority area</th>
<th>Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>The goal of the Center is to promote cooperation among SMEs in the region.</td>
<td>Private SMEs of the 5 member countries.</td>
<td>- information on business opportunities in the member countries;</td>
<td>Regional</td>
<td>Expansion; exporting.</td>
<td>30 mil. Lei</td>
</tr>
</tbody>
</table>
• "Good Morning Romania" Campaign

<table>
<thead>
<tr>
<th>Objectives of the scheme</th>
<th>Target groups</th>
<th>What was offered</th>
<th>National coverage</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>To raise public awareness on private sector role in the reform process.</td>
<td>- central and local authorities; - private SMEs and large companies; - the public, in general.</td>
<td>- a series of 5 seminars on economic issues of the transition period, assistance for the private sector, government policy to support the private sector growth. The seminars brought together representatives of the private sector, government bodies and support institutions. Issues were discussed and solutions envisioned. - TV and radio Broadcasting Programmes on privatization and success stories of the private sector; - newspaper articles on private sector role in the Romanian economy.</td>
<td>National</td>
<td>The seminars were beneficial for both private sector representatives and government support institutions. The entrepreneurs could meet policy makers and express their problems and needs. They also got in contact with assistance programmes representatives; The TV and Radio had a big impact on improving private sector image to the public.</td>
</tr>
</tbody>
</table>