

F.A.T.E. From Army to Entrepreneurship STRUCTURE OF A CONTEXT ANALYSIS

1. ANALYSIS OF THE ECONOMIC CONTEXT

1.1 Overview of the economic-entrepreneurial context at regional and county levels

ROMANIA

Type of economy

Since early 1990, Romania has had a free market economy despite continuing government presence in the industrial sector. Successive governments have taken steps to liberalise and privatise the economy. Romania sits on the crossroads of many historic trade routes that allow access to another 200 million consumers within a 1,000-km radius of Bucharest. The main channels of these routes are the Danube river and the port of Constanta, one of the largest ports on the Black Sea, which is linked to the North Sea by a new navigation route through the Rhine-Main-Danube Canal. Romania has a large skilled workforce experienced in areas such as engineering and manufacturing and cheaper labour costs compared to many other East European countries.

Many of the country's big cities boast of a large industrial infrastructure, which along with Romania's considerable natural resources offer substantial potential for exploitation and development.

Main macroeconomic trends

Like many countries in Eastern Europe and the former Soviet Union, Romania had been struggling to turn its command economy into a market economy. Successive governments have found it difficult to turn the economy around because of a lack of hard currency and the inability to secure external funds due to the country's high budget deficits, much of it accrued from financing loss-making state industries. Old economic and financial structures have been slow to change just like the bureaucratic culture inherent in many old institutions. In the last years, the overall business climate has improved and the economic indicators look healthier.

Table 1: Growth and associated factors

	UM	2005	2006	2007	2008
GDP growth	%	4,2	7,9	6,2	7,1
Final consumption	%	8,9	9,4	9,6	8,0
Gross Fixed Capital Formation	%	15,3	19,9	29,0	19,3
FOREIGN TRADE AND INVESTMENT					
Exports FOB	Mil. Euro	22255	25850	29549	33614
Imports FOB	Mil. Euro	30061	37609	47371	51813
Trade balance	Mil. Euro	-7806	-11759	-17822	-18199

	UM	2005	2006	2007	2008
Merchandise trade balance as % of GDP	%	-9.8	-12.0	-14.4	-13.4
Exports	%	27.9	26.4	23.9	24.6
Imports	%	-37.7	-38.4	-38.3	-38.0
Current account deficit	Mil. Euro	-6888	-10156	-16677	-16877
Direct Investments	Mil. Euro	5237	8723	7047	9237
INFLATION					
CPI (average)	%	9,0	6,56	4,84	7,85
EMPLOYMENT					
No. of employees in economy	Thou. pers.	4559	4667	4885	4737
Unemployment	Thou. pers	523	460	367	403
Unemployment rate	%	5,9	5,2	4,3	4,0
EXCHANGE RATE					
RON/EURO (average)	-	3.6234	3.5245	3.3373	3.6827
RON/USD (average)	-	2.9137	2.8090	2.4383	2.5189

Source: INS; BNR; The National Agency for Employment.

Table 1 shows the major macroeconomic development during 2005-2008

Over the period of reference Romania's economy grew steadily. In year 2005 GDP grew by 4.2% as against 2004 and in 2008 GDP growth was 7.1% as against the previous year. Imports and exports grew at different rates leading to the lopsided balance of payment and to the deficit of the current account.

Leading sectors of the Romanian economy

Manufacturing and engineering are Romania's backbone industries. The country also possesses substantial energy resources and agricultural land. Most sectors of the economy remain under-exploited and offer great potential, particularly manufacturing, agriculture and tourism. The technology sector continues to play an increasingly important role in the economy due to the high level of skill among its workers and rather low wage costs. The real estate sector also offers significant growth opportunities.

Government-owned industries and privatisation

Romania's government has reaffirmed its commitment to privatise the remaining state-owned companies, particularly those in energy, heavy industry, pharmaceuticals and utilities. The relevant privatisation strategies are formulated, approved and executed every year by the concerned ministries in collaboration with the state privatisation authority, the Authority for the Disposal of State Assets (AVAS). Most of the companies up for privatisation are listed on the two major capital markets – Bucharest Stock Exchange and RASDAQ.

Privatisation is often carried out on these markets through electronic auction, public equity offer and/or firm commitment underwriting. Moreover, in the case of big state-run companies undergoing privatisation, direct negotiations are a common practice.

Last year, foreign investors showed a special appetite for the automotives sector, electronics and household appliances, construction, pharmaceuticals and bio-diesel production. Automotives was appealing to investors

because of its long tradition in Romania. Production of consumer electronics and household appliances benefits from the ample availability of skilled workforce. The construction sector flourished due to the continuing boom in the real estate market and bio-diesel production benefited from large areas put to fuel-yielding crops.

The Information Technology and Communications (IT&C) sector has also attracted foreign investment due to the availability of highly qualified IT specialists.

Foreign direct investment

Sectors that attracted foreign investment in recent years include oil and natural gas, automotives, metallurgy, banking and finance, food processing, heavy engineering, telecommunications, construction and consumer goods manufacturing. Investors have expressed interest in newly-privatised industries as well as in greenfield projects. The FDI within greenfield projects were over 42%.

Table 2. Foreign direct investments attracted by Romania during 2004-2008

Eur million

	2004	2005	2006	2007	2008e
TOTAL FDI inflow	9258	21885	34512	47139	36641
Industry	6223	10689	15155	19621	24087
Services	3035	11196	19357	27518	12554
Foreign direct investment balance, as % of GDP	...	6.6	8.9	5.7	6.8
Structure of the total FDI, %					
TOTAL FDI inflow	100	100	100	100	100
Industry	67.2	48.8	43.9	41.6	65.7
Services	32.8	51.2	56.1	58.4	34.3

Source: <<http://arisinvest.ro/en/why-romania/fdi-statistics/>>

FDI per capita in 2008 (Euro) was slightly above 2,000 euros

Foreign direct investment (FDI) plays a key role in the globalisation process and is an important element affecting international relations .

Table 3. The structure of the Foreign direct investments attracted by Romania during 2004-2008

Per cents

	2004	2005	2006	2007	2008
TOTAL	100.0	100.0	100.0	100.0	100.0
Industry	67.2	48.8	43.9	41.6	65.7
Services	32.8	51.2	56.1	58.4	34.3

The foreign trade activities

In 2008 the total exports were over 33.6 billions Euro and the imports were over 51.8 billions Euro. During 2004-2008 the foreign trade activities increased continuous, but the evolution of the imports was over the exports ones (see the table no.1). In this context the trade balance was negative; the trade deficit increase from 7.8 billions Euro to 18.2 billions Euro.

Table 4. The External trade in goods, 2007

	Extra EU-27	Intra EU-27
EU-27	2665.80	5218.03
Euro area	2010.99	3908.78
Romania	22.98	57.39

Source: Eurostat (ext_It_intratrd)

Most of Romania's trade is orientated to the EU (71.4% of the total volume in 2007, by 5.2% higher than the average external trade of the EU-27).

The number of employees

The number of employees in the Romanian economy increased by 3.9% (from 4559 thousands persons in 2004 to 4737 thousands persons in 2008).

The number of unemployed was 403 thousands persons in 2008. The rate of unemployment decreased from 5.9 per cent in 2004 to 4.4 per cent in 2008.

* * *

In the last IMF Report for Romania the decline of economic activity was deep influenced by the world financial economic crisis. The real GDP was contracted with 7.6% during the first half of the year 2009, faced to 2% per cent estimate due to the high decrease of the domestic supply, especially of the consumption.

1.2. SOUTH REGION - MUNTENIA (NUTS II)

The municipality of Alexandria is situated in the South Development Region, as its name indicates in the South part of Romania, with a surface of 34,453 sqkm (14.45% from the country' surface), composed by 7 counties (Arges, Calarasi, Dambovita, Giurgiu, Ialomita, Prahova and Teleorman). In the South, the region has an external border with Bulgaria. The relief is characterized by the predominance of the low altitude relief: plains and watermeadows-70.7%, hills-19.8% and about 9.5% mountains.

In 2005, the **total population** of the seven counties was of 3,329,762 inhabitants, which represented 15.3% of the total Romanian population. The population density is 96.6 inhab/sqkm, a higher value compared to the national average (90.7 inhab/sqkm). The urbanization level is 41.7%, below the national average, because, except Prahova County, the majority of the population lives in rural areas.

The South Region had, in 2005, a settlement network composed of 48 cities (out of which 16 municipalities), 517 communes and 2018 villages. Most of the cities (32) have less than 20,000 inhabitants, most of them with a poor urban infrastructure, similar to the rural areas. There are only 2 cities over 100,000 inhabitants (Ploiesti and Pitesti). The territorial distribution shows a large concentration of the cities in Prahova county (14) and more reduced in Giurgiu (3).

4

Regional economy

In 2004, the regional GDP registered 2,447 euro/inhabitants (2,932.8 euro/inhab the national value). At county level, the highest values are registered in Arges (3,071 euro/inhab) and Prahova (2,696.9 euro/inhab), while the most reduced is registered in Calarasi (1,748.2 euro/inhab). The essential characteristic of the region is represented by the partition in two subareas with different socio-economic and geographic individualities.

The high level of industrialization characterizes the northern part of the region (Arges, Dimbovita and Prahova counties), Prahova ranking first in the country, as it regards the industrial production. The main problems that characterize this area are linked to the industrial units decline, which generates a high unemployment rate. The **closing down** of certain economic units in mono-industrial areas determined the development of serious social problems, especially in some mono-industrial urban localities: Mizil, Moreni, Plopeni, Urlați, Costești and Câmpulung Muscel.

The southern part of the region (Călărași, Giurgiu, Ialomița and Teleorman) is traditionally **underdeveloped**, representing **the second poverty area in Romania** (the first being in North East Region). This area is characterized by the predominance of the population occupied in agriculture. Also, the component counties are characterized, as relief, by the predominance of plain. In the '70s, the whole area supported an artificial industrial development. Currently, the area is affected by the severe impact of the transition process towards the market economy, through the closure down of the majority of the representative industrial units. This situation characterizes all the county capitals and the neighbouring areas of the next cities: Turnu Măgurele, Zimnicea, **Alexandria**, Videle, Giurgiu, Oltenița, Călărași, Slobozia and Fetești.

Table 5: Population of the South Region (NUTS II) at the end of the year

	2004	2005	2006	2007	2008
Number	3342042	3329762	3312342	3300801	3284525
Evolution, %	100	99.6	99.1	98.8	98.3

Source: National Institute of Statistics

Areas in difficulty

The industrial restructuring of the last 15 years generated the closing down of some industrial units in mono-industrial areas, leading to severe social problems in the adjacent areas of the localities: Mizil, Plopeni, Urlați, Valea Călugărească, Șotânga, Costești, Stoieniști și Câmpulung Muscel - in northern counties, but also in some localities in southern counties: Turnu Măgurele, Zimnicea, **Alexandria**, Videle, Giurgiu, Oltenița, Călărași, Slobozia și Fetești.

The economic-social problems appeared also within rural localities focused on mining industry, located in the Subcarpathians area, some (Filipești and Ceptura) being declared in the past as problem areas in order to encourage the investments by offering fiscal advantages. Unfortunately these measures had a reduced socio-economic impact on the localities, still needing ample actions for socio-economic growth.

The fifth industrial restructuring area was identified within South Region. Located in North – West region, the areas include also the towns of Arges (Costești, Colibași, Câmpulung Muscel, Curtea de Argeș, Pitești and Topoloveni) and Dambovita (Fieni, Găești, Moreni, Pucioasa, Târgoviște and Titu) counties.

Development potential

South Region has an important economic development potential, differentiated between the northern and the southern parts of the region. Thus, in the northern part there are underground resources represented by oil and natural gas, coal, salt, which, through processing and trading could increase the added value in the region. On the other hand, in the southern part of the region there are large agricultural areas that can contribute to the specialized agricultural development, according to the local pedological conditions.

The industry contribution to the regional GDP is over 30%, especially if is taken into consideration the share of the chemical and petrochemical industry (Prahova and Arges), machines, transport equipments, construction materials (Prahova, Arges and Dimbovita), textiles, confections and food industry. Ploiesti, Pitesti and Targoviste cities act both as growth development poles and as polarizing centers for new industrial activities, besides the existing traditional activities, including the foreign investments.

The industry represents the most important economic sector of the region, if it is considered that the industrial enterprises realized 45.9% from the total regional turnover (2003). At county level, the highest industrial turnover is realized in Prahova (38%) and Arges (33.3%), the last county being Calarasi (4%). There are 11 industrial, scientific and technologic, tourist and leisure parks (which represent 30% of the total number of parks), 5 of them being located in Prahova County.

The agricultural potential of the region in general and of the southern part especially is very important (71.1% from total area is represented by agrarian land, out of which 80.2% arable land). There are also important foreign investments in the Region: Renault – Pitesti, Holcim – Campulung Muscel, Samsung COS – Targoviste.

GDP of the South Region in 2008 was of 17,517.1 million eur, lower than in the previous years. Gross GDP per capita (PPP) was of 5,333 euro by 12.5% lower than in 2004.

Table 6: Economic context of the South Region Muntenia (NUTS II)

	2004	2005	2006	2007e	2008e
Regional GDP (mil RON)	59472.2	36322.1	44301.4	56505.29	63192.36
Total Regional_GDP (mln Eur)	20368.7	21801.5	25139.1	16466.9	17517.1
Regional GDP per capita PPP (RON)	17795	10908	13375	17119	19239
Regional GDP <i>per capita PPP (Eur)</i>	6095	6547	7590	4989	5333
Regional gross domestic product - PPS per inhabitant in % of the EU-27 average	28.1	29.1	32.1	33.8	35.9

Compared to the regional GDP of EU27, GDP in the South Region accounts for 35.9%. Between 2004-2008 there was a certain trend of increase of the share of regional GDP in the European average (by 7.8 percentage points).

Table 7: Structure of regional GDP of South Region Muntenia. Total=100

	2004	2005	2006	2007e	2008e
Agriculture	9.7	11.2	9.9	9.8	9.7
Industry	15.0	30.4	32.5	26.7	26.7
Services	75.3	58.4	57.6	63.5	63.6

Source: National Institute of Statistics; National Bank of Romania; Eurostat.

The structure of South Region in 2008 was: services – 63.6%, industry – 26.7%, agriculture – 9.7%.

The turnover of enterprises in the South Region, in 2008, was over 28 billion euros, an increase of 94.3% as against 2004.

The structure of the turnover in 2008 was as follows: 48.6% in industry, 51.4% in services. Over the period mentioned, the share of industry in turnover declined in favour of services.

Table 8: Total turnover of South Region Muntenia

	2004	2005	2006	2007	2008
Total turnover (mln RON)	51077	64090	77103	90116	103129
Total turnover (mln Eur)	14411	17688	21876	27003	28004
% of SME turn./Total Turn	52.0	52.6	53.3	56.1	57.3
<i>Of which:</i>					
SME per sectors (%):			100	100	
Agriculture			0	0	...
Industry	22.4	23.5	...
Services	77.6	76.5	...

Source: National Institute of Statistics

The share of the turnover of SME's in the total turnover was 52.0% in 2004 and 57.3% in 2008. Most of their turnover – 76% - was registered in services.

Table 9: Structure of total regional turnover

	2004	2005	2006	2007	2008
Total	100	100	100	100	100
Industry	52.8	55.1	53.5	49.8	48.6
Services	47.2	44.9	46.5	50.2	51.4

Source: National Institute of Statistics

In average, the structure of the SMEs turnover in 2007 was: 23.5% in industrial activities, 76.5% in services.

Table 10: Total turnover of SMMs from South Region Muntenia – by number of employees, between 2006-2007

Activities (by sections of NACE Rev. 1)	Total	Of wich: By range, by number of employees		
		0-9	10-49	50-249
2006				
Total	100	100	100	100
Industry	22.4	7.7	18.9	39.3
Services	77.6	92.3	81.1	60.7
2007				
Total	100	100	100	100
Industry	23.5	7.3	21.4	39.9
Services	76.5	92.7	78.6	60.1

Source: National Institute of Statistics

The analysis of the turnover of SMEs by number of employees shows the following: SMEs with up to 9 employees are mainly orientated towards services (with 92.3% of the total turnover in 2007); the size of the turnover diminishes as the SME grows.

In 2008 the **total number of employees** in the South Region was 596 thousand persons, with an increase of 4.3% as against 2004. By main sectors it breaks down to: 5.2% in agriculture, 42.0% in industry, 52.8% in services. Over the analyzed period the share of persons employed in agriculture increased by 0.4 percentage points and in industrial activities by 1.4 percentage points, while in services it decreased by 1.8 percentage points.

Table 11: Number of employees in South Region Muntenia

	2004	2005	2006	2007	2008
Total employment (.000)	570.5	571.1	566.5	597.0	595.8
<i>Employment per main sector:</i>					
Sector A – agriculture (%)	5.3	5.4	5.0	4.4	5.7
Sector B - industry (%)	43.9	41.8	40.3	38.5	45.4
Sector C – services (%)	50.8	52.8	54.7	57.1	49.0
Value added per employed (Eur)	49727	56383	68984	72145	80783
Average gross wage (RON)	770	952	1111	1295	1305
Average gross wage (Eur)	217	263	315	388	354
Average net wage (RON)	579	716	835	974	981

	2004	2005	2006	2007	2008
Average net wage (Eur)	163	198	237	292	266
Unemployment	94685	93142	81209	65517	58779
Unemployment rate (%)	7.4	7.3	6.3	5.1	4.55

Note: about 75-80% are paid unemployed, about 10-15% are paid unemployed
Source: National Institute of Statistics

In 2008 in the South Region was 80.8 thou. euro. As compared to year 2004, the **added value per employed person** increased 1.6 times.

The average gross wage in the South Region was of 217 euro per month in 2004 and of 354 euro per month in 2008. Directly linked to the gross wage, the average net wage was of 183 euro in 2004 and of 266 in 2008.

The number of registered unemployed was of 58.8 thou persons in 2008, decreasing by 37.9% as against 2004.

Unemployment rate was 4.55% in 2008, diminishing by 2.85 percentage points as compared to 2004.

Traditional economic sectors in the South Region Muntenia:

- Petro-chemistry equipment
- Petro-chemical products
- DACIA and ARO car production
- Vegetal agricultural products
- Meat production
- Mountain tourism

Comparative advantages of the Region

- Good coverage by telecommunication networks
- The international airport Henry Coanda
- The complex road network: sectors of the Euro Corridors IV and IX, of the motor ways A1 and A2, a number of roads of national and European rank.
- Skilled cheap labour force
- Agricultural land available for eco-agriculture.

1.3. SHORT PRESENTATION OF TELEORMAN COUNTY (NUTS III) PART OF THE SOUTH REGION

COUNTY ECONOMIC CONTEXT

The average population of Teleorman County over the last years was of 417.5 thou inhabitants, i.e. 12.6% of the region's population. The overall trend is of decrease: between 2004 and 2008 the total population decreased by 4.8%.

Table 12: Evolution of the population in Teleorman County (NUTS III)

	2004	2005	2006	2007	2008
Population, end of the year, number	427745	422314	417183	413064	407377
% in the South Region Muntenia	12.8	12.7	12.6	12.5	12.4
Evolution, %	100	98.7	97.5	96.6	95.2

Source: National Institute of Statistics

GDP of Teleorman County was in 2008 of 1310.1 million eur, on an increasing trend, by over 3 percentage points between 2004 and 2008. In 2008 GDP of Teleorman County accounted for 7.5% of the regional GDP. GDP per capita in Teleorman County (ppp¹) was of 3216 euro in 2008, by 51.8% smaller than in 2004.

Table 13: Economic context of Teleorman County (NUTS III)

	2004	2005	2006	2007e	2008e
GDP (mil RON current price)	3212.1	3402.1	3847.0	4369.1	4824.6
GDP (mln Eur)	906.3	938.9	1091.5	1309.2	1310.1
% of regional GDP	4.45	4.31	4.34	7.95	7.48
GDP per capita PPP (Eur)	2119	2223	2616	3169	3216
% of county GDP in regional GDP	34.8	34.0	34.5	63.5	60.3

Source: National Institute of Statistics; National Bank of Romania

Foreign trade was positive over the whole analyzed period, imports accounting for an average 50% of exports. However, we can notice a steady increase of imports (accounting for 43.1% of exports in 2004 and reaching 60.2% in 2008); in 2008 imports and exports decreased by 10.2% and 35.6% respectively and as a result the trade balance diminished by almost 55% (from 121 million euro in 2004 to 55 million euro in 2008).

Table 14: Foreign Trade in Teleorman County (NUTS III)

	Million euro				
	2004	2005	2006	2007	2008
Import of goods	91.87	89.52	87.18	84.83	82.49
Export of goods	213.01	194.02	175.04	156.06	137.08
Trade balance	121.14	104.50	87.87	71.23	54.59
Evolution, %					
Import of goods	100	97.4	94.9	92.3	89.8
Export of goods	100	91.1	82.2	73.3	64.4
Trade balance	100	86.3	72.5	58.8	45.1

Source: National Institute of Statistics; National Bank of Romania;

¹ Purchasing power parity

GDP per capita in Teleorman County accounts for 60.3% of the regional GDP.

In 2008 there were 5,319 **active companies**, an increase of 23.1% as against 2004. The total number of SMEs in 2008 was 5,061, representing 95.2% of the total number of active companies. The dynamics of the SME sector was higher than that of the total active companies.

Table 15: Number of companies in Teleorman County, 2004-2008

	2004	2005	2006	2007	2008
No. of active companies	4319	4552	4796	5080	5319
Out of which no. of active SMEs	3779	4023	4297	4582	5061
% SMEs in total active companies	87.5	88.4	89.6	90.2	95.2
Evolution of the no. of active companies, %	100	105.4	111.0	117.6	123.1
Out of which evolution of no. of active SMEs	100	106.5	113.7	121.2	133.9

Source: Territorial statistics

The structure of the active companies in Teleorman County is as follows: in agriculture – 7.78%, in industry – 9.53%, in services – 82.7%. Manufacturing industry accounts for the greatest share of industrial units, and retail and gross trade, car and motorcycle maintenance and repair account for the greatest share of services (58.01).

Table 16: Structure of the active units in Teleorman County by size and type of activity In 2008

Activities	Total	of which categories of size by no of employees			
		0-9	10-49	50-249	250 and over
Total	100.00	100.00	100.00	100.00	100.00
Agriculture	7.78	7.28	13.30	8.42	5.26
Industry	9.53	7.46	20.69	48.42	73.68
Mining Industry	0.16	0.04	0.49	2.11	10.53
Manufacturing Industry	9.13	7.35	19.95	37.89	63.16
Electric and thermal energy, natural gas, water	0.24	0.07	0.25	8.42	0.00
Services	82.70	85.26	66.01	43.16	21.05
Construction	5.02	4.65	6.90	14.74	5.26
Retail, car and motorcycle, house appliances repair and maintenance	58.01	60.35	44.58	14.74	0.00
Hotels and restaurants	3.70	3.86	2.96	0.00	0.00

Activities	Total	of which categories of size by no of employees			
		0-9	10-49	50-249	250 and over
Transport, storage and communications	4.86	4.89	4.43	3.16	15.79
Real estate, leasing and industrial services	7.46	7.74	4.43	8.42	0.00
Education ¹⁾	0.35	0.39	0.00	0.00	0.00
Health and social assistance ¹⁾	1.75	1.84	1.23	0.00	0.00
Other collective, social and personal services	1.54	1.54	1.48	2.11	0.00

¹⁾ Includes only local units organized as commercial companies

The structure of SMEs by size

Tabel 17: The Structure of active SME's from Teleorman County, on size category, in 2008
- per cent -

Activities	Total	of which: by categories of size according to the no of employees		
		0-9	10-49	50-249
Total	100,00	100,00	100,00	100,00
Agriculture	7,79	7,28	13,30	8,42
Industry	9,29	7,46	20,69	48,42
Mining Industry	0,12	0,04	0,49	2,11
Manufacturing Industry	8,93	7,35	19,95	37,89
Electric and thermal energy, natural gas, water	0,24	0,07	0,25	8,42
Services	82,93	85,26	66,01	43,16
Construction	5,02	4,65	6,90	14,74
Retail, car and motorcycle, house appliances repair and maintenance	58,23	60,35	44,58	14,74
Hotels and restaurants	3,71	3,86	2,96	0,00
Transport, storage and communications	4,82	4,89	4,43	3,16
Real estate, leasing and industrial services	7,49	7,74	4,43	8,42
Education ¹⁾	0,36	0,39	0,00	0,00
Health and social assistance ¹⁾	1,76	1,84	1,23	0,00
Other collective, social and personal services	1,54	1,54	1,48	2,11

¹⁾ Includes only local units organized as commercial companies

The turnover registered in 2008 by the companies of Teleorman County was over 1101.3 Meuro, up by 4.6% from 2004.

The structure of the turnover in 2008 was as follows: 36.2% in industry, 63.8% in services. Over the analyzed period there was a slight decrease of the share of industry in favour of services.

Table 18: Total turnover of Teleorman County

	2004	2005	2006	2007	2008
Total turnover (mln RON)	3730.8	3812.6	3894.3	3975.0	4055.7
Total turnover (mln Eur)	1052.6	1052.2	1104.9	1191.1	1101.3
Structure of the Total turnover, %					
Total	100	100	100	100	100
Industry	39.6	42.4	41.0	53.1	36.2
Services	60.4	57.6	59.0	46.9	63.8

Source: National Institute of Statistics

In 2008 employed population was 52.6 thou persons, down by 5.6% as compared to 2004. By main sectors of activity: 9.5% in agriculture, 36.9% in industry, 53.6% in services. To be noted that population employed in agriculture declined by 1.14 percentage points and in services by 0.31 percentage points, while it increased by 1.45 percentage points in industry.

Table 19: Employment in Teleorman County

	2004	2005	2006	2007	2008
Total employment (.000)	55.737	56.126	54.562	56.900	52.619
<i>Employment per main sector:</i>					
Sector A – agriculture (%)	10.3	10.1	9.4	8.4	9.2
Sector B - industry (%)	38.5	38.1	35.0	32.9	40.0
Sector C – services (%)	51.1	51.7	55.6	58.7	50.8
Value added per employed (Eur)	143612	158325	203201	226830	198267
Average gross wage (RON)	745	890	1011	1119	1254
Average gross wage (Eur)	210	246	287	335	340
Average net wage (RON)	560	669	760	841	943
Average net wage (Eur)	158	185	216	252	256
Unemployment	13860	15504	14269	12552	15011
Unemployment rate (%)	8.0	8.9	8.2	7.3	9.1

Note: about 75-80% are paid unemployed; about 10-15% are unpaid unemployed.

Source: National Institute of Statistics

In 2008 **added value per employed person** in Teleorman County was 198.3 thou. eur (an increase of 38.1% as compared to 2004).

Gross **average wage** was 210 euro per month in 2004 and 340 euro per month in 2008. Directly related are net wages: 158 euro/month in 2004 and 256 euro/month in 2008.

Unemployment in 2008 was of 15,000 persons, an increase by 8.3% from 2004. The breaking down this total shows the highest share detained by persons with primary education (84.6%) followed by those with secondary education (13.1%); these are the categories that kept increasing over the period 2004-2008.

Table 20: Unemployment by level of education in Teleorman County

	2004	2005	2006	2007	2008
Primary	83.6	84.7	84.9	85.0	84.7
Secondary (vocat. or else)	12.5	12.8	13.2	13.4	13.5
Tertiary (university)	3.9	2.5	1.9	1.6	1.8

Source: National Institute of Statistics

Unemployment rate was 9.1% in 2008, the double of the regional rate.

2. ANALYSIS OF THE POLICY FRAMEWORK for SME's

Over the period 2000-2007 Romania's economy grew steadily (see above at context analysis). From 2007 the private sector and its sub-sector of SME's benefited from propitious conditions so that the contribution of the private sector to GDP grew from 65.6% in 2000 to 71.2% in 2007.

The 2007 Report on the activity of SMEs showed that up to 2007 the SME sector has developed both as number of active SMEs and structure by size categories and economic sectors.

Table 21: Number of active SMEs between 2000-2007 by size

Category	2000	2001	2002	2003	2004	2005	2006	2007
Micro	375,804	374,255	377,499	417,366	358,787	386,561	410,763	431,029
Small	29,121	30,340	30,231	33,856	36,392	39,128	43,419	47,022
Medium	7,504	7,737	7,761	8,147	9,121	9,158	9,322	9,577
Total	412,429	412,332	415,491	459,369	404,300	434,847	463,504	487,628

Source: National Institute of Statistics, Ministry of Economics and Finance, Ministry of SMEs

Table 1 shows an increase of 18.2% of the number of SME between 2000 and 2007

Table 22: Number of active SMEs by sectors of activity

Sector	2000	2001	2002	2003	2004	2005	2006	2007
Agriculture & forestry	9,925	10,720	10,523	13,704	11,746	11,958	12,859	14,036
Industry, energy	45,719	47,693	52,923	59,555	54,993	55,718	56,873	59,492
Construction	11,808	13,402	18,842	24,542	25,197	29,265	34,757	45,896
Services	344,977	340,517	333,203	361,568	312,364	337,906	359,015	368,204
Total	412,429	412,332	415,491	459,369	404,300	434,847	463,504	487,628

Source: National Institute of Statistics, Ministry of Economics and Finance, Ministry of SMEs

It is to be mentioned that the most active sector was that of construction, where the number of active SMEs increased 4 times between 2000-2007.

The main conclusions of Tables 21 and 22 are:

- Most of the medium size SMEs are in the industrial sector; the average size of an industrial SME being bigger than in other sectors; in this sector SMEs need higher capital investment and a larger number of skilled employees;
- 78.6% of micro SMEs are in the services sector;
- In services, especially in retail, there are mostly micro- enterprises (92%); many of the micro-enterprises function as market-intermediaries, as partners or sub-contractors; their large number is due to the development of a new category of services provided to companies, based on contracts of service provision;

The evolution of active SMEs in the **service sector** is significant for the whole economy of the country. From a statistical point of view, the service sector is divided in four sub-sectors, i.e. **commerce, tourism, transport, communications and other services of specific evolution.**

On the whole, the number of SMEs in retail keeps decreasing continuously and significantly, its share declining from 73.6% in 2000 to 52.5% in 2007.

Tourism is less dynamic although its share increased from 4.1% in 2000 to 6.1% in 2007. On the other hand, the share of the sub-sector of other services jumped from 17.8% in 2000 to 31.7% in 2007. The overall picture shows the switch to fields of higher added value, such as transport and communications (e.g. from 4.8% to 9.7% between 2000 and 2007). The decline of the retail sector and the development of other services is an indication of the **existing development potential for SMEs with a higher added value.**

Legal framework

The main legal acts regulating the activity of SMEs are:

- Emergency Ordinance no 139/2007 amending Law no 346/2004 on the development of small and medium enterprises, adopted with a view to be in line with the programmes dedicated to SMEs funding.
- Government Decision no 387/2007 on the organization and functioning of the Ministry for SMEs, Commerce, Tourism and Liberal Professions (SMECTLP)
- Order of the Minister of SMECTLP on the approval of the Regulations
- Emergency Ordinance no 94/2007 on amendments to Law on Public Procurement (reducing the ceiling for tendering).

Institutional framework

At central level the activity of SMEs is coordinated by the **Ministry for SMEs, commerce and business environment (SMECBE)**, The SMECBE is in charge to develop and consolidate relevant legislation in accordance with EU regulations, The development of the institutional framework for SMEs is reflected in:

- The development of “**Territorial Offices for SMEs**” (TOSME)
- Enlarging the network of National Guarantee Fund for SMEs
- Developing the post-privatisation process

One of the major tasks of the Ministry is to ensure the annual management of funds supporting SMEs – national, PHARE, structural etc., in collaboration with other institutions and bodies,

The Ministry prepared and adopted the “**Regulations for the development and functioning of Territorial Offices for SMEs**” (TOSME) located in 12 county-capitals, The TOSMEs are subordinated to the Ministry for SMEs, have judicial personalities and have the following competencies:

- developing and managing data bases concerning the respective SMEs and their activity profile;
- collaborating with the local authorities and the local business communities for the implementation of the Government Strategy in support of the SMEs
- counseling SMEs how to access the ministry’s and European programmes
- facilitating SMEs access to IT services e-governance and e-business
- providing information campaigns to develop business environment (in partnership with the Regional Development Agencies, Euro Info centres, the Chambers of Commerce etc.)
- facilitating access of SMEs to public procurement
- organizing seminars for professional training with the Ministry of Finance,

One of the major concerns of TOSME is to advise SMEs to become competitive at European level,

A special attention is given to SMEs in regions where the industrial and social infrastructure is weakened and unemployment rate is high.

Regulation and Support measures for SMEs

At national level:

The Strategic National Reference Framework (SNRF) 2007-2013 establishes priorities of intervention at national level and connections to the Structural Funds and the Strategic Guidelines for Cohesion 2007-2013 (as adopted by the Commission in 2007).

The Operational Programmes

Government Decision no 759/11.07.2007 on eligibility regulations and financing within the operational programmes.

As of 1st January 2007 Romania is eligible for EU support and financial and technical assistance from the following European funds:

- European Regional Development Fund
- Cohesion Funds
- European Social Funds
- European Funds for Agriculture and Rural Development
- European Fund for Agricultural; Guaranties
- European Fund for Fishery

The above funds can be accessed through the Operational programmes that establish country objectives and priorities, fields of intervention and actual operations as reflected in financial support schemes, Based on the National Strategic Reference Framework (NSRF) approved by the European Commission in July 2007 Romania obtained financing for nine Operational Programmes within which SMEs are supported by

Sede Legale

Via Cadorna 36
34170 Gorizia
T. +39 0481 597411
F. +39 0481 537204
informest@informest.it

P.Iva 00482060316

REA 57883

Iscrizione Reg. Persone
Giuridiche di Gorizia n.1

Sede di Trieste

Area Studi e Ricerche ISDEE
Corso Italia 27
34122 Trieste
T. +39 040 639130
F. +39 040 634248
isdee@informest.it

Sede Veneta

Piazza Zanellato 5
35131 Padova
T. +39 049 7800738
F. +39 049 7800721
sedepadova@informest.it

various management authorities (Table 1), The financial support given to SMEs takes into account **their role in the economy**, both **by size and by type of activities**, A major consideration was also the need to **make a better use of the economic potential represented by SMEs**,

Table 23: Major intervention areas for SMEs in Operational Programmes

Programme	Priority axis PA	Main intervention area IA	Implementation structure
OP Increasing economic competitiveness	PA1 - Innovative and eco-efficient production system	IA1 – Productive investments IA2 – Access to financing IA3 – Developing a sustainable entrepreneurship	Ministry of SMEs, commerce and business environment
	PA2 –RDI for competitiveness	IA1 – Research and partnership with universities, research institutions and companies IA@ - Access to ITC, especially for SMEs	National Authority for Research and Innovation
	PA3 – IT&C for public and private sectors	IA1 – Support for IT use IA2 – Developing e-economy	Ministry of Communication and IT
Regional Operational Programme	PA4 – Developing regional and local business environment	IA1 – Sustainable development of BSOs at regional and local levels IA2 – Support for micro-entreprises	Ministry for Regional Development and Housing
OP Development of Human Resources	PA3 - Increasing adaptability of employees and enterprises	IA1 – Promoting enterprise culture IA2 – Training for adaptability	Ministry for Work, Social Solidarity and Family
National Programme for Rural Development	PA1 Improving quality of life and diversifying rural economy	1 – Supporting the creation of micro-entreprises 2 – Encouraging tourism	Ministry of Agriculture and Rural Development

In dimensioning funding for SMEs their role in the economy and their development potential are being taken into account.

3. ANALYSIS OF THE BUSINESS SUPPORT ORGANISATIONS

The main BSOs are:

1. **The National Fund for Credit Guarantee for SMEs (NFCGSME)** issuing guarantees for the financing instruments used by SMEs. The NFCGSME has a partnership with Intesa Sanpaolo Romania and working agreements with 24 banks.

Eligibility conditions include: a maximum of 250 employees and a turnover of maximum 50 Meuro. Natural persons and authorized family associations may also benefit of NFCGSME guarantees.

Types of guarantees:

- to banks and other financing institutions
- short / medium / long term credits
- guarantee letters for banks
- export pre/financing
- lines of credit

Applicant SMEs have to address directly the banks or other partner financial institutions; if the respective institutions consider the project as viable but lacking enough material guarantees, the NFCGSME is requested to issue a letter of guarantee. The NFCGSME would guarantee for 80% of the total value of the credit with a single commission of 1.75%/year. So far a number of 2,500 SMEs were issued letters of guarantee.

The NFCGSME may conclude directly a guarantee agreement with an applicant SME. Based on the guarantee agreement the bank would sign the credit contract with the applicant.

2. The Chamber of Commerce and Industry of Romania (CCIR) has its HQ in Bucharest and branches in all 41 counties of Romania and in Bucharest. CCIR is the largest organisation of the business community in Romania.

CCIR is actively supporting the business community through the services provided that include: economic missions, professional training programmes, organizing seminars and debates, data bases with information and business opportunities.

After Romania's accession to the EU, CCIR disseminated relevant information for companies concerning community standards and competitiveness criteria.

The activity of the Teleorman County Chamber of Commerce and Industry and Agriculture
(established as by Law 335/2007)

Main objectives:

- Promoting local economic interests in Romania and abroad.
- Representing economic interests of individual and groups by: organizing commercial, cultural events, exhibitions, preparing studies and reports, promoting and supporting local initiatives and programmes
- Organizing professional training for specific skills
- Professional certification in business as by law
- Providing economic and commercial information for business opportunities
- Creating own data bases and information from other relevant data bases
- Issuing various certificates for business development and documents for import-export activities
- Counselling on SME creation, business plans, market studies etc.

CCIA Teleorman has a permanent skilled staff. Membership consists of over 2,000 companies.

From 1991 organizes the Annual National Fair for Agriculture and food Industry AGRALIMEX, several editions of Consumer-goods Fair ALBCO, Construction and Interior Design Fair CONSALEX and the Automobile Salon SAALEX.

CCIA Teleorman is partner of several consortia and foundations, such as Teleorman Training Center for Foreign Trade, Development Center for SMEs - Teleorman Branch, "Business School" - Teleorman Branch, etc.

CCIA Teleorman has also international partners in Kavala-Greece, in Bulgaria, Alexandria-Egypt etc.

A number of internationally financed projects had been prepared or are in progress: addressing laid-off personnel (the World Bank), management of human resources CIGRU (Phare through the Progress Program), EUROFEM managerial training for women, CT-ICE managerial training for foreign trade, training of SME managers – PIM-IMM (Phare).

CCIA Teleorman is publishing an official bulletin "Commercial Information" – a highly appreciated periodical, distributed free of charge to companies and institutions and other Chambers of Commerce.

* * *

FINAL REMARKS

The financial crisis has demonstrated how dangerous it is for cities to depend on activities which are strongly affected by short term speculative trends or for them to get locked into traditional low productivity sectors which are unable to withstand global competition. In fact, the EU's economic recovery package explicitly recognises that the future creation of long term and sustainable jobs will increasingly depend upon the ability to mobilise the innovative and creative capacity of all its citizens. In this way, the economic turmoil has given even more urgency to the fact that 2009 has been declared "European Year of Innovation and Creativity".

This identifies a series of functions that urban practitioners in institutions/ organisations concerned with urban issues together with local universities can fulfil to encourage four main processes for SMEs:

- creating new industries – forefront science and engineering research; aggressive technologies licensing policies; promote/assist entrepreneurial business (incubation services, etc.); cultivate ties between academic researchers and local entrepreneurs; creating an industry identity (participate in standard settings, etc.);
- industry transplantation (education/manpower development; responsive curricula; technical assistance for different contractors, suppliers);
- diversification of old industry into related new sectors (set-up bridges between disconnected SMM actors; filling structural holes; creating an industrial identity) and
- the upgrading of mature industry (problem solving for industry through contract research, consulting, etc.; education/manpower development; global best practices scanning; convening foresight exercises; convening user supplier forums).

The present project will provide a fund of experience for cities where there are supplementary resources for SMM activities which can be put in practice by local public institutions because they sustain long term option for the future of cities. It is necessary, at least, to follow two broad aims:

- Firstly to highlight the distinctive features which are particularly relevant for policy makers, SMM and urban practitioners in institutions/organisations concerned with urban issues;
- Secondly, to identify the common elements this might become the focus for further joint work for similar context.

For example, for to attract institutions/organisations concerned with urban issues in sustaining SMEs it is necessary:

- to analyse the main problems or challenges posed each SMM and try to show how can realise their "entry point" and their problems;

- to provide a brief summary the main conceptual tools or models used by the public institutions involved in urban issues which could be useful for other cities facing similar challenges;
- pointing out differences, similarities and the potential for collaboration;
- to show how the institutions involved in urban issues have divided their issue into different operational sub-themes – as these could become the subjects of joint articles, reports and activities;
- to organise events like “open days” with relevance for SME- and to others institutions involved in urban issues (possible themes: Innovating through EU cohesion policy; Knowledge Transfer: university and industry at work in Europe’s regions; Financing innovation with EU funding; Innovation and territorial cooperation; Innovation and Information Society, etc.).