

FACTSHEET #2

The Regional Operational Programme (ROP) 2014-2020 Support for creation and expansion of advanced production capacities and services development

1 Policy context

The European Structural and Investment Funds (ESIF) are the main source of funding for investment priorities in Romania in many sectors. The business support available in the stakeholder territory is provided through several national programmes funded by ESIF or the state budget, addressing specific SME segments and policy objectives in a complementary manner.

The ROP is a well-known programme in Romania due to the constant funding provided to SMEs starting with the pre-accession programmes that were similar to it. The 2014-2020 funding for business development aims at supporting: local economies with direct funding to support viability and development of microenterprises, productivity increase (direct funding to enterprises for investments in new technology and innovative processes and products), smart specialisation and innovation (direct funding for technology transfer), access to finance (financial instruments), business support structures development (indirect funding for incubators).

The ROP support to business development is integrated into a large range of investments in urban development, education, social and health infrastructure, local development, cultural heritage, transport infrastructures, energetic efficiency. Due to the size and the extension at the national level, the ROP has often played the role of public policy in regional development because it is the main source of funding since the Romanian accession to the EU in 2007.

The ROP 2014-2020, like its predecessor for the 2007-2013, is a central, i.e., national operational programme which aggregates the specific regional needs into a common approach. Customising a national programme on different categories of needs specific to the eight development regions was a real challenge. The implementation is decentralised and relies on the Regional Development Agencies, which have a strong role of policymaker at regional levels. They are responsible for regional development planning and contribute to the different national strategies, regional development plans and to the ROP programming.

The ROP 2014-2020 is one of the large operational programmes not only in Romania but at the level of the EU, with € 6.7 billion European Regional Development Funds (ERDF), out of which almost € 1 billion is allocated to the SMEs support (Priority Axis “Improving SME competitiveness”). The funds are channelled through grants to the business environment via three investment priorities:

- support to microenterprises;
- support to SMEs;
- creation and development of business incubators.

This factsheet is focused only on the direct support for SMEs aiming at increasing competitiveness and productivity and financed through the **ROP SO 2.2 “Improving the economic competitiveness by increasing the labour productivity of SMEs in the SMART specialisation domains”**.

The specific objective of this intervention is to improve economic competitiveness by increasing labour productivity in SMEs in the competitive sectors identified in the National Strategy for Competitiveness.

2 Support the creation and expansion of advanced production capacities and the development of services

2.1 Overview – the policy in numbers

The ROP is a national programme with regional allocation. Therefore, there are no allocations at the county level, instead SMEs at the regional level compete with themselves when for grants. The four stakeholder counties are part of two different development regions: the North-East (NE) and the South-East (SE) regions. The SMEs from Botoşani, Vaslui, Iaşi (part of the NE region) and those from Galaţi (part of the SE region) participate in the different calls for proposals organised at the regional level.

The call for proposal covering the stakeholder territory was launched in February 2018 with a budget allocation of € 172.94 M for seven regions (all except Bucharest-Ilfov, which was not eligible being the most developed of the regions). Other calls for proposals were launched for other regions but they do not cover the stakeholder territory. The allocation in total - ERDF and SB (state budget) for this investment priority was € 884.02 M at the national level. The 992 contracts that were signed in all regions summed up € 633.24 M.

The two regions (NE and SE) covering the stakeholder territory had an overall allocation of € 267.117 M. As summarised in the table below, the stakeholder territory benefited of € 45.47 M, representing 25.99 % of the funds contracted in the two regions, and 24.4% of the total number of projects funded in the NE and SE regions. The share of the stakeholder territory in this investment priority is lower than in the microenterprises support where the share was around 36%. The allocation mechanism at the regional level was as follows:

- for the call for proposals no. 102 the NE development region allocated € 30.28 M (17.5%) and the SE development region allocated € 25.70 M (14.9%).
- for the call no. 112, the SE development region allocated € 50.58 M (100%).

Table 1: Implementation data on the ROP Investment Priority 2.2.

Romania			The NE and SE regions compared to Romania				Stakeholder territory compared to the NE and SE regions			
Allocation (ERDF+SB) ¹	Contracted (ERDF+SB)	No of contracts	Contracted (ERDF+SB)	% budget	No of projects	% projects	Contracted (ERDF+SB)	% budget	No of projects	% projects
€ 884.02 M	€ 633.24 M	992	€ 174.9 M	27.6	283	28.5	€ 45.47 M	25.99	69	24.4

Source: MA ROP, administrative data at 16.03.2020

The funds contracted in the stakeholder territory within this business support mechanism amount to € 45.47 M and represent **7.18%** of the total of contracted funds at the national level.

¹ 1 Euro = 4.67 Lei. As the ROP does not have allocations at county levels, there is no allocation available for the stakeholder territory.

2.2 Intervention logic

The key problem of the Romanian business sector, which was identified in the design phase of the ROP 2014-2020, is the low competitiveness and productivity of the SMEs. The problem is reflected in the relevant strategic documents, such as the National Competitiveness Strategy, the Strategy for SMEs, the Regional Development Plans. The problem refers to the limited capacity to access funding for investments in new technology and modern equipment and in extending capacities, to adopt innovative solutions, products and services. Productivity in industry and services was at 60% of the EU average in 2009. An explanation for this is that the economy is dominated by SMEs concentrated in low value-added areas and specialising in labour-intensive activities.

Needs

- Access to finance, which allows for profitable investments for upgrading and extension;
- Investments in new technology and equipment, and in innovation facilitating increased productivity;
- Improving energy efficiency in the enterprises' processes.

The expected result of supporting SMEs is to reduce the large gap between the national and the European average of economic competitiveness by increasing labour productivity.

Actions

The non-reimbursable financial aid granted to SMEs under the 2.2 investment priority has two components:

- the regional state aid component (construction, expansion of production / service spaces; endowment with tangible, intangible assets, including online marketing tools);
- the “de minimis aid” component (implementation of the certification / recertification process of products, services or various specific processes; quality, environment or health management systems; internationalisation - participation, at international level, outside Romania, in fairs, missions trade fairs, exhibitions, etc.). The aid amounts to a maximum of 90% of the eligible amount of the “de minimis” eligible expenditure.

The minimum value of a project is € 200 000, and the maximum is € 1 M.

A project must include investment in tangible assets, financed by regional state aid (regional aid component). The inclusion of the “de minimis” eligible expenditure is optional. However, the “de minimis” component may not exceed 20% of the total eligible amount of the project (the eligible amount of expenditure eligible for regional aid and the eligible amount of expenditure eligible for the “de minimis aid”).

Expected outputs and output indicators

It is expected the programme will ensure the required support to SMEs and will enhance the mobilisation of private funds for future investments in SMEs.

Output indicators

- Number of enterprises receiving support;
- Number of enterprises receiving grants;
- Private investment matching public support to enterprises (grants).

Expected results

At the beneficiary level, it is expected that the project will have a positive impact on labour productivity, competitiveness and the overall business performance.

Result indicator is defined at the national sectoral level as

- The increase of the SMEs competitiveness.

Beneficiaries

- All categories of SMEs from all over the country, except from Bucharest-Ilfov which is the most developed region;
- SMEs with non-agriculture activities from the urban area and middle enterprises from the rural area.

2.3 Results achieved in the region

Table 2: Outputs' achievements

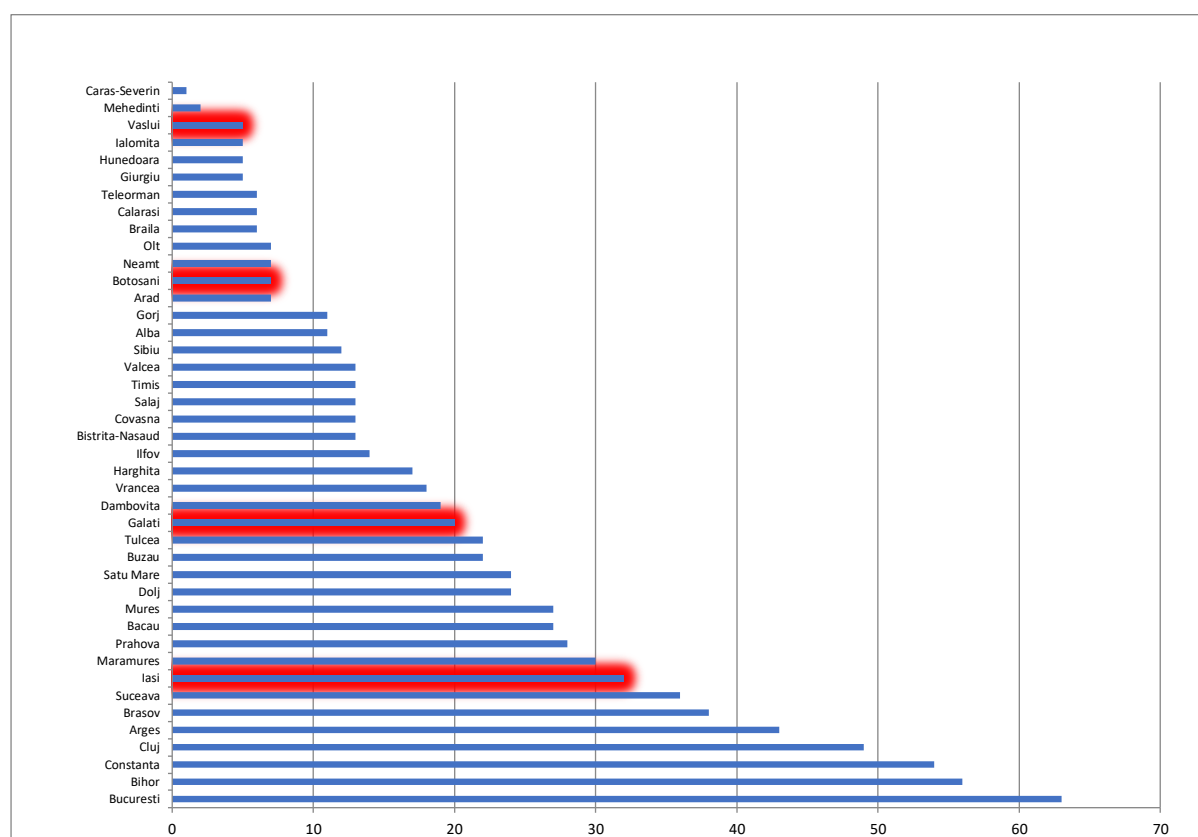
Output indicators	National target value (2023)	Achieved NE and SE regions		Achieved Stakeholder territory	
		No.	% in total national target	No.	% in total national target
Productive investment: Number of enterprises receiving support	510	232	45.49	69	13.5
Productive investment: Number of enterprises receiving grants	490	232	47.37	69	14.8
Productive investment: Private investment matching public support to enterprises (grants) in million EUR	250	58.85	23.54	19.9	7.96

Source: Consortium calculations based on data from the MA for ROP at 16.03.2020

The share of the stakeholder territory in the total number of projects contracted in the regions (around 29%) is lower than in the case of the microenterprises support (36%). Still, € 19.9 M is already absorbed by the stakeholder territory with 69 projects contracted.

Access to the funding available is limited and differentiated among the four counties of the stakeholder territory. Vaslui is the county with the lowest performances, followed closely by Botoşani and Galaţi, while Iaşi is performing better, ranking 8th, an improved score compared to the microenterprises scheme where it ranked 11th.

Figure 1: Distribution of the number of projects by county



Source: Consortium calculations based on data from the MA for ROP at 16.03.2020

Results achieved

The expected results at programme level were defined at the national level and consisted of:

- Labour force productivity (turnover/employees) to reach RON 316 479 (€ 68 008²) in 2023 compared to RON 216 304 (€ 48 542³) in 2012;
- At least 100 enterprises supported to increase their productivity at the national level;
- Mobilisation of national resources, private and state budget amounting to € 485 M.

The labour productivity target at the national level has already been exceeded reaching RON 343 513 (108% of the programme target), but the productivity at the stakeholder territory level is only at 82% of the programme's national target. However, the stakeholder territory makes a good contribution to the second and third indicators with 69 projects already contracted, an ongoing call for proposals and additional ones planned.

3 Case study

The case study is focused on one grant beneficiary located in the stakeholder territory, in Iasi county. The data was collected using desk research only because none of the beneficiaries recommended by

² Calculated at the average exchange rate of the NBR for 2018 of 1 EUR = 4.6535 Lei.

³ Calculated at the average exchange rate of the NBR for 2012 of 1 EUR = 4.4560 Lei.

the NE RDA responded to our request for interview. The case study is based on data received from NE RDA.

Company: EXONIA HOLDING SRL

Project title: Creation of Advanced Production Capacity at SC Exonia Holding SRL for the Production of Innovative Personalised Printed Materials by Flexographic Printing

Location: Iași Municipality

Project objective: Increasing the competitiveness of SC EXONIA HOLDING SRL, by setting up a new production section of innovative personalised promotional materials, by flexographic printing.

Project budget:

€ 1.8 M project eligible budget out of which € 1.54 M eligible value and € 0.94 M as non-reimbursable expenditures (the value of the state aid) with an intervention intensity of 60.90%.

Main results

- The new, modern technology powered by Windmöller & Hölscher Group Germany, which is operational in the EXONIA factory;
- High performance of the ERP / CRM software system integrated into the production process;
- Strengthened position on the market of biodegradable packaging products;
- Extended physical and production capacity, optimised timing and operational flows (from 4 hours to 3 minutes);
- Increased performance which enables the company to continue investments.