FICSIMM
Federația pentru Inovare și Competitivitate Sustenabilă în IMM-uri
Membră a confederației patronale Concordia

Organizația Femeilor Antreprenor

The Federation for Innovation and Sustainable Competitiveness in SMEs (FICSIMM)

DG GROW Mission, October, 2025:

1. Business environment:

Question 1: *CSR 3/2025 highlights the importance of the predictability of public decision-making for a good business environment. Do you see improvement/deterioration on this count in 2025, taking into account the drivers mentioned in the CSR (stakeholder consultations, impact assessments, administrative procedures)?*

Predictability in 2025 has *not* materially improved; if anything, there has been **continued volatility** in rule-making (including through emergency ordinances) and **uneven consultation / impact-assessment practice**, with only **isolated administrative tweaks** that go in the right direction.

The **drivers flagged in CSR 3/2025 - stakeholder consultations, impact assessments, administrative procedures - show mixed or weak progress**: consultations remain episodic, ex-ante impact assessments inconsistent (or even non-existing) and simplification still largely *work-in-progress*. This aligns with **repeated positions of the Romanian business community calling for stable, transparent decision-making** and with **SME organizations' assessments of persistent bureaucracy and fragmented governance**, despite select reforms tied to EU milestones.

On the **administrative-procedure/simplification** front, the **EU-level push to cut burdens by 25% overall and 35% for SMEs** is welcome but **remains forward-looking**; domestic delivery and measurable reductions felt by firms are **not yet visible at scale**.

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From the SME vantage point, **excessive bureaucracy, slow permits, fragmented governance, and unstable fiscal/legislative frameworks remain top barriers**, directly undermining predictability and planning cycles for investment.

Bottom line for 2025: **some technical progress** (e.g., aligning tax-inspection rules with RRF milestones) **but no decisive, systemic shift** in the three CSR drivers. **Predictability remains the primary ask of firms**, cutting across fiscal, regulatory and administrative domains.

Question 2: *FDI inflow has decreased significantly in 2023 and 2024. To what extent this could be attributed to the uncertainty created by the unpredictable policy-making? To incentivise FDIs and private investment in RO, what would be the key issue among the following: skills, predictability, business regulations, labour regulations, taxation?*

The **sharp decline in FDI inflows in 2023-2024** can be **partly attributed to the uncertainty created by unpredictable policymaking**, but also to **structural factors such as labour shortages and energy price volatility**. The **key deterrent remains the lack of predictability** - both **fiscal and regulatory** - followed closely by **skills gaps** and **excessive administrative burdens**. **Taxation and labour regulations matter**, but are secondary to the **credibility and stability of the policy environment**, which strongly influences **risk perception, investor confidence and reinvestment rates**.

Emergency ordinances and inconsistent consultation practices reinforced the perception that rules could change overnight, especially on **tax, labour inspections and investment incentives**, discouraging long-term commitments.

The **energy sector** saw delays and reversals in key support schemes, while **manufacturing investors faced uncertainty** regarding **industrial decarbonization policies and state aid frameworks**, both critical to large-scale projects.

Skills and workforce shortages - especially in technical and engineering fields - exacerbate the effect of unpredictability: even when incentives exist, investors face **difficulty finding qualified labour**, making **automation and re-technologization investment** riskier.

The **top priority to incentivize FDI** is to **restore confidence in the predictability and credibility of policymaking**, through **stable taxation frameworks**, **transparent consultation** on draft measures, and **public impact assessments** before adoption.

Second, close the **skills gap** through targeted partnerships between firms and technical schools / universities, especially in manufacturing and energy-intensive sectors.

Third, ensure that **state aid and industrial policy instruments** (including green-transition and competitiveness funds) are implemented **with clear, stable criteria** to provide long-term investment visibility.

Question 3: *What would be the key barrier explaining the decline of industry in the last 5 years: lack of predictability; skills/labour shortages; energy; decline of external demand? Depends on the sector? (Possible discussion on challenges/solutions for automotive, energy-intensives, construction)*

The **decline of Romanian industry over the last five years** stems primarily from **three interconnected barriers: lack of policy predictability, chronic skills shortages and high energy costs**, all compounded by the **weak external demand** of 2023-2024. Among these, the **most systemic and cross-sectoral obstacle remains the lack of predictability** - fiscal, regulatory and strategic -, which amplifies the impact of the other factors. **Industrial performance thus reflects both internal governance weaknesses and external market shocks**, with **variations by sector** (automotive, construction, energy-intensive industries).

Taxation, energy pricing schemes and investment incentives have changed repeatedly without sufficient impact assessment, creating **uncertainty for manufacturers**. **Emergency fiscal measures in 2023-2024-2025** deepened the perception of instability and hindered reinvestment decisions.

Policy priorities:

1. **Ensure a stable, long-term industrial strategy** - aligned with the **EU Clean Industrial Deal** - that provides **predictable fiscal and regulatory conditions** for at least five years.

2. **Accelerate energy-efficiency and decarbonization instruments** for SMEs *(e.g., the financial instrument for increasing energy efficiency in productive SMEs promoted by FICSIMM).*
3. **Strengthen vocational education and technical upskilling**, through **industry - school partnerships** coordinated at regional level.
4. **Introduce an integrated "Industrial competitiveness dashboard"**, tracking energy, skills, innovation and regulatory burden indicators.
5. **Guarantee faster and more transparent access to EU and state aid programs**, avoiding overlapping eligibility and procedural delays.

The decline of Romanian industry is not inevitable - it is the result of **fragmented policy action and lack of predictability**, rather than structural uncompetitiveness alone. **Rebuilding investor trust through stable rules, coherent energy and skills policies and transparent governance** would restore the country's industrial appeal and align it with the objectives of the **EU Industrial Deal and SME Competitiveness Agenda**.

FICSIMM has designed an **innovative financial instrument to support energy efficiency and re-technologization in Romanian SMEs**, especially those operating in **manufacturing and food-processing sectors** *(here-enclosed)*. The proposal responds to the **absence of national programs for replacing outdated, energy-intensive equipment** and to the **volatility of energy prices** that threatens industrial competitiveness. The instrument combines **state-guaranteed (from the Modernization Fund) credit lines with a conditional grant component**, managed by the **Romanian Investment and Development Bank (BID)**, to allow SMEs to modernize production facilities without bearing full investment risk.

The instrument introduces a **"pay-for-performance" mechanism**: if beneficiaries achieve predefined **energy-saving thresholds (e.g., 30% reduction)**, part of the loan principal or interest will be rebated. Eligible activities include **industrial energy audits**, **purchase of high-efficiency production lines**, **integration of energy-management systems**, and **deployment of heat-recovery or heat-pump solutions**. By combining financing with measurable performance criteria, the mechanism aligns **national energy-efficiency priorities with SME competitiveness objectives**, ensuring a direct contribution to **Romania's green transition** and to **EU targets under Directive 2023/1791**.

This proposal is **fully consistent with the EU Clean Industrial Deal, the SME Relief Package and the 2028-2034 MFF**, providing a scalable, revolving framework for SME investment. The model could be extended to other industrial sectors and co-financed through the **Modernization Fund or other programs**, creating a **sustainable fund for industrial modernization**. Its pilot implementation would generate measurable results in energy savings, productivity and employment stability, positioning Romania as a **test case for innovative SME financing solutions** within the EU.

Question 4: *What would be the key measures to improve the business environment in RO to make it more attractive in the regional competition for attracting capital?*

To make Romania more attractive in the regional competition for capital, **the priority is to restore predictability, coherence and administrative simplicity** across all layers of policymaking. **Stable fiscal rules, transparent consultation, digitalized procedures and targeted investment incentives** are the key enabling factors. Complementary measures include **accelerating green and digital infrastructure**, **closing the skills gap** and **strengthening the rule of law and contract enforcement**, which together form the **core of a credible competitiveness framework**.

Romania's attractiveness for capital depends on a **coherent, multi-pillar approach**: predictable governance, digital public services, skilled labour, and modern infrastructure. The business community repeatedly stresses that **"predictability is the new incentive"** - no fiscal measure can compensate for a volatile regulatory climate. **Embedding these reforms into a single, measurable "Business environment competitiveness strategy for 2026 - 2030"** would position Romania as a credible regional investment destination.

Question 5: *Is there any assessment done on administrative / regulatory burden coming from national regulation? Is there any major simplification initiative under way?*

Romania has not yet implemented a comprehensive assessment of the national administrative and regulatory burden, despite multiple EU-level and national commitments. Existing analyses - by the **Competition Council, World Bank and SME associations** - indicate that the **cost of administrative compliance remains among the highest in the EU**, especially for SMEs. **Licensing, tax reporting and inspection overlaps** continue to create delays and discourage investment, while impact assessments are **applied inconsistently** across ministries.

Some **simplification initiatives are under way**, notably the **digitalization of tax and company registration procedures** and the **commitment to reduce administrative burden by 25%** under the EU's SME Relief Package. However, **coordination is weak**, and the reforms focus more on compliance with EU milestones than on measurable reductions in time or cost for enterprises. **SME organizations** have proposed creating a **permanent inter-institutional task force** to monitor the actual impact of administrative simplification.

To deliver real progress, Romania needs a **"SME-test and burden-meter" system** that quantifies the cost of new legislation before adoption and a **publicly accessible register of redundant procedures**. Simplification must move from **formal digitalization to functional efficiency**, ensuring that **SMEs experience tangible gains in time, transparency and predictability**.

Question 6: *The Single Market functioning is affected by a number of long-standing barriers. Are businesses in Romania affected by:*

- the lack of transposition or defective application of EU legislation? In what areas?

- recognition of professional qualifications?

- burdensome rules for posting of workers?

- restrictive and diverging national services regulation (especially for construction, retail, business services)?

Romanian businesses remain affected by several long-standing barriers to the proper functioning of the Single Market, primarily linked to **delayed or inconsistent transposition of EU legislation** and the **fragmented enforcement of rules** across sectors. Key areas include **public procurement, energy and construction**, where national procedures often **diverge from EU norms** or are **implemented with excessive bureaucracy**. SMEs report that **rules change frequently without consultation**, and that **access to the Services Directive benefits is uneven** across regions.

Recognition of **professional qualifications** remains cumbersome, especially in **construction, healthcare and transport**, due to **slow administrative processing and limited interoperability of digital systems**. Similarly, the **posting of workers** is hindered by **complex reporting requirements and overlapping inspections**, creating disproportionate burdens for smaller firms. In cross-border services, **restrictive licensing and national technical standards** still act as **hidden barriers**, limiting Romanian SMEs' capacity to expand abroad.

To address these issues, Romania should adopt a **national "Single Market check"**, mapping all sectors where **EU directives are not fully or correctly applied**, and prioritize the **digital interconnection of registers and certification systems**. At EU level, the country supports **DG GROW's initiative to strengthen enforcement through the Single Market Scoreboard and the SME Relief Package**, but progress depends on **domestic administrative reform and stronger coordination among line ministries** to eliminate **national divergences and redundant requirements**.

Question 7: *What are the main challenges for the retail companies in RO today? What are the specific challenges for retail SMEs? What would you see as the main area for policy / regulatory or simplification action at national and EU level to address these challenges?*

The **Romanian retail sector is under pressure from multiple overlapping challenges**: **declining purchasing power**, **frequent fiscal and regulatory changes**, and **increasing compliance and reporting costs**. **Price-control debates, emergency ordinances and ad-hoc measures on trade margins** have eroded predictability and planning capacity. **Energy and logistics costs** remain high, and smaller retailers face **unequal negotiation power** in relation to large chains, amplifying the risk of **market concentration and loss of local competitiveness**.

For **retail SMEs**, the main barriers are **administrative complexity, frequent tax rule changes (e.g., VAT reporting, e-Transport obligations)**, and the **limited access to finance for digitalization and green transition**. Many small retailers lack the capacity to comply with **digital reporting systems** and to absorb new **sustainability requirements on packaging and energy efficiency**. **Late payments and weak enforcement of commercial contracts** further strain liquidity, especially outside major urban areas.

Policy priorities should focus on **simplification and fair competition**, both at national and EU level. Domestically, Romania needs **a stable retail code, simplified digital compliance tools and SME-dedicated support for digital and green transformation**. At EU level, greater attention is required to ensure **balanced transposition of consumer-protection and sustainability directives**, avoiding **overregulation of micro-retailers**.

2. SMEs, Access to Finance:

Romanian SMEs lead the EU charts for trade credit and self-financing. They also lead the financial-constrained companies' rankings. Bank loans for SMEs are low in EU comparison and interest rates are high (see SMEs Access to Finance Index 2024).

***Question 1:** Could SMEs take more advantage of bank loans? What is needed to progress on this front, on the SMEs side as well as on the banking sector side?*

Romanian SMEs could indeed **take greater advantage of bank loans**, but only if **structural barriers on both sides - demand and supply - are addressed**.

On the SME side, the main constraints are **insufficient collateral, low financial literacy and reluctance to formalize business operations**, which limits creditworthiness. **Over 70% of SMEs rely on self-financing or trade credit**, reflecting both a **trust gap toward financial institutions** and **administrative complexity in accessing credit lines and guarantees**.

On the banking side, **risk aversion and underdeveloped credit assessment models for SMEs** remain critical obstacles. **Interest rates and collateral requirements** are significantly higher than the EU average, while **banks often favour large corporations or public-sector clients**. There is a **limited use of non-traditional instruments**, such as **revolving guarantee schemes, blended finance and innovation-backed lending**, and a **slow uptake of EU-level facilities** (InvestEU, EIB/EIF guarantee mechanisms). **Administrative delays and complex eligibility rules** discourage smaller firms from applying.

Progress requires **joint reform on both fronts**. SMEs need **advisory and mentoring services** to improve financial literacy and business planning - possibly through **regional SME finance hubs** and **digital pre-assessment tools**. The banking sector should **integrate EU guarantee platforms** and adopt **simplified scoring models** based on business potential rather than solely on collateral. At policy level, **a national SME financing compact** between government, banks and SME organizations could anchor **predictability, transparency and mutual accountability**, ensuring that **more SMEs become bankable and investment-ready**.

***Question 2:** There are structural funds available for SMEs. Are they geared to their needs? What key concrete measures could contribute to making these funds more easily available for SMEs?*

While **structural funds remain the most important development instrument for Romanian SMEs**, their alignment with **real operational and investment needs** has long been insufficient. However, **a genuine turning point occurred under the 2021-2027 Multiannual Financial Framework (MFF)**, with the **decentralisation of the Regional Operational Program**. This is widely considered by the business community **the best development for SMEs since Romania's EU accession in 2007**. For the first time, **each of the eight development regions gained its own Regional Program**, replacing the former centralised model where **SME applicants often waited more than 18 months between submitting a proposal and receiving a financing decision**. The new structure allowed **regional authorities to adapt calls for projects to the concrete needs of local economies**, ensuring that **European funding finally reached the "grassroots" - the entrepreneurs and communities that need it most**.

This transformation brought a **qualitative change in the way regional growth is planned and financed**. Even though **the core architecture of priorities remains similar across the eight Regional Programmes**, the **specific activities, eligibility conditions and budget allocations** can now be **customised to reflect regional strengths, economic profiles and demographic realities**. This **context-sensitive approach** has enhanced ownership, improved responsiveness and created the preconditions for a **more inclusive, regionally balanced SME ecosystem**. In essence, **EU funds have begun to work as they should have from the very beginning - locally driven, community-centred and impact-oriented.**

For the **2028 - 2034 MFF**, it is therefore essential that this **regionalized governance model not only continues, but becomes a guiding principle for all funding instruments**. The decision-making power regarding **priorities, calls for proposals and evaluation** must remain at the **regional level**, where **development actors truly understand the economic and**

social needs of their territories. **Only decisions made "from the ground up," and not from ministerial offices in Bucharest, can ensure that EU and national resources directly reflect community priorities.** Furthermore, **Regional Development Agencies (RDAs)** should assume an even broader role: in addition to managing EU structural funds, they should **also coordinate national funding streams**, such as **state-aid schemes from the Ministries of Finance and Economy**, **the Anghel Saligny investment program for local authorities** and **infrastructure projects under the National Investment Company (CNI)**. A **unified, region-based vision of development financing** would guarantee a **coherent and synergistic approach** to improving competitiveness, quality of life and territorial cohesion.

In this integrated model, the **future National and Regional Partnership Plan (2028-2034)** could represent a **single financial envelope combining EU and national resources**, which would enable **multi-source investments with significantly higher local impact**. This approach would not only enhance the **strategic coherence of public spending**, but also **create a stable, long-term framework for private investors**, offering them visibility and predictability at regional level. **International investment funds, development banks and corporate actors** would be far more inclined to invest in the eight regions if they could rely on a **clear and integrated development roadmap**. In addition, such a model would **strengthen partnerships between public and private stakeholders**, fostering **clusters, regional value chains and public - private co-investment facilities** that could multiply the impact of EU cohesion policy.

At the same time, **the future 2028 - 2034 MFF must explicitly address a long-standing gap in SME support** - the absence of **dedicated funding for essential business-support services**. Until now, structural funds have mainly focused on **tangible investments in buildings, machinery or equipment**, without paying enough attention to **intangible enablers of competitiveness** such as **marketing, research and innovation, product development, export-readiness or internationalisation strategies**. For most SMEs, particularly micro-enterprises and start-ups, **these soft capacities determine whether an investment succeeds or fails**. Therefore, the **next generation of programs must allocate specific budget lines** to cover these services, ensuring that **each euro invested in infrastructure translates into sustainable growth and competitiveness**.

Another major recommendation concerns **institutional capacity and proximity support**. RDAs should be **empowered to create and operate "one-stop-shops" dedicated to SMEs and civil-society organisations**, acting as **regional competence and advisory centres**. These hubs would offer **information on available calls, personalised project guidance and mentoring** on how to structure proposals with real added value. They would also deliver **training in innovation management, digital transition, energy efficiency, sustainability and internationalisation**, helping SMEs and NGOs **acquire future-oriented skills**. Crucially, these one-stop-shops should operate in close partnership with credible regional stakeholder organisations - such as FICSIMM and OFA -, which can contribute expertise, outreach and trust among entrepreneurs. **This collaborative approach would significantly reduce the asymmetry between large corporate applicants and smaller, community-based actors**, ensuring a more equitable and efficient use of EU and national funds.

In summary, the **decentralisation of the Regional Programme under the 2021 - 2027 MFF is the most impactful structural reform for SMEs in Romania since EU accession**, but **its long-term success depends on consolidating and extending it**. The **2028 - 2034 EU budget for Romania must preserve and institutionalise regional autonomy**, integrate all **funding streams (European and national)** under a single development vision, and create **permanent advisory ecosystems for SMEs**. Only through **regionally anchored governance, simplification and inclusion** can structural funds evolve from bureaucratic tools into **true catalysts of innovation, competitiveness and community-level prosperity** - delivering tangible value "**from the ground up**," not from the top down.

Question 3: *To leverage the EU funds there are proposals to use more financial instruments/FIs. How do you assess the capacity of SMEs to take advantage of these more complex instruments? What are the lessons learnt from the experience with FIs in RO up to now?*

The experience of Romania with **financial instruments (FIs)** has been **mixed but improving**. While instruments such as **guarantees, micro-loans and risk-sharing facilities** have proven effective in mobilizing private finance, **SME uptake remains limited** due to **low awareness, limited financial literacy and complex eligibility criteria**. **Most SMEs still prefer grants**, perceiving FIs as **administratively demanding and carrying higher uncertainty**. As a result, the **capacity gap between banks, managing authorities and SMEs** has constrained the full potential of these tools.

Lessons learnt from 2014-2020 show that, when properly designed, **guarantee instruments and blended products** are the most effective. For instance, **FNGCIMM's and EximBank's guarantee schemes** under the **IMM Invest and SME Recovery programs** significantly increased liquidity and helped firms remain solvent during crises. However, **coordination between ministries and financial intermediaries was weak**, and **eligibility criteria often duplicated those of grants**, instead of focusing on **innovation, green or digital investment readiness**.

To improve future deployment, **SMEs need structured advisory and pre-assessment support**, possibly through **regional "Financial Instruments Hubs"** managed jointly by **business associations and promotional banks**. FIs should be **simpler, more predictable and linked to measurable performance indicators**, such as energy savings or digital adoption. The next generation of tools can serve as models for blending **EU funds, state guarantees and private lending** in a way that is both accessible and scalable. **The key lesson is that financial instruments succeed only when paired with capacity-building and trust-building mechanisms for SMEs.**

Additional note: Structural and regulatory barriers affecting SME financial instruments:

The implementation of **state aid legislation in Romania remains excessively bureaucratic**, regardless of the aid type or target sector. Every financing operation involving state aid - especially those directed toward **SMEs and microenterprises** - becomes **administratively costly and risky for financial intermediaries**. The approval chain, compliance reporting and ex-post monitoring requirements make **the cost of participation disproportionate**, discouraging banks from engaging in **locally designed financial instruments**, even when market demand is strong. **International financial institutions (IFIs)** such as the EIB or EIF, by contrast, manage to deploy similar facilities far more efficiently.

A second critical issue lies in the **application of horizontal conditionalities under the Recovery and Resilience Plan (PNRR)** and the new **Regional Programs**, where every financial product has been made subject to **the "Do No Significant Harm" (DNSH) test**. While essential in principle, **DNSH procedures have proven nearly unmanageable for SMEs**, particularly for **microenterprises and small firms** lacking specialised capacity. The documentation burden - environmental self-assessments, proof of sustainable sourcing, audit trails - creates major bottlenecks. The situation is even more complicated for instruments currently under implementation via the **Investment and Development Bank (BID)** in the **North-East and Bucharest–Ilfov Regional Programs**, which add an extra layer of **"climate proofing" requirements**. These obligations are **disproportionate to the scale of SME projects**, often involving investments of just a few tens or hundreds of thousands of euros, while **even large corporations have been temporarily exempted from full CSRD obligations**.

The third systemic barrier is that **Romanian public procurement law is not adapted to financial instruments**. Current procurement rules are designed for the purchase of goods and works - **computers, software, office furniture, production equipment** -, not for **deploying financial facilities** financed from EU or national funds. There is **no legal or procedural precedent for contracting a financial intermediary under procurement law**, which creates uncertainty and delays whenever ministries or regional authorities attempt to launch an instrument through competitive selection. This legal gap discourages both public authorities and banks from engaging in innovative financing structures and leads to **under-utilisation of funds intended for SME competitiveness**.

Addressing these challenges requires a **strategic revision of Romania's regulatory environment for financial instruments**. The **state aid framework must be simplified**, with **standardised templates and pre-approved models** for low-risk SME support schemes. **DNSH and climate-proofing assessments** should be **proportionate to project size and sector**, ensuring compliance without stifling access. Finally, **public procurement legislation must be updated** to explicitly recognise **financial instruments as eligible public interventions**, including **rules for selecting intermediaries through transparent but simplified procedures**. Without such reforms, even the most well-designed SME financial instruments will continue to face **structural implementation barriers** that slow down Romania's convergence with the EU average.

Question 4: *What is the impact of the consolidation packages on the capacity of SMEs to self-finance?*

The **fiscal consolidation packages adopted in mid-2025** - aimed at reducing Romania's budget deficit through **tax increases and spending cuts** - have had a **significant negative impact on SMEs' capacity to self-finance**. For many SMEs, this resulted in **shrinking liquidity buffers and lower reinvestment potential**, particularly in **manufacturing, retail and construction sectors**.

Self-financing is already the dominant form of investment for Romanian SMEs - over **70% of firms rely on own funds or trade credit** due to limited access to bank loans or equity. The new fiscal measures, combined with **persistent payment delays and higher borrowing costs**, have **further reduced internal cash flow** and **discouraged new capital expenditures**. SMEs have responded by postponing investments, cutting R&D and green-transition plans, and focusing on survival rather than growth. This amplifies Romania's competitiveness gap in comparison to regional peers such as **Poland or Hungary**, where tax predictability and credit access are more stable.

To mitigate these effects, the government and financial institutions should **complement fiscal consolidation with liquidity-support instruments**, such as **accelerated VAT refunds, extended guarantee schemes and low-interest credit lines** for energy-efficiency and digitalization projects. Without such counterbalancing measures, **the consolidation packages risk deepening the under-capitalization of SMEs and slowing Romania's economic convergence**.

Question 6: *Is the productivity gap between SMEs and large companies big in RO? If yes, what would be the key measures able to narrow this gap?*

Yes, the **productivity gap between SMEs and large companies in Romania is among the highest in the EU**. While large enterprises reach almost **90% of the EU average labour productivity**, **SMEs remain below 45%**, with **micro-enterprises lagging even further**. The causes are structural: **low technology adoption, limited digitalization, weak integration into global value chains and underinvestment in innovation and skills**. The **dual structure of the economy** - with foreign-owned industrial hubs on one side and small, low-capital domestic firms on the other - has widened this divide over the last decade.

To narrow this gap, **SMEs need predictable, long-term support for re-technologization, digital transformation and workforce upskilling**. Financial instruments could combine grants, guarantees and vouchers to accelerate **automation, energy efficiency and process innovation**. Equally important is the **development of regional technology extension services** and **industrial clusters**, helping SMEs access know-how, testing facilities and joint R&D. **The 2028-2034 MFF** should ensure that **SME competitiveness remains a measurable objective**, with **clear performance indicators on productivity growth**.

Complementary measures include **simplified access to EU and national programs**, **fiscal incentives for innovation and training**, and the **promotion of digital skills in**

vocational education. **Stable policy frameworks and reduced administrative burdens** would allow SMEs to redirect resources from compliance to innovation. Romania should also **foster SME participation in green and industrial value chains**, particularly in automotive, construction and renewable-energy sectors. Closing the productivity gap is not only an economic necessity, but also a **precondition for balanced regional development and convergence with the EU average**.

Question 7: *Are companies affected by late payments?*

Yes, **late payments remain a major structural problem for Romanian companies**, particularly for **SMEs and suppliers to public institutions or large corporations**. According to business surveys, **over 60% of SMEs experience delays exceeding 60 days**, and **average payment terms in B2B transactions are among the longest in the EU**. The issue is most acute in **construction, retail supply chains and public procurement**, where **cash flow disruptions** force smaller firms to rely on costly overdrafts or trade credit, eroding profitability and investment capacity.

The **public sector continues to be one of the slowest payers**, despite EU Directive 2011/7/EU on combating late payments. **Delayed reimbursements of EU-funded projects, VAT refunds and settlement of public contracts** undermine liquidity and trust in the system. While the Ministry of Finance has introduced some **digital tools for invoice tracking (e-Factura)**, these have not yet translated into **faster payment cycles**. SMEs also face difficulties in enforcing contracts, due to **lengthy judicial procedures and weak penalties for non-compliance**, which make legal recourse unattractive.

To address this, Romania needs **a coherent strategy**, with **mandatory 30-day limits for public institutions**, **automatic interest and penalties for delays**, and **digital monitoring of all public-sector payments**. **SME guarantee instruments and factoring schemes** could further mitigate short-term cash flow shocks. At EU level, **the proposed revision of the Late Payment Directive** should be implemented swiftly and coupled with **strict national**

enforcement, ensuring that **timely payment becomes a standard business practice, not an exception.**

Question 8: *Are there significant measures to support SMEs be present on the Single Market?*

Romania has made limited progress in supporting SMEs' effective participation in the Single Market. While several programs exist, they focus mostly on **domestic investment**, not on **cross-border scaling or market integration**. **Few national initiatives actively help SMEs export services, certify products for EU markets or comply with EU technical standards.** As a result, **Romanian SMEs remain among the least internationalized in the EU**, with **only around 15% engaged in cross-border trade**.

Existing support is also fragmented: **Enterprise Europe Network (EEN) services and export promotion tools** are underused, while **institutional coordination between the Ministry of Economy, regional development agencies and business organizations** remains weak. SMEs frequently report **limited access to information on Single Market rules**, **complex procedures for professional recognition** and **insufficient assistance in meeting sustainability and digital compliance requirements**, especially for smaller, non-urban firms.

To strengthen Single Market integration, Romania should launch a **National SME Single Market Program**, including:

- **Export-readiness and EU certification vouchers**;
- **Cross-border B2B digital matchmaking platforms**;
- **Advisory hubs on EU product and service standards**;
- **Targeted support for women- and youth-led enterprises** entering EU value chains. Aligning national measures with the **EU SME Relief Package and the future Single Market Enforcement Action Plan** would ensure that **Romanian SMEs can compete, scale and innovate across borders on equal terms.**

3. Innovation:

Question 1: *How successful have been the national R&D and innovation tax incentive schemes? How have the consolidation packages impacted the R&D area?*

The **national R&D and innovation tax incentive schemes in Romania have delivered limited impact**, despite being formally aligned with EU best practices. The **50% additional tax deduction for eligible R&D expenses** and the **exemption of R&D staff from income tax** were introduced to stimulate private-sector innovation, but **administrative complexity, unclear eligibility rules and limited guidance** have hindered their use. Only **around 0.1% of Romanian companies apply these incentives**, mostly large or foreign-owned firms, while **SMEs face barriers in documentation, audit requirements and delayed approvals**.

The **fiscal consolidation packages adopted in summer 2025** further weakened the innovation ecosystem. Measures such as **reduced deductions for reinvested profit and stricter profit-tax thresholds** have **reduced the liquidity available for R&D activities**. In addition, **public R&D funding suffered delays in disbursement**, and several **innovation grant lines were postponed or merged** under budgetary constraints. As a result, **private investment in R&D has slowed**, and Romania risks falling below its already modest **0.5% of GDP R&D spending**, compared to an EU average of 2.3%.

To restore momentum, Romania should **simplify and stabilize the tax incentive framework**, ensuring **automatic eligibility recognition and faster reimbursement** for accredited R&D performers. The country also needs **a multiannual innovation funding law**, protecting strategic programs from short-term fiscal adjustments. We recommend introducing **performance-based innovation vouchers**, linked to measurable outcomes like patents, digitalization, or green technologies. **Predictability, simplicity and liquidity are the preconditions for transforming tax incentives into real innovation drivers.**

***Question 2:** What are the main challenges for promoting investment in innovation, in particular for SMEs?*

The main challenge for promoting innovation investment in Romania - especially among SMEs - is **the absence of a predictable and coherent innovation policy framework**. Funding remains **fragmented across ministries and programs**, with frequent rule changes and **limited coordination between research, industrial and fiscal policies**. As a result, **SMEs face uncertainty when planning multi-year innovation projects**, while public R&D spending is mostly absorbed by research institutes rather than private firms. **Innovation governance fragmentation** continues to discourage risk-taking and long-term partnerships.

A second barrier is **limited access to finance and weak private - public collaboration**. **SMEs struggle to secure venture or growth capital**, and **grant schemes are designed with excessive bureaucracy**, favouring established players over start-ups. Many SMEs lack **knowledge of intellectual property protection**, **links to universities or technology transfer offices**, and **capacity to engage in Horizon Europe or EIC projects**. These structural weaknesses create a cycle of **low innovation absorption and underperformance in R&D intensity**, where Romania remains at the bottom of EU rankings.

To stimulate innovation-driven investment, Romania needs to **integrate R&D policy with industrial and SME competitiveness strategies**, focusing on **simplified funding, blended finance and regional innovation ecosystems**. Key measures could include:

- **Innovation vouchers and tax credits tailored to SMEs**;
- **Public - private innovation hubs** connecting firms, universities and start-ups;
- **Dedicated financial instruments for digital and green innovation**;
- **Performance-based evaluation and faster disbursement mechanisms**.

Without **stable governance, accessible finance and skills-driven ecosystems**, innovation will remain **policy rhetoric rather than business reality**.

Question 3: *Which sectors are particularly important drivers for innovation in the country?*

The main drivers of innovation in Romania are **ICT and digital technologies, automotive and energy-related industries**, with **emerging momentum in green technologies, agritech and health innovation**. The **ICT sector** - anchored in **Bucharest, Cluj, Iași and Timișoara** - accounts for more than **6% of GDP** and leads in **software development, AI and automation solutions**. It has created a dynamic innovation ecosystem combining **start-ups, multinational R&D centers and university spin-offs**, though the domestic value added remains modest due to limited capitalization and scale-up opportunities.

The **automotive and advanced manufacturing sectors** are also central to Romania's innovation capacity. Anchored by global players such as **Dacia-Renault, Ford Otosan and Continental**, these sectors drive **applied innovation in electrification, smart materials and supply-chain digitalization**. However, most R&D still occurs within foreign-owned entities, with **limited spillover toward local SMEs**. Strengthening **supplier innovation programs and industrial clusters** is essential to connect domestic firms to European value chains and increase the local innovation footprint.

New growth areas are emerging in **renewable energy, energy efficiency, agritech and health innovation**, supported by **EU Green Deal priorities**. These sectors can become **cross-cutting innovation accelerators** if supported by **predictable state aid frameworks, digital infrastructure and skills development policies**, ensuring that **innovation spreads beyond major urban centers** and contributes to **balanced regional growth**.

Question 4: *How is the cooperation between science and businesses (particularly SMEs) being promoted?*

Cooperation between **science and businesses in Romania remains limited and largely fragmented**, especially when compared to EU innovation leaders. While there are **positive examples of university - industry partnerships** in ICT, automotive and engineering, they are **isolated and project-based rather than systemic**. The **innovation ecosystem lacks a coordinated national policy** for knowledge transfer, and **most universities still prioritize academic research over applied collaboration**. As a result, **SMEs rarely access research infrastructure or benefit from technology-transfer services**.

Some **recent initiatives show potential**, such as the **Regional Innovation Hubs**, **Technology Transfer Offices (TTOs)** financed through structural funds, and the **EIT Digital and EIT Manufacturing nodes** in Bucharest and Cluj. However, **governance fragmentation and underfunding** limit their impact. Many TTOs are **administratively attached to universities** and lack autonomy, business expertise or stable financing. SMEs perceive cooperation as **bureaucratic, slow and poorly aligned with market needs**, particularly outside major innovation regions.

To strengthen cooperation, Romania needs a **National Knowledge Transfer and Innovation Partnership Framework**, linking **universities, research institutes, clusters and SME associations**. Key actions include:

- **Co-financed innovation vouchers** for SMEs purchasing R&D services;
- **Public - private technology platforms** for green and digital transition projects;
- **Shared laboratories and testing facilities** under regional innovation ecosystems;
- **Joint doctoral and internship programs** connecting researchers with industry. Business organizations can act as **bridge-builders**, ensuring that **science - business cooperation becomes a driver of SME competitiveness rather than an isolated pilot activity.**

***Question 5:** What is the impact of the Unitary Patent in Romania?*

The **impact of the Unitary Patent system in Romania has so far been limited**, as the country has **not yet ratified the Agreement on a Unified Patent Court (UPC)**. This means that **Romanian companies cannot directly benefit from the simplified single patent protection system** covering most EU Member States. While Romanian innovators and research institutes can **file European patents through the European Patent Office (EPO)**, they still face **fragmented validation procedures, translation costs and separate enforcement systems**, which **increase costs and legal uncertainty** for SMEs.

The lack of participation in the Unitary Patent framework **reduces Romania's attractiveness for foreign R&D investment** and **limits technology-transfer opportunities**. **SMEs and start-ups are particularly disadvantaged**, as they often cannot afford the **high administrative and legal costs of national patenting**. As a result, many innovations remain **unprotected or insufficiently commercialized**, weakening the country's innovation output and intellectual property portfolio. Romania currently **ranks among the lowest in the EU in patent applications per capita**, reflecting both **low R&D intensity** and **limited institutional support for IP management**.

To improve the situation, **Romania should prioritize the ratification of the UPC Agreement** and implement **awareness and advisory programs** to help SMEs understand and use the Unitary Patent system. This should be complemented by **IP training for researchers and entrepreneurs**, **simplified national patent-grant procedures** and **co-financed patent-voucher schemes**. **Full participation in the Unitary Patent regime would lower protection costs, enhance market access, and position Romania's innovators more competitively within the EU Single Market.**

4. Public procurement:

Scene-setter: The 2023 data set shows high levels of single bids (45%, EU average 38%); negotiated procedures without prior publication of an award notice (23%, the second highest level in the EU, EU average 6%); unsuccessful bids (48%, the highest rate in EU); and price-only award criteria (83%, EU average 56%). The effects of measures to increase competition in public procurement have yet to be observed.

Question 1: *What are the main causes behind low competition in PP? What would be, in the analysis of the Council, the set of concrete measures to increase competition in PP in RO?*

The persistently **low competition in Romania's public procurement (PP)** stems from **structural, administrative and behavioural causes**. Key drivers include **fragmented contracting practices**, **overly complex documentation** and **frequent use of negotiated procedures without prior publication**, which limit transparency and discourage SME participation. The **dominant use of price-only award criteria (83%)** reduces incentives for innovation and quality, while **unclear technical specifications and short deadlines** deter new bidders. **Weak professionalization of contracting authorities** and **limited oversight capacity** further exacerbate the issue.

At the same time, **SMEs face high administrative barriers**: heavy certification requirements, delayed payments and a perception of **very low procedural fairness**. The **electronic procurement system (SEAP)** remains underutilized for data analytics and market consultation, and **coordination between national and regional authorities** is weak. As a result, many tenders are either **cancelled or attract a single bidder**, leading to inefficient use of public funds and distorted competition. **The share of unsuccessful bids -** the highest in the EU- illustrates the systemic lack of trust and procedural clarity.

To increase competition, Romania needs **a comprehensive Public Procurement Reform Package**, focused on:

1. **Reducing the share of negotiated procedures without publication** and mandating **open, competitive tenders** as the default;
2. Introducing **quality-based award criteria** and **life-cycle cost assessment**;
3. **Digitalizing end-to-end procurement workflows**, using SEAP data for real-time monitoring of single-bid rates;
4. Establishing **SME-friendly frameworks**, including **lot division, simplified qualification requirements and faster payments**;
5. **Professionalizing contracting authorities** through certified procurement officers and continuous training.

Only through **predictable, transparent and merit-based procurement processes** can Romania rebuild competition and ensure better value for public money.

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