



UpGradeSME

Improving policy instruments supporting innovative SME performance

Action Plan

South Muntenia Regional Development Agency

Romania, South Muntenia

July 2019



Part I – General information

Project: UpGradeSME

Partner organisation: South Muntenia Regional Development Agency (SMRDA)

Other partner organisations involved (if relevant): Not applicable

Country: Romania

NUTS2 region: South Muntenia Region

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Part II – Policy context

The Action Plan aims to impact:		Investment for Growth and Jobs programme
		European Territorial Cooperation programme
	X	Other regional development policy instrument

Name of the policy instrument addressed: Regional Development Plan 2014-2020

Part III - Actions

- The background** (please describe the lessons learnt from the project that constitute the basis for the development of the present Action Plan)

Background of the Policy Instrument

South Muntenia Regional Development Agency (RDA) is a non-profit, public utility, legal entity operating in the field of regional development. The Agency is the main organization at regional level that has the responsibility and authority to develop regional development policy strategy and implementation. In order to carry out its tasks, the Agency cooperates with central and local public administration authorities, institutions, bodies, commercial companies, research institutes, universities and other legal and physical persons from Romania and abroad interested in the economic, social and cultural development of the development region South Muntenia.

One of the main activities and competences carried out by the South Muntenia RDA is the elaboration of the South Muntenia Regional Development Plan (RDP) for the programming period 2014-2020, a fundamental document on the need for financing from European funds and other international and

national funds at regional level. RDP is the instrument by which the region promotes its priorities and interests in the economic and social fields, while representing the region's contribution to the development of the National Development Plan.

In the same time, South Muntenia Regional Development Agency is an Intermediate Body for the Regional Operational Program 2014-2020 and its development is based on the Regional Development Plan. The Plan is elaborated by South Muntenia Regional Development Agency, this document being the main strategic planning instrument, developed at regional level and contributes to the elaboration of the Regional Operational Program. South Muntenia Regional Development Agency is coordinating this instrument and therefore it can be considered as Managing Authority for it.

Based on all the Regional Development Plans, the Ministry for Regional Development and Public Administration, which is Managing Authority for ROP, elaborates the Strategy for Regional Development, which is the document that is the basis for the elaboration of the ROP.

SMRDA has extensive experience in developing these Plans. Thus, the Regional Development Plans were developed in Romania for the periods 2000-2004, 2004-2006, 2007-2013 and 2014-2020. The experience of the planning process has been enriched at the level of the Romanian regions, and a variety of partnership mechanisms have been put into practice. Compared with the previous generation of regional development plans, the approach to formulating new plans requires adaptation to a new generation of integrated development policies. These are based both on the structuring of operational programs with European funds and on programs with national funding at central and local level. This new approach implies not only a reformulation of the objectives and instruments, but also the structure and framework for the implementation of the regional development plans by coordinating the actions of the sectoral development policies.

Developed under the coordination of South Muntenia Regional Development Agency in close cooperation with regional partners, the Plan provides a coherent framework for the future development of the region. In this sense, the programming document is the strategic basis for the elaboration of financing projects from external / community funds, national and local funds aimed at the sustainable development of the South Muntenia region. The strategy aims to guide the communities in the region in a pragmatic way so that the interventions and activities needed to create a dynamic and prosperous region focus on key development priorities. At the same time, the strategic document aims to continue and update the development directions formulated both by strategic documents at national level. Moreover, ensuring the continuity of the strategic vision in the field of regional development is one of the major recommendations of the European Commission, which has consistently stressed in the institutional dialogue with Romania, the importance of the existence and continuity of the strategic vision in the field of long-term regional development (20 years) and the need to use the experience gained over the period 2007 - 2013.

The regional development planning process provides an essential strategic basis for including measures and projects implemented at regional level in future funding programs, regardless of the sources of funding for these programs. In a country like Romania, the Regional Development Plans developed following consultation within inclusive and representative regional partnerships, as well as national authorities, legitimate these strategic options - even if there is no regional administrative level. The higher the consultation process, the more relevant the measures and projects proposed by the regions, but also the chances of achieving the identified development objectives, by assuming them by all the actors involved, are increasing.

Regional Development Plans reflect economic, social development policies, etc. relevant at national level in relation to regional needs and take into account those policies that are relevant to the regional level, regardless of the public authority that manages them.

The Regional Development Plan 2014-2020 envisages the overall development of South Muntenia region, not only those policies aimed at reducing disparities. The regional development strategy defined within the RDP 2014 - 2020 pursues the priorities implementation through all potential sources of funding - not only through EU funds. The RDP 2014 - 2020 is a document that moves towards a generation of integrated development policies aimed at an integrated development of the region both through European funds and through national funding programs at central and local level. The Regional Development Plan also envisages the complementarity with the other regions and aims to increase regional synergies where there is potential.

South Muntenia RDA prepares and substantiates the Regional Development Plan 2014 – 2020 in a broad partnership with all actors of the quadruple helix: national / regional / local public authorities, deconcentrated institutions, academia / research, the private sector, employers / unions and NGOs. In this regard it has established in the Regional Committee for Planning (1), Regional Thematic Groups (6) and Local Partnership Groups (7). This programming document is the strategic basis for the preparation of projects funded by local, national and European funds.

The South Muntenia Regional Development Plan is the result of an extensive partnership process - almost 400 partners have been working on this programming document over the course of its elaboration - which has a large strategic relevance that is proven by the projects portfolio with financing potential attached to the document. The socio-economic analysis of RDP is based on updated and comprehensive statistical data, which highlights the disparities within the region, thus correctly identifying the development needs of the region.

According to the Interreg Europe Programme Manual, section 4.3.1, the proposed improvement of the policy instrument is envisaged by the 3rd type of change, improvement in the strategic focus of the policy instrument (structural change). SMRDA will include in the document new measure inspired by the inter-regional learning from the UpGradeSME project to tackle the regional challenges in terms of internationalization of SMEs.

While the RDP 2014 - 2020 policy instrument is very relevant for the actual status of development of internationalization of SMEs in the region, certain issues can be improved. This especially includes the synergy between ROP- funded activities and the support provided by other national and European programs.

The preparation of this strategic document is one of the main activities conducted by the South Muntenia RDA for the 2014-2020 programming period.

At regional level, SMEs internationalization is defined in the following documents:

- The Regional Development Plan 2014-2020
- The Smart Specialization Strategy 2014-2020

The Regional Development Plan 2014-2020 underscores that SMEs should be supported to invest in tangible and intangible assets, but also to access services tailored to their needs, in particular training, advice, standardization, certification, intellectual property rights, access to new markets and internationalization.

South-Muntenia Regional Development Agency (RDA) had a strong and close cooperation with the Managing Authority (MA) of ROP that participated at local stakeholder meetings and international events and were open to make improvements, as much as possible, to the current, but most for the future ROP and its management in order to facilitate the implementation of projects and good practices identified in Upgrade SMEs partners' countries.

In recent years, Romania has made significant progress in export growth. Foreign direct investment has contributed in a high degree to these results and 50% of exports are made by a number of 100 companies, especially with foreign capital or joint ventures that have benefited from an efficient management.

However, the decisive factor in Romanian export are still the SMEs due to the following reasons:

- The majority of national exporting companies still depend on their Romanian subcontractors which are mostly SMEs;
- The majority of exporting companies are SMEs.

Thus, the sustainable development of Romanian export depends highly on the results and performances of SMEs and of the capability of the government to support this sector in a public – private partnership.

But the Romanian exporters that are SMEs are faced with a multitude of challenges in order to access foreign markets. Some are related to the conditions and regulations of the external markets; others are linked to companies' own internal challenges e.g. the lack of managerial abilities while others are related to the limited capacity of the public sector to provide an efficient and targeted support.

Lessons learnt and good practices from the interregional learning

South Muntenia RDA has actively participated in the UpGradeSME interregional learning process and has prepared a Regional Action Plan to improve the South Muntenia Regional Development Plan 2014 – 2020, which is a policy instrument that reflects the economic and social development policies relevant at national level in relation to the regional needs. Also, it takes into account those policies that are relevant to the regional level, regardless of the public authority that manages them. The Regional Development Plan 2014 - 2020 reflects and takes into account the relevant regional policy directions of the institutions / authorities that can finance development investments related to the region.

Nevertheless, the implementation of UpgradeSME project has facilitated the exchange of knowledge and good practices across European regions and also contributed to increase the professional capacity of partner's staff and stakeholders involved in the project activities.

Regarding the lessons learnt, during the 5 project meetings, the presence of the regional actors and beneficiary companies that presented their impressions and experiences on internationalization and EU research projects represented an interesting point in the learning process. Also, another interesting aspect was the communication with the project partners during the workshops regarding the 4 policy instrument analysis topics (Methodology, Communication, Impact and Integration), where all the partners shared knowledge and experience on the design the components of the topics for a different policy topic and had the opportunity to go through the whole process.

Also, the transnational meetings which took place since the project beginning were very efficient in terms of exchanges and sharing of good practices. The study-visits along with the discussions between project partners that were held during the transnational meetings contributed substantially to the acknowledgement of SME Internationalization situation in each partner's country.

In the Policy Integration report – analysing the harmonization level of the internationalisation component of different policies in the UpGradeSME regions - document prepared by SMRDA, it was noticed that there is a strong cooperation between the actors at national and regional level for the support of internationalization.

Generally, in Romania, the density of interactions between subsystems is low, the exchange of information with the dominant subsystem (Ministry for the Business, Trade and Entrepreneurship Relations) is infrequent – mostly due to European projects requirements and consultative legislation provisions.

Here, the interregional character of this action – the learning from the Policy Integration from the Dutch and German partners, where there is high level of interaction between formally involved subsystems that maintain infrequent interactions with a less engaged set of subsystems.

In Germany, the elements of the subsystem are inter-connected and the connections ensure that Baden-Württemberg continues to be economically successful in the future because companies receive targeted advice from the responsible institution, depending on the kind of support (financial aid, advisory services) or the sector they are active in (e.g. key technology areas).

The same strong connection is to be found in the Netherlands, where there are many collaborations between institutions, both national and regional level.

Also, an inspiring aspect from the exchange of the transnational learning in the project, was the fact that at the kick off meeting in Hungary, Budapest, our Hungarian partners invited SMEs who expressed their problems faced when accessing funds for internationalization.

Furthermore, in order to be able to integrate the lessons learnt from the project, SMRDA has sent to the Managing Authority all 4 Integrated Policy Instrument Analysis Reports on policy Methodology, Impact, Communication and Policy Integration, documents that are deliverables of UpGradeSME project and which contain the complete analysis of the own policy instrument and the 5 other instruments involved into the project. These documents contain policy recommendations for the Managing Authority.

2. Action (please list and describe the actions to be implemented)

Improving the content of the 2014-2020 Regional Development Plan

Prepared under the coordination of South Muntenia RDA in close partnership with regional stakeholders, the Regional Development Plan provides a coherent framework for the future

development of the region. In this regard, this programming document is the strategic basis for the preparation of projects funded by local, national and European funds.

Following the inter-regional learning process during phase one of the UpGradeSME project, the Regional Development Plan content will be revised by introducing new actions that will support the internationalization of SMEs in South Muntenia.

The interregional character

During the interregional learning events that took place during phase one of the UpGradeSME project it became clear that the need to increase the access to funding opportunities is most important in all partners countries in order to achieve internationalization. A good practice example of such funding opportunity was presented during the UpGradeSME 5th Steering Committee Meeting & 5th Exchange of Experience Workshop in Netherlands, organised by BDF and Municipality of Leeuwarden in April 2018, in Leeuwarden. The Province of Friesland has a program for international entrepreneurship and part of this is a subsidy scheme for companies that are trying to go international. Here companies can cover their feasibility and market research, export plan, translations and costs for matchmaking and gaining knowledge. Also, the possibilities for SMEs to internationalize are dependent on several related aspects, such as competitiveness, standards and regulations, financial instruments, coaching and mentoring and knowledge.

Unfortunately, due to the absence of such financial schemes in Romania, including the absence of long-term national programs, the ROP remains the only viable alternative for financing projects for the internationalization of SMEs. Following the UpGradeSME LSG meetings it emerged that some significant barriers to prepare successful funding applications is that the ROP 2014 - 2020 does not include the expenditure for consultancy, cadastral works, staff costs (including also the trainings, not just the payrolls), supplies, changing the initial constructive and consolidation solutions costs as eligible costs. All these costs have to be borne from the beneficiaries' own budgets, which is different from other funding schemes assessed during phase 1 of the UpGradeSME. As a result, many applicants are deterred from submitting proposals due to the lack of funds and internal competency for covering the application process.

Based on the above-mentioned challenges, SMRDA will add a new action in the RDP 2014 – 2020. Within Priority 3 (Increasing the competitiveness of the long-term regional economy), Measure 3.1 (Support the development of the SME sector, especially those based on knowledge), a new indicative action emerged from the interregional learning process and from the challenges raised by LSG members: the development of a government grant scheme financed from national funds having as purpose to subsidize the co-financing of the beneficiaries as well as all the costs that are not eligible within the ROP. It is worth mentioning that all indicative actions included in the RDP 2014 – 2020 are as recommendations and the competent authorities on each domain will decide if they will be put in practice or not.

The final outcome of the introduction of this new indicative measure within the RDP 2014 - 2020 is intended to be the creation of a new Priority Investment in the Romanian Regional Operational Programme to exclusively target the internationalization of SMEs. Given that the Regional Development Plan is the programming document on which the ROP is based, this measure will also have an impact on the next programming period.

For the update of the Regional Development Plan SMRDA will conduct the following tasks:

- office research – collection and processing statistical data and indicators to support the proposed interventions to regional and national decision makers;
- field research – activating the local partnership groups and thematic groups involved in the RDP development process;
- organizing specific activities, meetings and events - including public consultations;
- coordination of a study: Horizontal support for updating post-2020 programming strategic documents (Regional Development Plan and Smart Specialization Strategy of South Muntenia Region), which will contribute to the foundation of the Regional Development Plan.

It is worth mentioning that for the update of the 2014 – 2020 Regional Development Plan the local partnership and thematic groups will be reactivated. These working groups contain different actors at regional level, representatives of the quadruple helix (local public authorities, deconcentrated

institutions, academia, the private sector, employers / unions and NGOs). The lessons learned as well as the exchange of experience acquired during the UpGradeSME project will be presented by the SMRDA's representatives to the members of the thematic groups in order to generate together new sustainable measures to be included in the RDP for internationalization of SMEs, based on the project inter-regional learning.

3. **Players involved** (please indicate the organisations in the region who are involved in the development and implementation of the action and explain their role)

The Ministry of Regional Development and Public Administration is the Managing Authority for the ROP 2014 – 2020.

South Muntenia RDA, as project partner, is the Intermediate Body for ROP and also responsible for The Regional Development Plan.

The beneficiaries of the policy instrument addressed: SMEs

Stakeholders involved: Public Authorities, SMEs, Academia and Research, Support Organisations, NGOs, Civil Society.

4. **Timeframe: 2019-2020**

5. **Costs** (if relevant): 26.500 €

6. **Funding sources** (if relevant): 26.500 €, out of which:
25 000 € - external expertise for the preparation of the "Horizontal support for updating post-2020 programming strategic documents (Regional Development Plan and Smart Specialization Strategy of South Muntenia Region)" study
Organisation of 1 Regional Thematic Group and 1 Local Partnership Group: 1.500 €
The whole amount will be supported by SMRDA from its own budget.

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