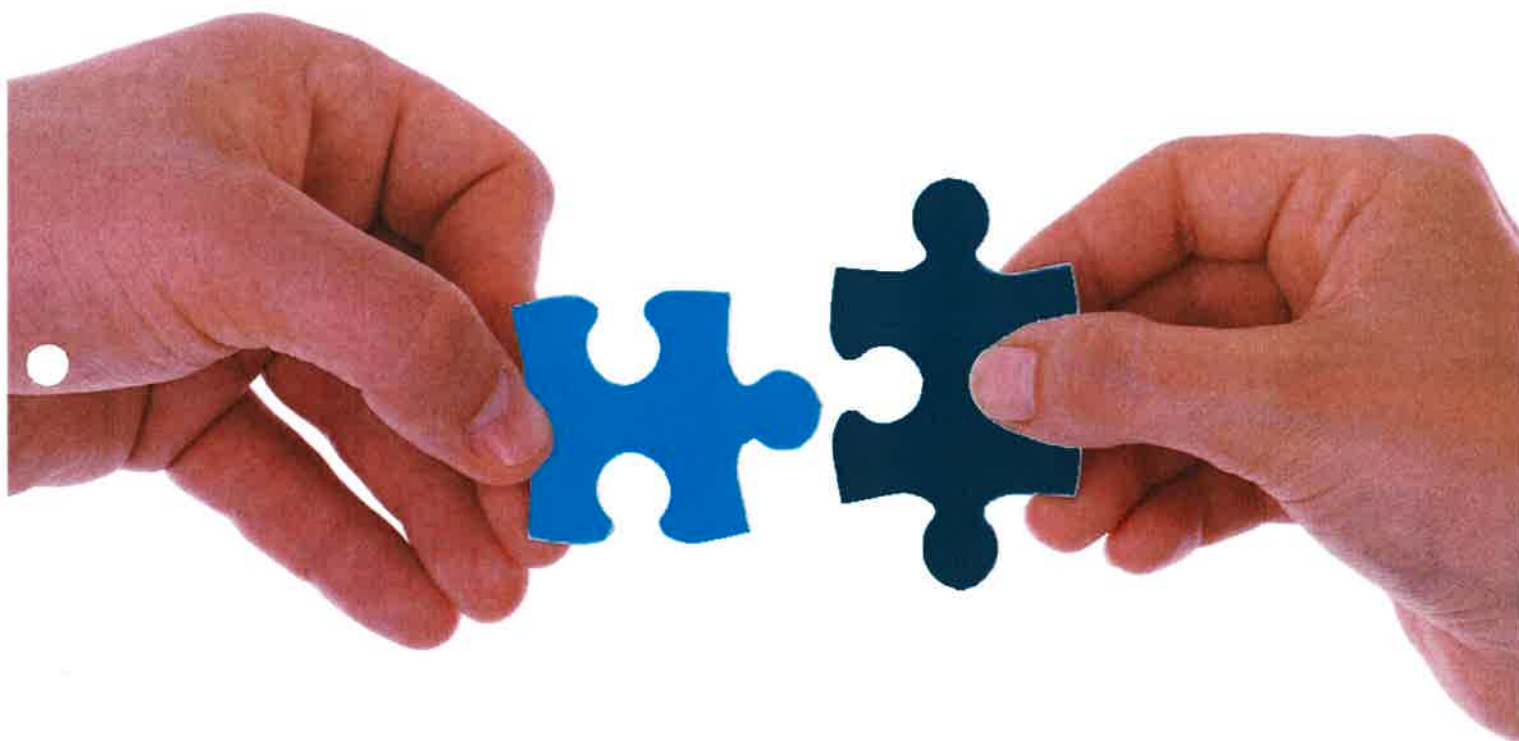


# SUCCESSION AND TRANSFER OF BUSINESS IN REGIONS

ACTION PLAN TO SUPPORT THE TRANSFER OF  
BUSINESSES IN THE REGION OF BUCHAREST-ILFOV



## TABLE OF CONTENT

LETTER OF ENDORSMENT .....	3
LIST OF ABBREVIATIONS .....	4
INTRODUCTION TO BUSINESS TEANSFER .....	5
General Project Description .....	5
Known Issues and Challenges .....	6
Aspects of Business Transfer .....	7
Region-Specific Issues and Challenges.....	13
The SWOT analysis of the region from the perspective of business transfer, as set out in the Bucharest workshop .....	21
Information Regarding Policy Instruments.....	23
Policy Context and Instruments .....	23
A. Competitiveness Operational Program – COP.....	23
B. Human Capital Operational Program – HC OP .....	23
C. Regional Operational Program – ROP .....	24
D. The financing instruments (credit guarantee schemes) used correlated with the stage of business development .....	25
E. Operational Program Initiative for SMEs Romania - ISMEOP .....	25
F. Rural Development National Program 2014 - 2020 - RDNP.....	25
G. Financial instruments that promote business transfer in rural Romania .....	26
Implementation of the Action Plan .....	29
Detailed Actions.....	32
Action 1 .....	32
Action 2 .....	34
Action 3 .....	36

# LETTER OF ENDORSMENT

# LIST OF ABBREVIATIONS

EBIT .....	Earnings before Interest and Taxes
EBITDA.....	Earnings before Interest, Taxes, Depreciation and Amortization
ESF .....	European Social Fund
ESIF .....	European Structural and Investment Funds
MS .....	Member States
NOPAT .....	Net Operating Profit After Taxes
SME .....	Small and Medium Enterprises
ToB.....	Transfer of Business
PPS.....	Purchasing Power Standards
NIS.....	National Institute for Statistics
ELI-NP.....	Extreme-Light Infrastructure - Nuclear Physics
R&D.....	Research and Development
IFIN-HH.....	Horia Hulubei National Institute for Physics and Nuclear Engineering
MSP.....	Magurele Science Park
FV.....	Fiscal Value
NOTR.....	National Office of Trade Register
NAFA.....	National Authority for Fiscal Administration
MBECE.....	Ministry for the Business Environment, Commerce and Entrepreneurship
TOSMEC.....	Territorial Office for Small and Medium Enterprises and Cooperation
R&I.....	Research and Innovation
ITT.....	Innovation and Technological Transfer
HC OP.....	Human Capital Operational Program
COP.....	Competitiveness Operational Program
ROP.....	Regional Operational Program
ISMEOP.....	Initiative for SME's Operational Program Romania
TAOP.....	Technical Assistance Operational Program
ACOP.....	Administrative Capacity Operational Program
NPRD.....	National Program for Rural Development
IGDOP.....	Intelligent Growth and Digitalization Operational Program
RCGF.....	Rural Credit Guarantee Fund IFN SA
BT.....	Business Transfer

# INTRODUCTION TO BUSINESS TRANSFER

***“After the creation and growth of a business, transfer is the third crucial phase in its life cycle.”***

– Commissioners Tajani and Hahn, Foreword of Guidebook No. 3 – Facilitating Transfer of Business 2012.

## General Project Description



The STOB regions project addresses the challenges of this third phase of business transfer in nine EU regions.

There has been a strong focus on start-ups across Europe; however, of equal importance is ensuring the survival of existing businesses. Safeguarding SMEs, arguably, has a higher impact on jobs and growth. This is reinforced by the fact that the success rate of transferred companies is higher than that of start-ups.

The STOB regions partnership comprises a range of different experiences and levels of expertise, including regional authorities and business support institutions. The interregional approach explores and examines the challenges faced by succession and seeks to find new or improved methods to support business transfers.

Over three years of sharing experiences of the wide range of institutions and also participating in interregional learning, the partners benefit from improved knowledge on the various approaches across the regions. Peer reviews and workshops on specific topics related to business transfer aid in promoting the learning process and enhance the implementation of ESIF programs. The regional action plans are a key output of the program. These plans will contain concrete projects that build on the identified good practices and transfer new ideas to partner regions with recommendations made for a future regional strategy to support succession. STOB regions also offers input to the debate on a European and regional level, encouraging greater attention on business transfer in the future cohesion policy with two high-level dissemination events (e.g., SME assembly in Finland 2019).

Fundamentally, the project addresses all types of successions and transfers of business, family-internal transfers from father to son or mother to daughter, external transfers to investors or employees, or even shared solutions where only management is handled externally and ownership is not transferred.

## Known Issues and Challenges

Transfer of business (ToB) is a crucial phase in business as well as in the entrepreneur's life cycle. The importance of ToB for jobs and growth can be demonstrated with the estimated number of 450.000 companies in Europe, providing two million jobs that are transferred every year (see Entrepreneurship 2020 Action Plan).

Additionally, we can observe further trends within the EU:

- The importance of ToB increases resulting from demographic change (the population is getting older, and therefore also owners). Additionally, there is a declining number of potential buyers;
- An increasing number of ToB will take place outside the family to third parties;
- A growing number of entrepreneurs will only stay in the same company for a shorter period (not for a lifetime);
- Personal decisions (change of interests, family situation, early retirement) will trigger transfers.

The European Commission (EC) has analyzed the conditions for ToB in the Member States (MS) and has issued some recommendations to each MS what needs to be done to facilitate ToB and safeguard jobs. Moreover, research shows a positive relationship between transfer and business growth. However, only a few MS have adopted comprehensive strategies for business transfers.

It is often forgotten that starting a new firm is not the only way to become an entrepreneur. Taking over a business is a real alternative for aspiring entrepreneurs to start a business. Safeguarding existing companies has a higher impact on jobs and growth than start-ups: the success rate of transfers is higher than of start-ups and transfers conserve on average more jobs.

A transfer involves complex issues like valuation, matchmaking, and financing (see aspects of ToB). STOB regions addresses the complexity of the whole transfer process from the first thoughts of an owner to sell the business to the actual transfer. The project partners have had thorough discussions on the challenges that regional authorities face while implementing local policies and on ESIF instruments to support business transfer.

In the learning process, the partners had an in-depth look at the differences between the partners from Eastern and Western Europe. Enterprises in Eastern Europe were mostly founded after the political changes in the early nineties. For the first time, these businesses are (or will be in the coming years) in the situation to look for a successor. Traditional SMEs, in particular family businesses, in Western Europe often were transferred at least one time in their existence.

The smallest enterprises are the most vulnerable to failed transfer. These micro-enterprises are often closely related to their owner's skills. The low value and the size of the business often hamper transfers. Considering the fact that nine out of ten of all firms within the EU are SMEs with fewer than ten employees and a Commission's study from 2011 on "Business Dynamics" estimated the loss of non-efficient transfers on 150.000 companies and 600.000 jobs per year clearly shows the importance for regions to have a closer look on the topic of business transfer.



## Aspects of Business Transfer

Regarding the STOB regions project, there have been eight different topics, encompassing most of the current issues of business transfer. Regional stakeholders and interest groups presented these topics. Additionally, each subject was discussed by the delegates of the respective workshop. In the following section, the different topics are presented, and a brief introduction regarding the challenges and most pressing issues within the topics is shown.



### Raising Awareness

Statistical data shows that (e.g., in Germany), almost half of the senior-entrepreneurs are not prepared for the succession. In other regions with less experience, this figure is even higher. All involved institutions (ministries, chambers, banks, etc.) are asked to raise awareness for this economically relevant field and to create an

environment for a successful succession process. Owners have to be sensitized to start preparations early (at least five years before the transfer is supposed to be completed). At the same time, potential successors need to be made aware of the opportunity to continue existing businesses with proved structures, skilled staff, customers, etc. instead of starting from zero.

Many regions started to raise awareness with activities like:

- providing informational events
- offering seminars and workshops
- establishing networks
- publishing of good practices
- establishing of contact points
- providing staff for consultation (e.g., in universities and chambers)

In order to ensure that raising awareness is targeted to the right audience it is essential to gain an understanding of specific issues.

First and foremost, giving a lifetimes work in someone else's hands is a very emotional and sensitive challenge for entrepreneurs. Their expectations and wishes are often in conflict with those of the successors. Uncertainties, fears, and resistance are the consequence. Emotional conflicts arise. They can only be solved by active communication based on trust, openness, and transparency. In many cases, this requires external support, e.g., an independent advisor.

Second, "Hard factors" like the company valuation and the purchase price are often seen to be the most critical issues in successfully transferring a company.

Third, since several parties with partly diverging interests are involved in the succession process: the transferor, the transferee, the affected employees, family members, etc. raising awareness needs to ensure facilitating and addressing the specific needs of each group.

Challenges faced by project partners:

- lack of programs to promote and sustain business transfer.



### Family Business

Family businesses are the most common form of companies in Europe. Particularly in rural areas, family businesses are a strong factor influencing the prosperity and innovation of a region. In addition to the usual business challenges, which

affect all types of companies, family businesses are forced to seek solutions to the generational change caused by succession.

Family businesses have the most predominant issues regarding the challenges of business transfer. The broad topic and the multiple obstacles that arise with the transfer of a family firm, such as the interwoven aspects of ownership and management and the somewhat arbitrary decision-making processes by owner-managers, it is no linear process.

1. Family internal succession. Most successions are within the family, thus being transferred from father/mother to their children. This aspect tackles a variety of challenges, like the basic qualification (e.g. formal training within the business or higher education), the general readiness of the succeeding generation, intra-family conflicts or feuds, the acceptance by employees or the unwillingness of children to take over the parental business.
2. Firm internal succession. Many family firms are also transferred from owners to employees of the firm. This especially applies to many micro and small family firms, due to the lower price, which can be afforded by a single person (or a small group).
3. External Succession. Selling family firms is becoming more and more frequent. As the "natural successors" – children, do have more options in their career choices or are not interested in the family firm, selling a business to an external may become the last option for a family firm. Although, research shows that family firms owners seek and wish to transfer their firm within the family.

Another critical factor concerning succession in family firms can be found in the readiness of the generation handing over the business. Frequently, owners are not ready to hand over their business and then find themselves in situations where age has become such a pressing issue that a more thoughtful procedure is barely possible due to constraints of a lifetime.



A business transfer is not a single event, but a process that needs to be well planned in order to succeed. The diversity and heterogeneity of SMEs also affect transfers. The issue differs according to the size of the company, the size of

the family and/or the age of the company. The problems are not the same for a large company (managed or owned by the third generation of a family) and for a small company with only one owner (who may also be its founder). That is the reason why companies can't use the same solutions, tools or mechanisms. Every case needs an individual approach. Professional advisors can provide such kind of support.

Four different types of professional advisers typically serve family businesses. Each of them uses a different, yet often related, approach to change based on various tools and disciplines of origin. The approaches can be from:

- Lecturers transmitting knowledge;
- Consultants (private and public) offering expert advice;
- Coaches (private and public) supporting new interpersonal and work skills; and
- Therapists working on new behavior and deep insights.

Many failures could have been avoided if transfers were planned well ahead and specialized advice was sought. Professional advisors can help to lead an objective research and facilitation process whereby the family is more able to explore its values, goals, strengths, and weaknesses.



Furthermore, advisers can help to disentangle knotty emotional issues and look for win-win situations. Especially for founders, it is psychologically difficult to hand over their business and witness changes introduced by the new owner. Mentoring the transfer process by neutral and informed third parties can help to overcome such challenges.

Succession involves many interests and parties, which calls for expertise in a wide variety of fields, e.g., legislation, taxation, valuation, organization, strategy, psychology.

A crucial factor is the availability and quality of advisory services. Studies show that advisors are ill-equipped to provide advice over the entire transfer process and that the market fails to offer adequate professional services and support. A good solution could be to create “one-stop” business support services that deal specifically with business transfers or to integrate them into existing business support centers at a local, national, or regional level.

Challenges faced by project partners:

- lack of specialized advisory services in the business transfer field.



#### Valuation of Companies

Valuation requires special competence and experience that the seller or owner-manager may not have. When a company needs to be valued, it is usually experts who do this. Valuation is the basis for a company's price. For

the seller and the buyer, the valuation must be correct. As often the seller accounts the price as an essential part of his pension and for the buyer, the price is decisive for his own and the company's future finances.

The Person who evaluates a company needs methods and insight into special industry conditions to assess the right price.

Common valuation methods are:

1. Discounted cash flow (a mathematical method that calculates the value based on the company's free cash flow, debt, tax, investments, etc.). Requires skills and competences in using the model.
2. Asset-Based Approaches. Requires knowledge of asset value & goodwill calculation.
3. Multiples (selected key figures -EBITDA, EBIT, NOPAT-multiplied by a factor). Requires considerable insight into the specific industry.



#### Target Groups

All target groups (potential buyers) have different backgrounds and qualifications. In the project, the partners discussed experiences with different strategies on how to address the groups, e.g. on how to attract more women as buyers. The project partners also discussed if

buyers from other countries are an option if the SME doesn't find a local successor.

During the workshops different challenges regarding target groups were identified:

- Young people (18 – 30 years old) - funding models need to be adequate.
- Women – what are the differences compared to men as a target group in respect to

- needs of support; what are the business preferences for women entrepreneurship.
- Migrants / Foreigners - Foreign Direct Investments linked to BT; Consultants with intercultural competences and language skills needed; mentoring services for migrants (ESF funded- business plans, bank concept, legal and cultural aspects).
- Internals / Employees – how to retain the best employees. Development of help or support to employees, who want to buy companies.
- Identification of students as a legal group; Universities of Applied sciences – include lectures on business transfer.

Challenges faced by project partners:

- brain drainage;
- emigration of the entrepreneurs;
- lack of awareness regarding business transfer.



Willing sellers and potential buyers often have difficulties in finding the right counterparty to enable a transfer. For a successful transfer, both parties must have defined (and later agreed on) the crucial criteria and requirements.

Besides valuation and financing, matchmaking is one of the most complex aspects within the business transfer process - creating a link between the buyer and seller, opening the path for business valuation.

Searching parties can use several methods to find the perfect match:

1. The classical approach is to go to an intermediary (usually a business broker who is well connected to the business market and entrepreneurial events) who knows the right person (buyer or seller).
2. They could also go to events for business transfer where buyers and sellers are meeting face-to-face and talk, offering or getting more information about the company, setting an official meeting (if the company information were satisfactory), deciding to go to a business broker (for advisory services).
3. Another option is to use online apps where interested buyers are searching for suitable companies to take over, finding the right ones, and contacting the owners for more details.

As opportunities the workshops identified:

- Using or developing entrepreneurial networks at the EU, but also at the national and regional level;
- learning from programs developed by project's partners and adapt them to national/regional specific requirements, improving existing or creating new programs;
- creating return incentives for the young generation (with competences and knowledge);
- internationalizing the business.



### Transfer in Rural Areas

Developing an ownership succession plan is especially challenging in rural areas where many small businesses are at risk of closing down due to the structural challenges within the next years. Furthermore, since the children of rural small business owners are either not available or not

interested in taking over the family business, a lack of possible successors further intensifies the issues. However, young people can also be motivated to stay in their home region when they see an economic perspective through becoming an entrepreneur. A key challenge to succession is often national legislation over inheritance, which can have a crucial impact on the consolidation, or on the fragmentation of businesses due to multiple siblings (e.g. of land and farm assets).

Furthermore, the rural embeddedness of firms and the close ties these firms form with the respective region may make it hard for the owner to sell their land due to the attachment to a location many generations have called their home.

Besides the children of the owners, another group that might be interested in sustaining the business and its legacy are the firms' employees. Provided that the owners are willing to complete full ownership transfer, the interested entrepreneurs or employees often face difficulties in taking substantial loans in rural areas since banks may not see a prosperous future in rural areas.

Challenges faced by project partners:

- political and legislative unpredictability.



### Financial Instruments

How to finance the transfer of business is a crucial question for both - buyers and sellers. Special programs for Startups exist in many European regions. However, programs dedicated to ToB are scarce. This might be due to the individual and heterogeneous needs of

different businesses (and types of industry) and involved persons. Therefore standardized financial support may be challenging to develop.

However, it is crucial for the sustainment of businesses that governmental support for financing transfers is implemented (be it by better loan conditions, e.g. for farmers or businesses in rural areas).

Nevertheless, many countries have established financing instruments, which are suitable for founding a business, and also applicable to business transfer needs.

Challenges faced by project partners:

- lack of financing instruments and programs for buying a business.



The aspect explores the concept of how a change in ownership provides a pivotal point in time to introduce new knowledge into a company and strengthen innovation in businesses, as a way of keeping all maturing businesses competitive and ensuring demand from potential

buyers.

The main objectives for knowledge transfer are:

- Understanding how a business innovation strategy and/or technical innovations introduced by the new owner can raise the value of the company and changes the overall business management strategy.
- Uncovering the relationship between corporate strategy and culture in order to foster a successful innovation.
- Initiating and supporting knowledge transfer from regional advisory partners.
- Investigating possible synergies with other projects in relation to knowledge transfer.

Amongst the thematic lectures, partner contributions, and subsequent discussions the following opportunities and challenges were identified:

Opportunities:

- Creating a regional/local knowledge and experience exchange platform amongst cross-sectoral entrepreneurs (aiding in practical recommendations for business transfer).
- Transitioning from a problem-based (age of entrepreneur) approach (shifting the generation) towards an innovation-based, structured and progressive approach, (increasing attractiveness and growth potential of the company). Linking valuation to business development actions (business improvement). Strengthening the role of valuation and encouraging project-based funding for it.
- Considering the different demand sides in ToB - is it a buyer or an investor? (In terms of valuation, a buyer values the current entity; an investor values a more holistic approach and considers future demand trends).
- Developing business innovation management before a generation shift occurs (a transition from only survival to developing/creating innovation strategies).

Challenges:

- Great distance and lack of accessibility to higher education are a factor of knowledge retention. Region's without access to such institutions, should create knowledge-based linkages and transfer from outside of the region.
- It is difficult to successfully transfer tacit knowledge from the existing generation to the next generation. When the senior and the succeeding generation share time in the company, this ensures the absorption of tacit knowledge from the transferor to the transferee which is key success factor in the innovation renewal.



## Region-Specific Issues and Challenges

The Bucharest-Ilfov is the engine of the Romanian economy, producing 27% of the national GDP according to the NIS data available in December 2016. The average net income is roughly 46% higher than the national average. In the Bucharest-Ilfov Region are located 25% of the private enterprises and over 50% of the research institutes and business incubators. Ilfov County, together with Bucharest, represents the center of innovation and research in Romania, hosting 22.74% of the innovative companies active in Romania. The number of research institutes in Bucharest - Ilfov is 28, out of the total 47 research institutes in Romania. The number of technological and business incubators in Bucharest - Ilfov is 8, out of a total of 14 technological incubators in Romania. The number of industrial parks in Bucharest - Ilfov is 3, out of the total of 55 industrial parks in Romania.

Ilfov county is part of the Bucharest - Ilfov Development Region, the region with the highest contribution to the GDP of Romania, with the highest GDP / inhabitant rate in the country (Bucharest - Ilfov is 139% of the EU average on GDP / per capita in PPS<sup>1</sup>, according to Eurostat data for 2016). It is also the region with the largest number of SMEs in Romania. The Bucharest-Ilfov region has a GDP / capita of 20,500 Euros, compared to the country average of 8,600 Euros, and a GDP / capita in the PPS of 40,400 Euros, compared to the country average of 17,000 Euros. Compared with the EU, Bucharest-Ilfov has a GDP of 70% of the EU average, but a GDP / capita in the PPS of 139%, being 22nd according to the level of the GDP / capita in the PPS among the 276 regions of the Union. According to the NIS data, in the period 2011-2015, the total number of companies registered in the territory of Ilfov county increased by more than 50%, from 12,782 companies in 2011 to 19,181 companies in 2015, reaching over 27,000 companies in 2017. Short comparative analysis: Bucharest leads the ranking, having 140,300 companies. Then Cluj (41,000), Timis (31,000), Ilfov (27,000), Constanta (27,000). On the other side of the ranking are Covasna, Ialomita, Calarasi and Giurgiu, none of which managed to exceed 6,000 companies, (the year 2017)<sup>2</sup>. Analyzing the above data, within the Bucharest-Ilfov region, the municipality of Bucharest is particularly developed considering that over 83% of the total number of companies in the region are located in the Capital. Being part of the Bucharest - Ilfov region, Ilfov County is affected because the funding programs in which this region is eligible are very few or have a very low funding degree, the infrastructure is not enough developed, the transport times are very high and the main economic activity in the county is still agriculture.

Ilfov County Council supports the business environment by developing : i) the Magurele Science Park (MSP) project; ii) the business incubator "Ilfov Business Hub"; iii) a network of four Local Action Groups which are active in financing local development actions concerning the business environment, agriculture, infrastructure and social programs at the level of the microregions which each of these Groups represent. At the initiative of Ilfov County Council, the first steps in the development of the Magurele Science Park have been taken. This project shall contribute to the development of innovative entrepreneurship at regional and national level by creating links between industry and research and by ensuring the necessary dialogue

<sup>1</sup> Purchasing Power Standards (PPS)

<sup>2</sup>[http://www.insse.ro/cms/files/Publicatii\\_2017/82.Repere\\_economice\\_si\\_sociale\\_regionale\\_Statistica\\_teritoriala\\_la/Repere\\_economice\\_si\\_sociale\\_regionale\\_Statistica\\_teritoriala\\_2017.pdf](http://www.insse.ro/cms/files/Publicatii_2017/82.Repere_economice_si_sociale_regionale_Statistica_teritoriala_la/Repere_economice_si_sociale_regionale_Statistica_teritoriala_2017.pdf)

<sup>2</sup><https://republica.ro/harta-interactiva-a-antreprenoriatului-din-romania-top-firme-top-angajatori-top-domenii-in-judetul-tau>



between the two components mentioned above. The mission of the MSP project is to develop an innovative economy by supporting the commercialization of the R&D results and the spin-off systems created at the level of the Universities and of the research institutes and by participating in the process of culture formation in this field (innovative economy). By offering facilities for university and research institutes based startups and spin-offs we shall contribute to the development of synergies between the business environment and the R&D field. Magurele Science Park is a hub of innovation at the European level. It offers expertise and competences, access to a highly developed workforce as well as access to the development medium, that businesses –focused on innovation and technological transfer– require.

Starting with December 2017, Ilfov County Council has obtained the title of Business Incubator with a mixed portfolio for the Ilfov Business Hub entity, which will ensure, from its own budget (but also from non-reimbursable European and government funds or from other external sources) the financing of specific activities, including: providing assistance for business in the field of legal advice, accounting, economic, financial and management consulting, evaluation, identification of sources of financing, networking, dialogue and interinstitutional support, promoting businesses, offering grants to incubated legal entities as well as other support activities for SMEs. The business incubator covers the “pre-incubation – incubation – acceleration” cycle with the purpose of selecting and training economic operators that will work within MAGURELE SCIENCE PARK. This initiative continues a series of projects, with a total value of 3,300,000 Euros, implemented by Ilfov County Council starting with 2014, which have the purpose of supporting the business environment in Ilfov. The projects have already been set up and there were financed over 50 start-ups. So, Ilfov County Council has expertise and funds for encouraging and supporting the business environment, also regarding the field of innovation and technological transfer, as a part of business transfer (e.g. Magurele Science Park).

At the same time, four Local Action Groups (LAGs) have been set up, financed through the National Rural Development Program, which operate on the territory of 16 localities in Ilfov County. As a part of their structure - together with the Ilfov County Council and the mayorships of the 16 localities - there are also 9 NGOs and 69 SMEs:

1. LAG COCIOVALISTEA ILFOV NORTH WEST, made up by a number of 25 partners: 4 public partners, 17 private partners and 4 partners from the civil society. The LAG benefits from a total allocation of 1,253,109.31 Euros for 6 financing measures
2. LAG ILFOVAT ILFOV SOUTH WEST benefits from a total allocation of 524,558.94 Euros and is made up of 17 partners out of which 13 are private partners (10 companies, 1 agricultural cooperative and 2 NGO's) and 4 public partners (4 communes) with 7 financing measures available.
3. LAG SABAR ILFOV SOUTH has a total allocation of 1,258,879.90 euros and it is composed of 5 public partners and 21 private partners and has 7 financing measures.
4. LAG VLASIA ILFOV NORTH EAST has a total allocation of 1,583,850.31 euros for 9 financing measures.

All the four of Local Action Groups (LAGs) have financing measures that encourage and help young farmers who first install themselves as farm owner managers. These measures encourage the transfer of the business / farm to the young farmers. Almost all the financing measures available in Romania for agricultural business have stimulation measures either through a higher financing degree or by a higher score that increases the chance of the young farmers of contracting the projects. In this way the transfer of agricultural business to young farmers is encouraged. These financing measures are also available for Ilfov County, where young farmers benefit from support and encouragement including through financing measures

provided by the four LAGs mentioned above.

The dynamics of the business environment, as well as the excellent connectivity of the county, make Ilfov a favorite place for entrepreneurs and investors. The total volume of investments made by the economic agents from Ilfov County in 2016 was 445 million Euros, up 17.4% compared to 2015. The number of active legal entities in Ilfov County is 42,542 of which 1,600 are medium-sized taxpayers, which have a market share of about 65-70% of the county total for 2015. Within the areas of activity, the most developed (according to the turnover) are: Trade with cars and light vehicles (under 3.5 tonnes) FV: 1,457 million euros; Retail sale in non-specialized stores with predominant sale of food, beverages and tobacco: 1,044 million Euros; Wholesale of pharmaceutical products: 1,000 million Euros<sup>3</sup>.

SMEs account for 99.8% of the business population in the European Union and 99.7% in Romania. The vast majority of SMEs are micro-enterprises, with up to 10 employees (93% of companies in the non-financial sector).

Between the Member States, Romania ranks last, with only 2.2 SMEs/100 inhabitants, which represents less than half of the EU average, of 4.5 SMEs/100 inhabitants. At the same time, the density of SMEs differs significantly between the counties of Romania, reflecting unequal economic development and entrepreneurial dynamics. The highest values are recorded in Bucharest (5.9), Ilfov (4.3), Cluj (4.0), Braşov (3.3), Timis (3.2), Bihor (3.1) and Constanta (3.0), and the lowest in Botosani (1.0), Vaslui (1.2), Mehedinti (1.3), Dambovită (1.4), Teleorman (1.4), Calarasi (1.5), Ialomita (1.5).

According to NTRO data, from 1990 to 2015 approximately 2,600,000 companies were set up, of which 808,878 were active in December 2016. Of these active companies 27,577 companies have a turnover of more than 1 million euros per year, representing a numerical weight of 4% of the total business environment, but they concentrate 84% of the total revenues recorded by all active companies in Romania, have 61% of the total jobs, and 74% of tangible fixed assets (long term investments reflected in land, construction, machinery and equipment). These companies represent the investment, social, financial and fiscal nucleus (through the income, social contributions and taxes paid to the state budget) in Romania. They are embryonic (they are established after 2005 and have an average life span of fewer than 10 years), their respective shareholders are quite old (their average age is 50 years, well above the average registered in similar companies in the region countries) and over two-thirds of the shareholders are also the managers of the respective companies.

Over 100,000 companies are born each year and also 100,000 die every year (some of them established the same year), and only around 14,300 of the companies established since 1,990 had survived until 2015.

Compared to other similar companies in the EU, SMEs in Romania have a much lower survival rate of start-ups: 75% of start-ups do not pass the first year, while about 60% do not survive the second year of activity.

Most of the core companies in Romania, with domestic capital, are family businesses without an external management structure, or a board of directors that ensures corporate governance

<sup>3</sup>[https://smarters.ro/harta-antreprenoriatului-in-romania/?utm\\_source=república.ro&utm\\_medium=Articol&utm\\_campaign=Harta+Antreprenoriatului](https://smarters.ro/harta-antreprenoriatului-in-romania/?utm_source=república.ro&utm_medium=Articol&utm_campaign=Harta+Antreprenoriatului)

in order to align the interests of all the stakeholders of the respective company (shareholders, employees, suppliers, financial creditors, customers, state). At the global level, family business accounts for 70-90% of global GDP and is a barometer of economic and social health. Given the political-social context, the most long-standing family businesses in Romania barely pass a quarter of a century of existence, many of them now facing the first major test: the transfer of leadership to the next generation but also the openness to innovation and adaptability to the changing market.

The Global Family Business memorandum made by PwC<sup>4</sup> for the period 2016-2017 shows that 53% of family businesses in Romania have a growth outlook of more than 10% from year to year. It is also shown that, in Romania, 74% of family members are involved in the family business. The family businesses faces many challenges, among which:

- it's very entrepreneurial because the owner-manager mostly often lacks the necessary theoretical business knowledge and it is harder to run a business more by instinct than by means of well established procedures;
- the owner is emotionally involved in the business;
- securing the succession is a delicate topic.

Romanian family businesses are not reluctant to access funds from public sources, and others have given part of the share capital to foreign investment funds, yet they retain control over the business.

As mentioned above, in Romania the entrepreneurial culture is still in formation. Even if we do not have official data about family business in Romania, it is worth mentioning that 68 family business owners from Romania took part in the Global Family Business Survey (2018) made by PricewaterhouseCoopers on a number of 2802 owners and directors of family businesses. The overall percentage of family businesses with a growth perspective for the 2020-2021 period is roughly 71%, with 17% expecting an aggressive growth.

In 2012-2013 most of the respondents (52%) considered the transfer of the family business to the new generation, 19% thought about transferring the property to the new generation, but bringing in a professional management, while 23% considered selling the business or listing it<sup>5</sup>. In the period 2014-2015, 48% planed to transfer both ownership and management of the organization to the next generation, 31% intended to transfer ownership to the new generation but to employ external professional management, 30% considered succession planning as a challenge for the next five years, but 61% had not a succession plan for any of the key positions of leadership<sup>6</sup>. In the period 2017-2018, in terms of succession planning, 47% had a succession plan for certain key management positions, 37% considered succession planning as a major concern over the next 5 years, and 49% planned to transfer both ownership and the leadership of the organization to the new generation. At the same time, the Deloitte Global Family Business (2018) study shows that maintaining control over the company is one of the most important long-term goals of those who own family businesses, but only 41% of them trust their succession plans. Although 68% of those who run family businesses say they intend to keep the family business, only 26% have a clear succession plan for the position of general manager and even fewer of them, for the other top management positions. A successful business is a combination of owners with a sense of responsibility, professional management

<sup>4</sup>PricewaterhouseCoopers Romania

<sup>5</sup>PwC Family Business Survey 2012/2013

<sup>6</sup>PwC Family Business Survey 2014/2015

and a healthy dynamic of family relationships. 75% of the family businesses in Romania claim that the family strategy and the company strategy are completely aligned. The percentage is lower globally (69%) and in Central and Eastern Europe (61%). Only 7% of respondents in our country admit that there is a mismatch between them. But it can often happen that there is a difference between the business owner's perception of alignment and the actual situation. Inheritance is one of the main aspects in which the medium and long term alignment between the family and business objectives is essential. And the key to success of the succession process is strategic planning, because without clarity on how the future should look like, both for business and for the family, it is impossible, for example, to choose the future leader or to identify the abilities /qualities he/she needs.

At the same time, EY study "The family business barometer in Romania", the 2017 edition, carried out on a sample of 247 family businesses, of which 80 with a turnover of over 1 million euros, it is highlighted that 100% of the Romanian entrepreneurs with family businesses with incomes over 1 million euros identified the person in charge of the succession, as opposed to 87% globally. If at the global level the Board of Directors is most often responsible for the succession (44%), followed by the owners and CEO, in Romania the owners are responsible in 78% of the cases, followed by the CEO (15%) and the Board of Directors (5 %). 20% of the Romanian family-owned businesses over 1 million Euros successfully completed the move to the second generation of entrepreneurs, while 73% of them are still run by the founders and are preparing for succession. In total, only 27% of the cases with companies with a fiscal value of over 1 million Euros are being led by people who have taken over from the previous generation, as opposed to the 53% of the companies at the global level<sup>7</sup>.

On an average, globally, family business requires family members to have three years of professional experience outside the company before joining the business in a position of management<sup>8</sup>. However, in Romania, 50% of the family businesses with businesses over 1 million euros do not require such experience, 31% require experience between one and four years, and 19% indicate 5 years or more as experience gained in other companies before being hired.

Romanian capitalism is still at an early stage, and the entrepreneurial culture is still in formation. After 30 years since the Revolution, the family business in Romania has only entered the phase of the first generation exchange, unlike those from other countries that have not known the communist experience and which have over one hundred years of capitalist tradition. The incipient phase in which the entrepreneurial culture in our country is located has several causes, which diminish the attractiveness of setting up businesses on one's own and even more diminish the attractiveness of business transfer: the generally low appetite for risk of Romanians, the relative well-paid jobs in multinational companies, the relative lack of capital and financing mechanisms, the inadequacy of the academic curriculum which often lacks entrepreneurial education and, for business transfer in particular, the mentality of both the owners – who mostly run their family businesses without strict standard procedures and more by means of personal instinct and for whom the company is not seen as much as an self-regulated organization/mechanism but more as a family asset, and the potential investors/successors – who must undertake a very careful and professional analysis of the business in order to avoid any potential hidden risks. There is a lack of profound knowledge about the topic of business transfer. As a consequence, there is a certain mistrust regarding

<sup>7</sup>According to EY study Staying power: how do family businesses create lasting success?

<sup>8</sup>According to EY study Staying power: how do family businesses create lasting success?



this operation, people not being aware of the importance and possibilities of succession, as they tend to avoid as too risky an operation they do not sufficiently understand. Legislation concerning business transfer as well as the tax situation could be improved, but the main serious impediment remains the mentality of both owners and potential successors.

Regarding the legal procedure for transferring a business, in Romania there are two main methods of taking over a company at the Trade Register, each of which has its own specific elements, which may have, as the case may be, both benefits and disadvantage:

- there is the possibility that one or more new associates receive part of the social shares of one or more existing associates in the company, that is by assignment;
- there is the possibility that a new associate will enter the company structure through a contribution of own capital, which will add to the existing share capital and increase its total value.

The first method is the longest one and can last for up to two months, but it is more likely not to be fulfilled because it implies an opposition period. The second method, through the co-optation of a new associate, although it seems more complicated, unfolding in several stages, lasts much less (can be carried out in 7 days).

As a conclusion, the transfer of social shares can take place either from one existing partner to another, or through the co-optation of a new partner. The Assignor can "transfer" all the social shares he owns, or only part of them, remaining in the company. The price of a share may start from the nominal value of that share, or may be higher, in which case, the Assignor will pay tax on the positive difference between the sale value and the nominal value of the shares. The General Assembly of Associates (GMS) decide the transfer. If the Assignee, who takes over the social parts, is already an associate of the company, the procedure is simpler and involves very short terms of the transfer, which can take up to 7 days. Regarding the fees charged by NTRO for the transfer of the social parts, starting with 2017 they were eliminated, there being only a small fee for publication in the Official Monitor of the GMS decision to transfer the social parts. There is a need of elaborating a unitary legislative package regarding all aspects of the business transfer by modifying the relevant legislation: e.g. Law no. 346/2004 for stimulating the establishment and development of small and medium-sized enterprises, Law no. 31/1990 for companies. This will include concise and transparent legal provisions regulating the pre- and post-transfer periods of the business (e.g. simplifying the procedures for transferring – both legally and from the taxation point of view, free advice from the Ministry for Business Environment, Trade and Entrepreneurship, the National Trade Registry Office and the National Authority for Fiscal Administration).

Elaborating a transparent, coherent and concise unitary legislative package, without equivocal legal norms, is a must. Legislative guarantees regarding the *stability in time* of the legal norms shall be granted (*tempus regit actum*), as repeated legislative changes have a negative impact for the stability and predictability of the legal circuit.

We think that an improvement of the legal framework regarding the procedure of the social parts transfer should primarily focus at the reduction of the transfer periods for the procedure of direct assignment, without the co-optation of an associate, to a person/persons outside the company, so that this procedure will be as fast and as easy as the one regarding the co-optation of an associate, possibly with a period of opposability subsequent to the transfer of the social parts and the presentation of the fiscal certificate.



Regarding the financial capacity of a potential successor for a business transfer, in Bucharest and Ilfov County there is a need of financial resources for the price of the business transfer as well as for investments and working capital. These resources could come from government/european funding programs, government financing guarantee programs, private funding. Financial indirect support should be granted by means of tax deduction measures as well as by other fiscal facilities.

As we said, Romanian capitalism is still at an early stage, and the entrepreneurial culture is still in formation. There are still few advisors with profound knowledge about the topic of business transfer. As a consequence, owners and successors do not have easy access to support. So, there is a need in providing support for stakeholders in business transfer through experts made available by the business incubators regarding:

- legal advice;
- accounting;
- economic, financial and management consulting;
- evaluation;
- identification of financing sources;
- identifying the potential buyers and facilitating and realizing the link between the main actors involved;
- dialogue and interinstitutional cooperation in order to simplify/improve the legal and fiscal framework in the field.

The desired impact is to make the business environment more familiar with the concept of "business transfer" and to increase the number of operations specific to the concept of "business transfer" within the administrative area of Ilfov County.

At this moment, there is a **One stop shop** – Single Office for SMEs, a portal that offers information, guidance and modern means of interaction with the public administration, namely: **[www.immoss.ro](http://www.immoss.ro)**. The portal is initiated within the project **Simplifying Administrative Procedures for SMEs by introducing single offices "One Stop Shop"**, co-financed from the European Social Fund through the Administrative Capacity Operational Program. The objectives of "One stop shop" are the following:

- simplification of administrative procedures and reduction of time and the costs related to them;
- the development of the administrative capacity regarding the delivery of quality and efficient public services;
- the consolidation of the cooperation between the public administration institutions with attributions in the field of setting up and developing the SME.

The One Stop Shop platform offers, through the cooperation of the main public authorities, possibilities for:

- starting the business: company registration, authorization of activities, recruiting the first employee;
- operation: fiscal obligations, reporting obligations;
- development: capital increase, access to financing;
- liquidation: cancellation of business.

The **One stop shop** project represents an initiative of the Ministry for Business Environment, Trade and Entrepreneurship (MBECE) and can be developed with a new module regarding the business transfer by connecting with the Matchmaking web platform developed by the Ilfov County Council within the STOB project.

After 30 years since the falling of the communism and the events which took place in 1989, the family businesses in Romania have only entered chronologically in the phase of the first generation shift, unlike those from other countries that have not known the communist experience and which have over one hundred years of free market tradition. Most owner-managers are not prepared emotionally and organizational to hand over their business. Most owners run their family businesses without strict **standard procedures** and more by means of **personal instinct**. For them, the company is not seen as much as an **self-regulated organization/ mechanism** but more as a family asset.

The main serious impediment remains the mentality. Most owners think quite superficial, in the way they hope their business will continue *sine die*, not accepting they get older and some day they will not be able to run the business any more. Others think emotionally, hoping their relatives will run the business after they pass away, denying the reality: namely that their relatives do not have – in most cases – their business ability. This mentality is **directly linked to the lack of profound knowledge about the topic of business transfer**. As a consequence, there is a certain mistrust regarding this operation, people not being aware of the importance and possibilities of succession.

Unfortunately, there is still not an integrated coherent infrastructure for matchmaking. As a result, establishing an easy to use matchmaking web application (facilitating the identification of stakeholders: sellers, buyers, consultants) will contribute to promote, familiarize and facilitate the transfer of business, and to create easier communication between the people present in the business environment.

It is therefore necessary to consolidate the existing family businesses and the succession of at least one or two generations until the Romanians truly assimilate the entrepreneurial mindset and values. This is why the current entrepreneurial landscape is not very varied.

Family businesses in Romania can be divided into three main categories:

1. The first segment is represented by companies established in the 1990s, during the effervescent period of transition to the market economy, when their founders were then 30-40 years old. Nowadays, many of these businesses have already arrived or are approaching the moment of the first generation exchange, so it becomes necessary to plan the business transfer, given the impact they have on the economy. Financing the business transfer for companies that have proven economically efficient over time is obviously more profitable for the economy than investing in startups, but most of these companies are in the Bucharest-Ilfov region, which does not have access to European financing, especially for companies, being classified in the more developed regions category.
2. The second category is that of business established in 2000-2007, largely by former employees of multinational companies. After learning management techniques and gaining experience, they started their own businesses.
3. After 2010 a distinct category of entrepreneurs expands. It is made up of young people who, at only 25-30 years old, own successful companies, proof that the entrepreneurial spirit is beginning to flourish in Romania on all age levels, mainly in the digital field or in the creative industries.

## The SWOT analysis of the region from the perspective of business transfer, as set out in the Bucharest workshop

Considering the experience of the past years - including the 6<sup>th</sup> workshop for the project STOB Regions organized by Ilfov County Council, Romania, which took place on the 26<sup>th</sup> and 27<sup>th</sup> of September 2018 in Bucharest - we can draw a conclusion regarding the specific issues and challenges at the level of the Ilfov County. Thus, analyzing the conclusions we drafted the swot analysis that is the basis of the three Actions from below.

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>• entrepreneurship is increasing, being encouraged through funding programs such as StartUp Nation;</li> <li>• the region of Ilfov county benefits from recognition at the level of central and local authorities;</li> <li>• some of the young people who go abroad return to the country with skills and know-how that helps them to set up successful businesses;</li> <li>• Ilfov County enjoys the economic and demographic advantage, the population and economy of the region are increasing.</li> </ul>	<ul style="list-style-type: none"> <li>• the mentality of not buying "Used" also manifests itself in the case of business transfers;</li> <li>• being a market economy for almost 30 years, there is a lack of traditions for private business;</li> <li>• there is also a lack of experience of the business environment and public authorities, a lack of business support structures, a lack of confidence in external experts and the public sector;</li> <li>• awareness and sensitization of the business environment for the planning of the business transfer are still quite low;</li> <li>• there is not enough support or public policy for the transfer of business;</li> <li>• being a young market economy, the size of the industrial and business sector is small.</li> <li>• there is no official data for business transfer analysis;</li> <li>• there is an underestimation of the benefits of business transfer.</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>• legislation can be improved;</li> <li>• there are experiences from formal programs and the possibility of improving financing programs;</li> <li>• the experiences of young people who have been abroad and are returning home bring a fresh breath to the economy;</li> <li>• market opportunities exists, whether it is business transfer or insufficiently exploited niches;</li> <li>• the region benefits from a demographic chance, with the population of the region growing;</li> <li>• business support networks can be developed;</li> <li>• improving the efficiency of funds in the entrepreneurial sector is possible;</li> <li>• there are growth opportunities and under-</li> </ul>	<ul style="list-style-type: none"> <li>• the brain drain is one of the biggest threats, also many entrepreneurs leave the country;</li> <li>• a public policy in the field of business transfer is a delicate issue; the succession problem is underestimated, and the vast majority of businesses which have older owners are not ready for transfer; this situation will have a major impact on their evolution in the coming years, and implicitly in the economy;</li> <li>• the business transfer is not promoted and there is no sufficient awareness regarding the problem of the business transfer.</li> </ul>

<p>developed markets;</p> <ul style="list-style-type: none"> <li>• there is room for establishing the business transfer ecosystem;</li> <li>• EU funds can have a major impact on business transfer, depending on whether or not they can be used in business transfer;</li> <li>• there is a need and a will for change.</li> </ul>	
--	--

# Information Regarding Policy Instruments

## Policy Context and Instruments

Regarding the European financing instruments, the Bucharest-Ilfov Region is ineligible for most European funding programs, because it is considered the most developed region in Romania, and the few financing programs that include the BI Region have much lower financing rates than the ones for the other regions. Within the existing European funding instruments, during the 2014-2020 programming period, there are no measures specifically dedicated to encouraging business transfer, just complementary measures regarding the transfer in fields such as: technology, know-how, encouraging the take-up by qualified young people in agriculture of agricultural holdings. A brief review of the main financing programs that have activities complementary to the business transfer will be made in the following:

### A. Competitiveness Operational Program – COP

Priority Axis 1.2. Improving research and innovation (R&I) infrastructures and capacities to develop excellence in R&I and promoting centers of competence, especially those of European interest, by connecting them with existing or emerging clustering structures that pursue innovation and economic development, in a way that responds to the development needs of the communities in which they develop:

- a) Action 1.2.1: Stimulating the demand of companies for innovation through RDI projects carried out by companies individually or in partnership with R&D institutes and universities, in order to innovate processes and products in the economic sectors that have growth potential.
- b) Action 1.2.2: Lending instruments and venture capital measures in favor of innovative SMEs and research organizations responding to market demands
- c) Action 1.2.3: Knowledge Transfer Partnerships.

### B. Human Capital Operational Program – HC OP

**Romania Start-Up Plus** is a financing line for those who want to develop a business in the urban environment, dedicated exclusively to the development of entrepreneurship and the establishment of new businesses, the maximum value of a project is 5 million euros, and the maximum value of the subsidy per beneficiary (de minimis aid) is 40,000 euros.

Provides European funds for:

- 1. entrepreneurial education courses
- 2. specialized technical consultancy
- 3. mentoring services
- 4. implementation of the business plan

Eligible entrepreneurship scheme administrators:

- a. Local Public Authorities
- b. NGOs
- c. Chambers of Commerce
- d. Employers' organizations
- e. Providers of Continuing Vocational Training (CVT)



**Diaspora Start Up** is a financing line dedicated to Romanians established abroad, who wish to start a business in the urban environment in Romania, with European funds, except for the Bucharest-Ilfov region. It is dedicated exclusively to entrepreneurship development and setting up new businesses, and the maximum value of subsidies granted to a Beneficiary is 40,000 euros.

Provides European funds for:

1. entrepreneurial education courses
2. specialized technical consultancy
3. mentoring services
4. implementation of the business plan

## C. Regional Operational Program – ROP

1.1 Goals: To strengthen the research field, the technological development and the innovation

Beneficiaries:

- infrastructures of innovation and technological transfer (ITT);
- scientific and technological parks ;
- SMEs in partnership with infrastructures of innovation and technological transfer (ITT) (e.g. Research institutes, Universities, etc.).

The following will be financed :

- a. the creation and development of the infrastructures of innovation and technological transfer (ITT), including scientific and technological parks, respectively the construction, modernization, extension and endowment with necessary equipment and software
- b. the acquisition of specific technological services, including specialized business consultancy
- c. investments for SMEs to implement a research result - innovation in partnership with an ITT infrastructure

2.1 Goals: Promoting the entrepreneurial spirit, in particular by facilitating the economic development of new ideas and by encouraging the creation of new enterprises, including through business incubators.

Beneficiaries:

Microenterprises with a working history of at least 1 year in the urban area, as well as incubators and business accelerators (as economic agents).

The following will be financed:

- a) The construction / modernization and extension of the production space / services of SMEs, including endowment with tangible assets (new constructions necessary for carrying out specific activities, equipment acquisition, etc.) and intangible (type of patents, licenses, etc. and other similar rights and assets) ;
- b) The creation/modernization/extension of business incubators/accelerators, including development of related services.

## D. The financing instruments (credit guarantee schemes) used correlated with the stage of business development

For the early stage of business development:

- a. Capital investment funds for seed and early-stage: entrepreneurship accelerators and seed funds - COP
- b. Micro-loans and guarantees for companies in the seed and start-up stages – HC OP

For the growth stage of enterprises:

- a. Risk-sharing loans - COP and ROP
- b. Unsecured guarantee for growing SMEs – ISMEOP
- c. Equity funds for growth enterprises - ROP

## E. Operational Program Initiative for SMEs Romania - ISMEOP

The ISMEOP will cover both the Bucharest-Ilfov region, which is classified as a more developed region, as well as the other 7 regions of the country, which are "less developed" and aims to implement the non-ceilinged guarantee instrument, aiming to facilitate the access to financing of the SME- in Romania, in order to increase the productivity, innovation and the capacity of SMEs to grow on regional, national and international markets.

Based on the experience gained through the implementation of JEREMIE in Romania, ISMEOP facilitates the access of SMEs to financing by providing guarantees through a tool that will use HORIZON 2020, EIF, EIB and ERDF resources, in cooperation with EIB / EIF and in order to generate additional loans for SMEs. In order to support the increasing competitiveness of SMEs, in the implementation of the ISMEOP, special attention will be paid to innovative activities, including the creation of a minimum sub-portfolio of loans that meet the HORIZON 2020 eligibility criteria. ERDF with those of other programs supported by EU resources. The aim is to develop SMEs by facilitating and maximizing synergies between existing programs to support SMEs, at national and European level.

## F. Rural Development National Program 2014 - 2020 - RDNP

### Sub-measure 6.1 - Support for the installation of young farmers

The purpose of the investments supported under this sub-measure is to support the establishment for the first time of young farmers as heads / sole managers of a farm.

#### OBJECTIVES:

- Increasing the number of young farmers starting agricultural activity for the first time as farm managers / managers, being encouraged to become competitive, to associate, to participate in integrated food chains;
- Improving management, increasing the competitiveness of the agricultural sector and supporting the process of modernization and compliance with the requirements for environmental protection, hygiene and animal welfare and safety at work;
- Creating the possibility of young resident farmers, with a minimum of basic knowledge, in order to be installed as heads / managers of the farm.
- Encourage young people and families from rural areas to settle in the rural areas, which will create a positive effect on the national economy in general.

#### BENEFICIARIES:

- Young farmers according to the definition provided in art. 2 of R (EU) no. 1305/2013, which

is installed as the sole head of the farm

- Legal entities in which a young farmer within the meaning of art. 2 of R (EU) no. 1305/2013 is installed together with other young farmers and who exercises effective long-term control regarding the decisions regarding management, benefits and financial risks within the respective farm

NON-REFUNDABLE SUPPORT of up to 50,000 Euro:

- will be granted in the form of a premium in two installments, as follows:
- 75% of the amount of support upon receipt of the financing decision
- 25% of the amount of support within three years from the receipt of the financing decision;

## G. Financial instruments that promote business transfer in rural Romania

RDNP provides the beneficiary with Financial Instruments (FI) defined in accordance with the provisions of article 38 of Regulation no 1303/2013, as subsequently amended and supplemented, and represents any financial instrument, including, without limitation to loans, leases, guarantees and counter-guarantees, capital investments, quasi-capital investments or mezzanine investments for the Final Recipients. The final recipient is a legal person or a natural person authorized according to the legislation in force, who falls in the category of eligible beneficiaries defined according to the sub-measures mentioned below, who receives financial support through the Financial Instrument. FI is granted:

- 1) loans for the private co-financing of the projects financed through the sub-measures mentioned above;
- 2) self-standing loans (without RDNP project) for the eligible operations that fall within the sub-measures mentioned above.

Also, the Guarantee Fund of Rural Credit IFN SA granted guarantees in favor of the financing institutions with which it has concluded Working Conventions, to guarantee the credits granted to farmers, natural and legal persons for the purchase of land for Agricultural purpose, until reaching a cumulative limit of maximum 750 ha in property, according to art. 2 lit. b3 of GEO 43/2013. The FGCR guarantee can cover up to 80% of the value of the loan, the difference of guarantees up to the value of the credit and the related interest will be ensured when the loan is granted by the borrowers with the purchased land and / or other assets owned by them or by the third guarantors. The beneficiaries of the loans for which the Fund may grant guarantees may be natural and legal persons, as farmers, carrying out activities in the agricultural / zootechnical and aquaculture fields:

- 1) companies, defined according to Law no.31 / 1990 with the subsequent modifications and completions.
- 2) the authorized persons, individual and family enterprises, which carry out economic activities, constituted according to GEO no. 44/2008.
- 3) agricultural associations, firms and agricultural cooperatives established according to Law no. 36/1991 regarding agricultural societies and other forms of association in agriculture and the Law on agricultural cooperation no. 566/2004.
- 4) persons carrying out economic activities in the field of agricultural / zootechnical agriculture and aquaculture.

These Financial Instruments are the closest to supporting the concept of business transfer, making it possible to take over a farm by means of state guarantee even with the purchased agricultural land.

At the same time, the RDNP proposes to support a guarantee scheme for non-agricultural SMEs from the rural area, which are beneficiaries of a grant on the priorities of the program. The ISMEOP and the RDNP guarantee act complementarily, since primary agriculture is not eligible for the ISMEOP. The complementary action of the two instruments is ensured by the inherent limitations of the two types of assistance, by avoiding the double financing and the rules regarding the accumulation of state aid and de minimis. The beneficiaries of ISMEOP are non-agricultural SMEs from urban and rural areas, for those activities that are not financed by RDNP.

## **Conclusions**

**The regional action plan proposed by PP7 Ilfov County Council within STOB Regions project was elaborated at the end of 2019, and the actions foreseen in it for the second phase take into account the operational programs available for the period 2020-2021.**

**Through the Operational Program Competitiveness Priority Axis 1 - Action 1.2.3 were funded projects for partnerships for knowledge transfer, this action being tangential to the theme addressed within the STOB regions project at the interregional public policy event that took place in Kajaani, Finland.**

**For the funding period 2014-2020 the Bucharest-Ilfov region was classified as a more developed region, consequently the budget allocated was much diminished compared to the previous funding period (2007-2013). Thus, during the implementation of Phase I of the STOB regions project, within the Operational Program Competitiveness - Priority Axis 1, all the funds existing in the 2014-2020 funding period were exhausted, so they made the proposal of the partner 7 inappropriate. Ilfov County Council for improving public policy.**

**At the same time, 2020 is the last financing year for the period 2014-2020 and of the Operational Program Competitiveness, for the next financing period 2021-2027 the axes and actions within it will be taken over by the new Intelligent Growth and Digitalization Operational Program.**

**Given the fact that the new IGDOP program is in the consultation and elaboration phase, and the budget of the European Union is in the negotiation stage, we expect that the activities envisaged for the three actions described in the Regional Action Plan will have an echo during the financing period 2021-2027.**

**Thus, through the action of awareness and promotion of the business transfer, as well as the action of the development of support and consulting services, we will be able to develop specific guides for the beneficiaries aiming at the provision of consulting services, training opportunities for specialists in business transfer, and at the same time increasing the degree of entrepreneurial culture.**

**Intelligent Growth and Digitization Operational Program emphasizes the development of IT solutions that facilitate the access of beneficiaries to services connected to the field of activity.**

**Thus, through the third action, the online matchmaking platform, we aim to promote the business transfer among the entrepreneurial environment and among the authorities with competences in regulating the business environment. Another goal of this is to create a critical mass of users and among the specialists who provide consulting services.**

**At the same time, the Government of Romania initiated the decentralization of the Regional Operational Program in eight programs that will be transferred under the subordination of the Regional Development Agencies as Managing Authority.**

**As in the case of the Competitiveness Operational Program, the Bucharest-Ilfov Region was not eligible to receive funding through the Regional Operational Program 2014-2020 Priority Axis 2: Improving the competitiveness of small and medium-sized enterprises, so this public policy could not be influenced.**

**For the financing period 2021-2027, the Bucharest-Ilfov Development Agency, a stakeholder of the Ilfov County Council in STOB regions project, will become the Managing Authority of the Regional Operational Program for the Bucharest-Ilfov Region and is responsible for developing the Intelligent Specialization Strategy of region.**

**Ilfov County Council, as a member of the Bucharest-Ilfov Regional Development Council, will be able to use all the levers to include in the new Regional Operational Program pilot measures and programs aimed at business succession and transfer.**



## Implementation of the Action Plan

By taking into consideration the conclusions presented above, the present action plan has been elaborated on the basis of Strategic Objective 1 "Consolidating the competitiveness of Ilfov County in the context of its proximity to Bucharest" from Ilfov County's Development Strategy "Horizon 2020":

- SO 1.1. – Concerning the process of attracting investors and capital for the development of the business environment;
- SO 1.2. – Concerning the process of supporting the business environment in the urban and rural areas of Ilfov County.

It is also important to mention that Ilfov County Council, in a partnership with the World Bank is elaborating the Ilfov County Development Strategy for the 2020-2030 period. This document contains measures for supporting the sustainable economic development and entrepreneurship in order to create jobs and also to support SME's in high value added sectors. Through the new strategy a series of sectorial policies are being drafted which are aimed at supporting the development of the R&D infrastructure (science parks) and at helping the business support centers/business incubators. Within the respective business support centers special services shall be developed for business transfer.

The sectorial policies shall also take into account the importance of developing services in order to council entrepreneurs and to prepare specialists in the field of business transfer.

Based on the recommendations and conclusions made by the partners and the examples of good practices presented both in the Bucharest event and the workshops within the project, we have taken the following significant ideas that we can adapt to the legal framework and business environment in Romania, for the formulation of the action plan:

1. The idea of intensive promotion and awareness of entrepreneurs regarding the transfer of business, and the development of the entrepreneurial culture.
2. The idea of providing consulting services in order to facilitate the succession and transfer of business.

In order to enhance the efficiency of the first two ideas we thought to develop an important tool to facilitate the business transfer, to help meeting the demand with the offer: a matchmaking web platform to facilitate the business transfer (sale/purchase/consultancy).

Nowadays, many of the profitable businesses, with activity of more than 10 years, have already reached or are approaching the moment of the first generation exchange, so it becomes necessary to promote and encourage through different public policy instruments the business transfer, considering the impact that these stable and profitable companies have in the economy, especially in terms of budgetary revenue, jobs and economic development. The financing of the business transfer in the case of companies that have proven economically efficient over time is obviously more profitable for the economy than the investment in startups, and a large part of these companies are in the Bucharest - Ilfov region, which it does not have access to European financing, especially as regards companies, being classified in the developed regions category. Thus, it becomes necessary to include specific measures designed to stimulate the transfer of businesses implemented including in the Bucharest - Ilfov region within the operational programs between 2021-2027,

In Romania, the **entrepreneurial culture** and especially the process of family business transfer are at an **early stage**.

This situation has several causes: the generally low appetite for risk of Romanians, the relative

well-paid jobs in multinational companies, the relative lack of capital and financing mechanisms, the inadequacy of the academic curriculum which often lacks entrepreneurial education and, the mentality of both the owners – who mostly run their family businesses **without strict standard procedures** and more by means of **personal instinct** and for whom the company is not seen as much as an **self-regulated organization/mechanism** *but more as a very personal inalienable family asset*, and the potential investors/successors – who must undertake a very careful and professional analysis of the business in order to avoid any potential **hidden risks**.

*As a consequence there is a high need for **promotion and awareness-raising** actions on the importance of business transfer. (Action 1)*

Most of family businesses are small and the owner is also the manager, who lacks formal economic knowledge, and for whom the business is a *sine die* activity which will "never end". Even the few owner managers who think at the transfer as an alternative before retiring from business, do not know the proper steps to be taken, and without the **proper planning knowledge**, find it as a too **difficult, unclear and thus risky procedure**.

There is a certain **mistrust** regarding this operation, people not being aware of the importance and possibilities of succession (*i.e. they do not know the necessary tips, do not have the necessary guidance and lack the information of previous successful transfer cases*), as they tend to avoid as too **risky** an operation they **do not sufficiently understand**. Legislation concerning business transfer as well as the tax situation could be improved, but the main serious impediment remains the **mentality** of both owners and potential successors.

Business transfer shouldn't be based only on intuition, but first on a **certain procedure** which has to include:

- a) gathering all relevant information about the company and the market demand for the business intended to be transferred;
- b) analysis of the data from point a) with drawing a conclusion;
- c) elaborating a plan (*including especially tax & finance and law issues*) based on the conclusion;
- d) implementing the plan.

As we said, Romanian capitalism is still at an early stage, and the entrepreneurial culture is still in formation. There are still few advisors with profound knowledge about the topic of business transfer. As a consequence, owners and successors do not have easy access to support. So, there is a need in providing support for stakeholders in business transfer through experts made available by the business incubators regarding legal advice; accounting, economic, financial, management consulting; evaluation; identification of sources of financing; identifying the potential buyers and facilitating and realizing the link between the main actors involved; dialogue and inter-institutional cooperation in order to simplify/improve the legal and fiscal framework in the field.

The main serious impediment remains the mentality. Most owners think quite superficial, in the way they hope their business will continue "for ever", not accepting they get older and some day they will not be able to run the business any more.

Others think emotionally, hoping their relatives will run the business after they pass away, denying the reality: namely that their relatives do not have -in most cases- their business ability. This mentality is directly linked to the lack of profound knowledge about the topic of business transfer.

*As a result there is a high need for providing **support/guidance** for stakeholders in business transfer through experts regarding legal advice, accounting, evaluation and identification of funding sources. (Action 2)*

Unfortunately, another decisive factor hindering the process of transferring a business is the fact that there is **no transparent, credible and sufficiently large means to promote the demand and supply** regarding the business transfer.

There is still not an **integrated coherent infrastructure for matchmaking**. As a result, establishing an **easy to use matchmaking web application** (facilitating the identification of stakeholders: e.g. sellers, buyers, consultants) will contribute to **promote, familiarize and facilitate the transfer of business, and to create easier communication between the people present in the business environment. (Action 3 Launching and promoting the matchmaking web application)**

*As a result there is a high need for launching and promoting a **matchmaking web application** to facilitate the business transfer (sale / purchase / consultancy). (Action 3)*

## Detailed Actions

### Action 1

#### Promotion and awareness-raising actions on the importance of ToB in events organised and funded by the Ilfov County Council

Description	<ul style="list-style-type: none"> <li>• target group: owner managers/ potential successors and, as a secondary group, people who can promote ToB at a large scale (like business analysts, influencers etc.);</li> <li>• this action is a result of the SWOT analysis and, respectively of the recommendations received from the partners during the interregional policy learning event from Bucharest);</li> <li>• the information program has been developed in order to promote and raise the awareness of the target group about the business transfer procedure as a more profitable option to controlled business-close-down.</li> <li>• In today's Romania, the entrepreneurial culture and especially the process of family business transfer are at an early stage;</li> <li>• the mentality and lack of knowledge are interconditioned and contribute to a certain mistrust regarding this operation, people not being aware of the importance and possibilities of succession;</li> <li>• promotion and awareness-raising actions on the importance of business transfer will be provided through events, online campaigns and the network of communicators/partners and they will address topics such as:             <ol style="list-style-type: none"> <li>a. the impact of business transfer regarding economic growth and jobs creation, including the benefits and opportunities for taking over an existing company;</li> <li>b. an overview and general information about the importance of preparing the succession in family affairs and good practice examples;</li> <li>c. the availability of specific services (e.g. information on tax&amp;financing, law, M&amp;A) for carrying out business transfer;</li> <li>d. importance of the matchmaking and methods that can be used to find the right company/ succesor and promotion of the existing tools that could be helpful in facilitating the matchmaking (including web platform created by Ilfov County Council – see Action 3);</li> <li>e. possible methods for financing the transfer of business;</li> </ol> </li> <li>• promotion and awareness-raising actions on the importance of business transfer, will be made through the following channels:             <ol style="list-style-type: none"> <li>a. <b>quarterly thematic events</b> – organized by Ilfov Business Hub for entrepreneurs, business analysts, consultants, influencers where among general business related topics will be approached transfer of business too. These events will take place during a 24 months period of time and we estimate each event will be attended between 30-50 participants;</li> <li>b. <b>online campaigns</b> – promotion on web pages and social media accounts (Facebook, Twitter, Linkedin, Instagram) with relevant information for raising the awareness of the</li> </ol> </li> </ul>
-------------	--

	<p>importance and benefits of business transfer, preparing the succession in family affairs, the specific advisory services provided for business transfer, matchmaking and financing methods etc.;</p> <p>c. <b>network of communicators/partnerships</b> – to convey the message to a wider audience with multiplier effect, communication efforts will be supported by other institutions and people who have the expertise and means. The network of communicators includes public institutions (regional and local), non-governmental organizations, academic institutions, professional associations.</p>
Timeframe	<p>January 2020-March 2022 – during the first incubation session</p> <p>January 2020-March 2022 – trimestrial raising awareness events</p>
People/institutions involved and their role	<p><b>Ilfov County Council</b> – local government for Ilfov County Role: monitoring the events and coordinating the elaboration of the materials presented and the dissemination of them to the public</p> <p><b>Ilfov Business Hub</b> – business incubator supporting entrepreneurship in Bucharest-Ilfov Region Role: organizing events, providing information services, promoting business transfer, disseminating information to the public</p>
Resources/Costs	90,000 Euros
Sources of financing	Ilfov County Council budget
Estimated impact	<ul style="list-style-type: none"> <li>• Familiarity with the concept of "business transfer";</li> <li>• raising the level of awareness regarding the importance of the business transfer within Bucharest-Ilfov Region;</li> <li>• be an estimated group of 280 participants (owner managers/potential successors and as a secondary group, people that can promote transfer of business at a large scale, like business analysts, influencers etc.).</li> </ul>



## Action 2

### Support, guidance and counselling for transfer of business

Description	<ul style="list-style-type: none"> <li>target groups:               <ol style="list-style-type: none"> <li>owner managers older than 55 years and/or who would like to retire from their business;</li> <li>successors within the family or 3rd party investors;</li> </ol> </li> <li>this action is a result of the SWOT analysis and, respectively of the recommendations received from the partners during the interregional policy learning event from Bucharest;</li> <li>there is a certain mistrust regarding transfer of business, people not being aware of the importance and possibilities of succession (<i>e.g. they do not know the necessary tips, do not have the necessary guidance and lack the information of previous successful transfer cases</i>), as they tend to avoid as too risky an operation they do not sufficiently understand;</li> <li>the new organizational chart of the Ilfov County Council includes an office for the relationship with the private environment, its main role being to facilitate the link between entrepreneurship environment and public administration. Through <i>The Office for Relations with Private Environment</i> Ilfov County Council will offer support, guidance and counselling for the entrepreneurs, including those interested in business transfer.</li> <li>one of the main tasks for the employees of Ilfov County Council within the office will be to keep in touch with the stakeholders in the project and with their help to formulate recommendations for business environment policy improving or to propose new pilot programs and will approach also business transfer topic.</li> <li>complementary to this activities, within Ilfov Business Hub business incubator, support activities will be carried out for stakeholders interested in the transfer of business through experts made available by the business incubator regarding:               <ol style="list-style-type: none"> <li>legal advice;</li> <li>accounting, economic, financial, management services;</li> <li>identification of financing sources;</li> <li>identifying the potential buyers and facilitating and realizing the link between the main actors involved;</li> <li>dialogue and interinstitutional cooperation in order to simplify/improve the legal and fiscal framework in the field.</li> </ol> </li> <li>related to the support activities, it is worth mentioning the role of the 4 LAGs coordinated by Ilfov County Council, all of which offer NPRD funding and consultancy for entrepreneurs.</li> </ul>
Timeframe	January 2020 – ongoing
People/institutions involved and their role	<p><b>Ilfov County Council</b> – local government for Ilfov County            Role: identification of financing programs for SMEs, drafting observations for the improvement of programs dedicated to SMEs, facilitates the link between entrepreneurship environment and public administration</p> <p><b>Ilfov Business Hub</b> – business incubator supporting entrepreneurship in Bucharest-Ilfov Region            Role: support, guidance and counselling for the entrepreneurs, including those interested in business transfer regarding:</p>

	<ul style="list-style-type: none"> <li>a. accounting, economic, financial, management services;</li> <li>b. identification of financing sources;</li> <li>c. identifying the potential buyers and facilitating and realizing the link between the main actors involved;</li> <li>d. dialogue and interinstitutional cooperation in order to simplify/improve the legal and fiscal framework in the field legal advice.</li> </ul>
Resources/Costs	85,000 Euros
Sources of financing	Ilfov County Council budget
Estimated impact	<ul style="list-style-type: none"> <li>• familiarity with the concept of "business transfer";</li> <li>• increasing the number of operations specific to the concept of "business transfer" within the administrative area of Ilfov County.</li> </ul>

### Action 3

#### The matchmaking online platform

Description	<ul style="list-style-type: none"> <li>• a decisive factor hindering the process of transferring a business is the fact that there are no transparent, credible and unitary means to promote the demand and supply regarding the business transfer;</li> <li>• there is still not an integrated coherent infrastructure for matchmaking. As a result, establishing a new -easy to use- matchmaking web platform (facilitating the identification of stakeholders: e.g. sellers, buyers, consultants) will contribute to promote, familiarize and facilitate the transfer of business, and to create easier communication between the people present in the business environment;</li> <li>• target group: owner managers who would like to retire from their business, potential successors/investors, consultants;</li> <li>• this action is inspired by             <ul style="list-style-type: none"> <li>- the Southwest Finland Regional Business Transfer Platform (Finland): the particular element of this GP is that the application creates an optimal environment for business owners and buyers to meet and helps them to reach a positive result for a business transfer case;</li> <li>- nextt-change.org national matchmaking online platform (Germany): The particular element of this GP is that the application is mainly financed by government under supervision of federal ministry of economy and energy and it is driven by a widespread partnership (CC, CCI, financial institutions) as regional partners;</li> <li>- as result of the SWOT analysis and, respectively of the recommendations received from the partners during the interregional policy learning event from Bucharest;</li> </ul> </li> <li>• the web online platform has been developed in order to facilitate the business transfer, more exactly helping meet the demand with the offer. As a consequence, the application aims to facilitate the transfer of business at the level of the online environment and to create an easier communication between the ToB stakeholders. In designing the application, the latest technological developments were taken into account, with a personalized web design (Responsive Web Design), so that it can be used from any device, from PCs to mobile phones;</li> <li>• the application creates the possibility to add companies for sale, to search for investors or remove a company from the list, all users of the investor type interested in a certain company will be displayed successively, with the possibility that the company manager can refuse or accept any of the interested investors. Investors will have the opportunity to set certain filters, the search results being displayed successively, with the possibility of being accepted or refused by the investor. When an investor presses the acceptance button of a company, and the company manager will accept the application suggestion regarding matching the investor requirements, a messaging channel will be opened so that the two can communicate;</li> <li>• the matchmaking web application will have a key role in</li> </ul>
-------------	--

	facilitating the identification of stakeholders related to transfer of business (sellers, buyers, consultants) and will be promoted in independent online campaigns or related to the activities foreseen in <b>Action 1</b> .
Timeframe	January 2020-March 2022 – First pahse of development January 2020-April 2020 – testing the web platform May 2020 – adding content on the platform September 2020 – web platform promotion (online, during events)
People/institutions involved and their role	<b>Ilfov County Council</b> – local government for Ilfov County Role: implementation of maintenance services of the application, development of the application, realization of content regarding the transfer of business within the application <b>Ilfov Business Hub</b> – business incubator supporting entrepreneurship in Bucharest-Ilfov Region Role: promoting the application in the business environment
Resources/Costs	<ul style="list-style-type: none"> <li>for the component of creating the web application the budget was 14,000 Euros and was included in the budget of STOB regions project;</li> <li>the costs for promoting the matchmaking online platform are for 2020 year 10,000 Euros and will be provided by the Ilfov County Council.</li> </ul>
Sources of financing	Ilfov County Council budget
Estimated impact	<ul style="list-style-type: none"> <li>increasing the number of operations specific to the concept of “business transfer” within the Bucharest-Ilfov region;</li> <li>easing the meeting between supply and demand, and thus in increasing the number of transactions.</li> </ul>

## ILFOV COUNTY COUNCIL

**Marian PETRACHE**  
PRESIDENT




**Remus TRANDAFIR**  
EXECUTIVE DIRECTOR